大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 118)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Notes	2005 HK$	(As restated) 2004 HK$
Turnover	2	**1,650,728,643**	1,665,686,691
Cost of sales		**(1,334,057,895)**	(1,328,939,190)
Gross profit		**316,670,748**	336,747,501
Other income and gains, net		**60,205,838**	23,469,894
Distribution costs		**(100,084,652)**	(100,086,383)
Administrative expenses		**(201,104,091)**	(197,460,058)
Other operating expenses		**(3,752,123)**	(2,470,792)
Impairment losses on bad and doubtful debts		**(20,306,525)**	(12,502,318)
Profit from operations		**51,629,195**	47,697,844
Finance costs		**(27,705,346)**	(19,967,833)
Investment income (deficit)		**1,156,065**	(606,339)
Gain on partial disposal of interests in subsidiaries		**–**	3,561,010
Loss on disposal of an associate		**(163,278)**	–
Share of results of associates		**55,383,405**	34,796,957
Profit before taxation	3	**80,300,041**	65,481,639
Taxation	4	**7,197,785**	8,933,910
Profit for the year		**73,102,256**	56,547,729
Attributable to:			
Equity holders of the Company		**54,221,555**	41,460,022
Minority interests		**18,880,701**	15,087,707
		73,102,256	56,547,729
Basic earnings per share for profit attributable to the equity holders of the Company during the year	5	**7.67 cents**	5.87 cents
Proposed dividend	6	**10,612,840**	7,062,289

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2005

	Notes	2005 HK$	(As restated) 2004 HK$
Non-current Assets			
Property, plant and equipment		**352,185,601**	378,163,460
Investment properties		**29,030,000**	24,400,000
Leasehold land and land use rights		**37,233,586**	46,356,915
Goodwill		**–**	1,345,375
Negative goodwill		**–**	(1,175,170)
Interests in associates		**176,613,599**	164,785,287
Available-for-sale financial assets		**7,649,210**	–
Investment securities		**–**	7,589,720
Deferred tax assets		**16,482,936**	15,946,247
		619,194,932	637,411,834
Current Assets			
Inventories		**515,079,900**	479,427,789
Leasehold land and land use rights		**1,062,347**	1,271,319
Trade and other receivables	7	**587,082,280**	571,589,920
Bills receivable		**22,319,691**	10,114,025
Tax recoverable		**22,939**	863,056
Pledged bank deposits		**15,208,608**	9,097,384
Bank balances and cash		**116,814,933**	102,399,361
		1,257,590,698	1,174,762,854
Current Liabilities			
Trade and other payables	8	**498,407,603**	490,301,830
Bills payable		**95,802,239**	149,813,650
Amounts due to associates		**9,428,477**	13,577,507
Tax payable		**11,194,007**	12,981,901
Bank and other borrowings – due within one year		**351,254,487**	261,994,633
Obligations under finance leases – due within one year		**4,895,625**	5,373,852
		970,982,438	934,043,373
Net Current Assets		**286,608,260**	240,719,481
Total Assets less Current Liabilities		**905,803,192**	878,131,315
Non-current Liabilities			
Bank and other borrowings – due after one year		**21,264,955**	47,307,864
Obligations under finance leases – due after one year		**9,790,112**	1,035,295
Deferred tax liabilities		**9,536,005**	9,607,325
Total non-current liabilities		**40,591,072**	57,950,484
Net Assets		**865,212,120**	820,180,831
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital		**283,009,077**	282,491,543
Share premium		**241,478,789**	241,478,789
Other reserves		**25,277,384**	28,945,707
Retained earnings			
– Proposed final dividend		**10,612,840**	7,062,289
– Others		**164,917149**	102,643,518
		725,295,239	662,621,846
Minority Interests		**139,916,881**	157,558,985
Total Equity		**865,212,120**	820,180,831

Notes:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, certain financial assets and financial liabilities and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HK(SIC) – Int 12	Scope of HK(SIC) – Int 12 Consolidation – Special Purpose Entities
HK(SIC) – Int 15	Operating Leases – Incentives
HK(SIC) – Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 18, 21, 23, 24, 27, 28, 33 and HK(SIC)-Ints 12 and 15 and HKFRS 2 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 affects certain presentation in these financial statements, including the following:
  - minority interests are now presented in the consolidated income statement and within the equity in the consolidated balance sheet separately from results/equity attributable to equity holders of the parent;
  - taxes of associates attributable to the Group, which were previously included in tax charge in the consolidated income statement, are now included in the Group's share of profits and losses of associates; and
  - the Group is no longer permitted to not disclose comparative information for movements in property, plant and equipment.

– HKASs 2, 7, 8, 10, 16, 18, 23, 27, 28, 33 and HK(SIC) – Ints 12 and 15 and HKFRS 2 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In case, the two elements cannot be allocated reliably, the entire lease is classified as a finance lease and carried at cost less accumulated depreciation and any accumulated impairment losses. In prior years, the leasehold land and land use rights were accounted for at fair value or cost less accumulated depreciation and any accumulated impairment. The new accounting policy has been applied retrospectively to the extent that results in the reclassification of certain leasehold interest in land and land use rights previously included in "Property, plant and equipment" as "Leasehold land and land use rights" with comparatives restated to conform to the current year's presentation.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 31st December 2004 investments of the Group were classified into long term investments and/or short term investments, which were stated in the balance sheet at cost less any accumulated impairment losses and at fair value, respectively, and any impairment losses on long term investments and changes in fair value of the short term investments were recognised in the income statement in the period in which they arise.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale financial assets and financial assets at fair value through profit or loss. The classification depends on the purpose for which the investments were held. As a result of the adoption of HKAS 39, all the investments are now stated at fair value in the balance sheet, except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. In addition, all the investments as at 31st December 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1st January 2005 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits at 1st January 2005. However the adoption of HKAS 39 has had no material effect on the Group's results and equity.

The effect of the changes in accounting policies on these financial statements as a result of the adoption of HKAS 32 and HKAS 39 is summarised as follows:

All investment securities of the Group and the Company as at 31st December 2004 were redesignated into available-for-sale financial assets on 1st January 2005. The aggregate differences between the respective carrying value of each investment as at 31st December 2004 and the respective fair value at 1st January 2005 is insignificant and hence, no adjustment has been made against the retained profits at 1st January 2005;

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. However, since the Group has continued to adopt the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained profits as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

In addition, in prior years land (including leasehold land) which the Group held for an undetermined future purpose was accounted for under the valuation model in SSAP 17 "Property, plant and equipment", whereby the land was carried at fair value, with any movements in the fair value of the land being normally taken to the land and buildings revaluation reserve, net of deferred tax thereon.

Upon adoption of HKAS 40 as from 1st January 2005:

All changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40; and land held for an undetermined future purpose is recognised as "investment property" if the property is freehold or, if the property is leasehold, the Group has chosen to recognise such land as investment property rather than as land held under an operating lease.

As such, movements in the fair value of land held for an undetermined future purpose are also now recognised directly in the income statement as they arise in accordance with the fair value model.

These changes in accounting policy have been adopted prospectively by increasing the opening balance of retained profits as of 1st January 2005 by HK$6,772,784 to include all the Group's previous investment properties revaluation reserve and the accumulated surplus held in the Group's land and buildings revaluation reserve in respect of the leasehold land held for an undetermined future use.

This new policy has no significant effect on the Group's profit before taxation for the year ended 31st December 2005 and 2004.

The adoption of revised HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31st December 2004, goodwill was:

– Amortised on a straight line basis over a period ranging from 3 to 5 years; and
– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1st January 2005;
– Accumulated amortisation as at 31st December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
– From the year ended 31st December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment;
– Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of business combination is recognised immediately in the consolidated income statement. In addition, following the transitional provisions of HKFRS 3, the carrying amounts of the negative goodwill recognised on the consolidated balance sheet or remained credited to the consolidated capital reserve as at 1st January 2005 were derecognised by way a corresponding adjustment to the opening retained profits as at 1st January 2005; and
– On disposal of subsidiaries or associates, any attributable goodwill previously eliminated against the consolidated capital reserve at the time of acquisition is transferred to the consolidated retained profits as a movement in reserves and is not included in the calculation of the gain or loss on disposal.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 by HK$11,460,978.

The adoption of revised HKAS 17 also resulted in:

	2005	2004
	HK$	*HK$*
Decrease in property, plant and equipment	**(59,461,000)**	(72,450,000)
Increase in leasehold land and land use rights	**38,295,933**	47,628,234
Decrease in deferred tax liabilities	**2,929,311**	4,022,328
	(18,235,756)	(20,799,438)
Increase (Decrease) in retained profits	**3,796,465**	(503,604)
Decrease in building revaluation reserves	**(21,558,892)**	(15,424,632)
Decrease in translation reserves	**–**	(208,983)
Decrease in minority interests	**(473,329)**	(4,662,219)
	(18,235,756)	(20,799,438)
Decrease in administrative expenses	**(717,735)**	(963,418)
Increase in other operating expenses	**–**	1,190,075
Increase (Decrease) in basic earnings per share	**0.11 cents**	(0.06) cents

The adoption of HK(SIC)-Int 21 resulted in a decrease in opening reserves at 1st January 2004 by HK$1,833,937.

The adoption of HK(SIC)-Int 21 also resulted in:

	2005	2004
	HK$	*HK$*
Increase in deferred tax liabilities	**(1,833,937)**	(1,833,937)
Decrease in investment property revaluation reserve	**(1,833,937)**	(1,833,937)

The adoption of revised HKFRS 3 resulted in an increase in opening reserves at 1st January 2005 by HK$1,175,170.

The adoption of HKFRS 3 also resulted in:

	2005	2004
	HK$	*HK$*
Increase in retained profits	**1,175,170**	–
Decrease in intangible assets	**1,175,170**	–

There was no impact on basic earnings per share from the adoption of HKAS 39.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Primary reporting format – Business segments

At 31st December, 2005, the Group is organised on a product basis into five main business segments.

(1) trading of industrial consumables
(2) manufacturing of plastic processing products
(3) manufacturing of machinery
(4) manufacturing of audio and electronic products
(5) manufacturing of printed circuit boards.

The segment results for the year ended 31st December, 2005 are as follows:

	Industrial consumables *HK$*	**Plastic processing products** *HK$*	**Machinery** *HK$*	**Audio and electronic products** *HK$*	**Printed circuit boards** *HK$*	**Other operations** *HK$*	**Eliminations** *HK$*	**Consolidated** *HK$*
TURNOVER								
External sales	268,286,842	349,706,556	573,929,106	84,535,186	374,270,953	–	–	1,650,728,643
Inter-segment sales	6,997,496	14,702,249	11,054,992	–	–	–	(32,754,737)	–
Total revenue	275,284,338	364,408,805	584,984,098	84,535,186	374,270,953	–	(32,754,737)	1,650,728,643
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	18,475,049	22,156,951	29,010,580	(17,817,187)	18,762,027	(612,342)	1,274,768	71,249,846
Unallocated corporate expenses								(19,620,651)
Profit from operations								51,629,195
Finance costs								(27,705,346)
Investment income								1,156,065
Loss on disposal of an associate								(163,278)
Share of results of associates		(379,623)	4,906,841			50,856,187		55,383,405
Profit before taxation								80,300,041
Taxation								7,197,785
Profit before minority interests								73,102,256

	Industrial consumables *HK$*	**Plastic processing products** *HK$*	**Machinery** *HK$*	**Audio and electronic products** *HK$*	**Printed circuit boards** *HK$*	**Other operations** *HK$*	**Consolidated** *HK$*
ASSETS							
Segment assets	144,959,427	285,992,387	924,272,566	48,200,525	218,698,044	41,645,619	1,663,768,568
Interests in associates							176,613,599
Available-for-sale financial assets							7,649,210
Unallocated corporate assets							28,754,253
Consolidated total assets							1,876,785,630
LIABILITIES							
Segment liabilities	58,998,310	67,826,339	301,926,269	15,028,239	137,317,793	16,277,726	597,374,676
Tax payable							11,194,007
Borrowings							387,205,179
Unallocated corporate liabilities							15,799,648
Consolidated total liabilities							1,011,573,510
OTHER INFORMATION							
Addition of goodwill	–	–	767,222	343,361	–	–	1,110,583
Capital additions	247,512	15,483,790	33,504,440	1,417,256	13,534,486	681,693	64,869,177
Depreciation and amortisation	1,024,817	19,701,530	21,270,744	3,329,708	13,588,304	1,556,372	60,471,475
Other non-cash expenses	97,702	348,506	17,546,312	6,026,079	240,000	3,489,119	27,747,718

The segment results for the year ended 31st December, 2004 are as follows:

	Industrial consumables *HK$*	**Plastic processing products** *HK$*	**Machinery** *HK$*	**Audio and electronic products** *HK$*	**Printed circuit boards** *HK$*	**Other operations** *HK$*	**Eliminations** *HK$*	**(As restated) Consolidated** *HK$*
TURNOVER								
External sales	266,707,052	285,238,625	624,674,472	140,204,253	348,862,289	–	–	1,665,686,691
Inter-segment sales	5,145,693	20,407,404	16,691,400	6,523	–	–	(42,251,020)	–
Total revenue	271,852,745	305,646,029	641,365,872	140,210,776	348,862,289	–	(42,251,020)	1,665,686,691
Inter-segment sales are charged at prevailing market rates.								
RESULTS								
Segment results	14,058,419	23,560,476	36,308,543	(7,408,578)	(2,963,750)	(1,311,593)	(2,023,417)	60,220,100
Unallocated corporate expenses								(12,522,256)
Profit from operations								47,697,844
Finance costs								(19,967,833)
Investment income								(606,339)
Gain on partial disposal of interests in subsidiaries			3,561,010					3,561,010
Share of results of associates		(277,147)	7,668,397			27,405,707		34,796,957
Profit before taxation								65,481,639
Taxation								8,933,910
Profit before minority interests								56,547,729

	Industrial consumables *HK$*	**Plastic processing products** *HK$*	**Machinery** *HK$*	**Audio and electronic products** *HK$*	**Printed circuit boards** *HK$*	**Other operations** *HK$*	**(As restated) Consolidated** *HK$*
ASSETS							
Segment assets	136,790,702	268,414,322	848,669,065	103,654,187	213,349,527	45,681,139	1,616,558,942
Interests in associates							164,785,287
Investments in securities							7,589,720
Unallocated corporate assets							23,240,739
Consolidated total assets							1,812,174,688
LIABILITIES							
Segment liabilities	57,833,504	52,443,152	316,933,985	49,398,567	141,347,130	30,790,272	648,746,610
Tax payable							12,981,901
Borrowings							315,711,644
Unallocated corporate liabilities							14,553,702
Consolidated total liabilities							991,993,857
OTHER INFORMATION							
Addition of goodwill	–	–	1,137,323	399,132	–	–	1,536,455
Capital additions	1,310,278	29,870,355	31,660,590	649,886	32,515,903	656,627	96,663,639
Depreciation and amortisation	994,754	18,631,360	20,632,389	7,009,097	10,752,664	1,494,203	59,514,467
Other non-cash expenses	1,373,692	3,883,186	8,767,469	–	360,000	592,689	14,977,036

Secondary reporting format – Geographical segments

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, Europe and North America. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery, audio and electronic products and printed circuit boards divisions are located in the PRC.

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

	Sales revenue by geographical market	
		As restated
	2005	2004
	HK$	*HK$*
Hong Kong	**651,796,290**	643,730,354
PRC	**786,634,856**	758,890,886
Other Asia-Pacific countries	**81,149,644**	85,293,226
Europe	**69,774,156**	40,686,874
North America	**61,373,697**	137,085,351
	1,650,728,643	1,665,686,691

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

	Carrying amount of segment assets		**Additions to property, plant and equipment and intangible assets**	
		As restated		As restated
	2005	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**522,870,510**	343,291,612	**729,375**	1,191,192
PRC	**1,296,921,735**	1,413,613,041	**65,250,385**	97,008,902
Other Asia-Pacific countries	**14,632,737**	25,974,996	**–**	–
North America	**19,105,144**	19,277,377	**–**	–
Europe	**23,255,504**	10,017,662	**–**	–
	1,876,785,630	1,812,174,688	**65,979,760**	98,200,094

3. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging and crediting the following:

	2005	(As restated) 2004
	HK$	*HK$*
Charging:		
Staff costs		
Directors' remuneration	**12,181,425**	9,169,158
Salaries and other benefits	**198,928,570**	188,729,246
Retirement benefits scheme contributions	**7,847,566**	7,271,625
	218,957,561	205,170,029
Depreciation and amortisation on:		
– Owned assets	**53,910,101**	52,683,780
– Assets held under finance leases	**5,499,027**	3,720,610
– Leasehold land and land use rights	**1,062,347**	1,271,319
Amortisation of goodwill (included in share of results of associates)	**–**	78,181
Amortisation of goodwill (included in other operating expenses)	**–**	1,760,577
Impairment losses on goodwill (included in other operating expenses)	**2,455,958**	–
Auditors' remuneration		
– Current year	**1,679,991**	1,714,827
– Overprovided in prior years	**(108,140)**	(204,000)
Loss on disposal of property, plant and equipment	**4,597,514**	444,501
Operating lease payments	**12,381,500**	14,134,812
Impairment losses on trade receivables	**11,565,164**	7,287,987
Impairment losses on other receivables	**6,457,962**	4,714,331
Impairment losses on amounts due from associates	**2,283,399**	500,000
Revaluation deficit on leasehold buildings	**186,250**	632,034
Write-down of inventories	**7,753,318**	1,397,903
Share of associates' taxation	**5,618,447**	4,573,682
and crediting:		
Rental income net of outgoings	**2,783,556**	2,869,478

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2005 HK$	(As restated) 2004 HK$
Hong Kong Profits Tax		
Current year	**1,494,083**	1,432,913
Underprovision in prior years	**1,003,805**	62,867
	2,497,888	1,495,780
Taxation outside Hong Kong	**5,295,076**	7,852,446
Deferred taxation relating to the origination and reversal of temporary differences	**(595,179)**	(414,316)
Taxation charge	**7,197,785**	8,933,910

In accordance with the presentation requirements of HKAS 1 adopted by the Group during the year as detailed in note 1 (a) to the financial statements, taxes of associates attributable to the Group, which were previously included in taxation charge on the consolidated income statement, are now included in the share of profits and losses of associates. The comparative amounts for the year ended 31st December 2004 have been restated to conform to the current year's presentation.

5. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year of HK$54,221,555 (2004: HK$41,460,022, as restated) and on the weighted average number of shares in issue during the year of 706,856,278 (2004: 706,228,857).

The adjustment to the comparative basic earnings per share, arising from the adoption of HKAS 17 and HK(SIC)-Int 21 is as follows:

	HK cents
Reconciliation of 2004 earnings per share:	
Reported figure before adjustments	5.93
Adjustments arising from adoption of HKAS 17 and HK(SIC)-Int 21	(0.06)
As restated	5.87

6. DIVIDENDS

	2005 HK$	2004 HK$
Dividend proposed after the balance sheet date of HK$0.015 (2004: HK$0.01) per share	**10,612,840**	7,062,289

7. TRADE AND OTHER RECEIVABLES

The carrying amount of trade and other receivables are as follows:

	THE GROUP	
	2005 HK$	2004 HK$
Trade receivables	**458,229,592**	476,722,571
Other receivables	**127,897,236**	81,841,342
Loans to related parties	**955,452**	13,026,007
	587,082,280	571,589,920

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The Group allows an average credit period of 90 days to 120 days for customers. As at 31st December 2005 and 31st December 2004, the ageing analysis of the trade receivables is as follows:

	THE GROUP	
	2005 HK$	2004 HK$
0 to 3 months	**313,130,873**	327,431,607
4 to 6 months	**53,587,512**	50,976,608
7 to 9 months	**26,877,786**	29,665,864
Over 9 months	**64,633,421**	68,648,492
	458,229,592	476,722,571

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

8. TRADE AND OTHER PAYABLES

	THE GROUP	
	2005 HK$	2004 HK$
Trade creditors	**322,829,298**	323,783,270
Accruals and other payables	**163,503,784**	140,432,826
Amounts due to related parties	**12,074,521**	26,085,734
	498,407,603	490,301,830

The aged analysis of the Group's trade payables at the balance sheet date is as follows:

	THE GROUP	
	2005 HK$	2004 HK$
0 to 3 months	**254,577,445**	249,729,334
4 to 6 months	**38,127,124**	41,617,321
7 to 9 months	**11,699,548**	8,304,796
Over 9 months	**18,425,181**	24,131,819
	322,829,298	323,783,270

The directors consider that the carrying amount of trade payables approximates to their fair value.

9. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2005 HK$	2004 HK$	2005 HK$	2004 HK$
Guarantees given to financial institutions in respect of credit facilities utilised by:				
Subsidiaries	**–**	–	**708,161,811**	511,049,811
Outsiders	**–**	6,109,023	**–**	–
	–	6,109,023	**708,161,811**	511,049,811

10. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged by the Group to secure general banking facilities:

	Net book value	
	2005 HK$	As restated 2004 HK$
Investment properties	**13,500,000**	13,500,000
Leasehold buildings	**42,036,000**	44,980,000
Leasehold land and land use rights	**12,266,025**	8,218,452
Plant and machinery	**66,372,394**	67,050,540
Bank deposits	**15,208,608**	9,097,384
	149,383,027	142,846,376

FINAL DIVIDEND

The Board recommends the payment of a final dividend for the year ended 31st December, 2005 of HK1.5 cents per share (2004: 1 HK cent per share) to shareholders of the Company whose names appear on the register of members of the Company as at the date of the 2006 Annual General Meeting.

CLOSE OF REGISTER

The register of members of the Company will be closed from 23rd May, 2006 to 29th May, 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers and the relevant share certificates must be lodged with the Company's Registrars, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m., on 22nd May, 2006.

BUSINESS REVIEW AND PROSPECTS

RESULTS

The Group's consolidated turnover for the year 2005 was in the region of approximately HK$1,650,729,000, representing a decrease of about 1% over the approximate figure of HK$1,665,687,000 for 2004. Our profit before taxation stood at about HK$80,300,000, or some 23% higher than the approximate figure of HK$65,482,000 for the previous year. For the year ended 31 December 2005, the profit attributable to shareholders was about HK$54,222,000, increasing by 31% when compared with last year.

CHAIRMAN'S STATEMENT

Subsequent to the adverse market condition of 2004, prices of raw materials remained high throughout the year under review. Although taxed and challenged by the price pressure, consolidated profit managed to keep growing at a reasonable pace, thanks to the hard work of our staff.

Adhering to our management principles and development guidelines of "industry-based, people-oriented, pragmatically aggressive, and continuous learning" during the year under review, our business continued to evolve around machinery manufacture and technological development. Our pursuits for product differentiation and quality perfection have gained for the Group a strong footing in the market. In 2005, hi-tech products catering to the needs of customers were successively launched and were well received by the market. The additional business thus generated not only compensated the ebbing sales of standard series as impacted by unregulated price wars but also served to reaffirm the technology-led strategy we have been pursuing for product development. With apt market strategies and good service, it is believed that these new products will become a new source of profit for the Group. The year 2005 was also a year of honour for the Group since our member company Dong Hua Machinery Limited was ranked by the Government as among China's Top 500 Machine Manufacturers and China's Top 10 Plastic Rubber Machine Manufacturers. The professional recognition thus given to our unswerving endeavours serves to reassure us that we have all along been striving forward on the right track. Our research and development collaborations with Mainland and overseas tertiary institutes have also produced fruitful results, adding to our technological reserve for developing new products.

To consolidate our position in the East China market and to provide timely and better service to our customers, the Company successfully assumed in mid-2005 interests previously held by our Chinese partner so that Wuxi Grand Plastic Machine Manufacture Co., Ltd. and Wuxi Grand Tech Machinery Group Ltd. have now come under the Group's umbrella as wholly owned enterprises. This has resulted in better coordination of production resources for our machinery manufacturing business and also better integration in our market network. Based on development needs, the Group will enlarge our engagement in East China as and when required to secure a fair market share for our machinery in the fast emerging Yangtze Delta region.

As for our other manufacturing businesses like plastic injection moulding and circuit board processing, we will continue to adhere to the same guiding principles and investment visions in updating our technologies, renewing our products and optimizing our management in a pragmatic and forward-looking manner to tie in with the latest needs of the market.

Looking ahead, the coming year will again be marked by tests and challenges to which our Management will continue to rise realistically and pragmatically. It being also the inception year of the State's 11th Five-year Plan when technological advancement and originality are greatly prized for industrial development, mainland enterprises are likely to shift their investment preference from quantity to quality and new technologies. This means a golden opportunity is awaiting technology-based enterprises like ours to prove ourselves and to provide even better return to our shareholders and stakeholders.

To reflect more truly our vitality and perseverance as well as our emphases on people and plurality, the Group renewed its logo in September 2005 in the firm belief that, standing together as a team, we will surely make our future even brighter.

Appreciation

The favourable results achieved by the Group despite market adversities were largely attributable to our enterprising and hardworking staff, as well as our supportive shareholders and Board Members. I would like to take this opportunity to express my heartfelt thanks to all of them.

BUSINESS REVIEW

Manufacturing Business

Machinery

Battered by unfavourable factors like spiraling raw material prices, macro-economic adjustments on the Mainland and oversupply of general purpose plastic injection moulding machines, turnover for the 2005 amounted to approximately HK$573,929,000, decreasing by 8% when compared with that of last year. Profit correspondingly dropped by 20% to about HK$29,011,000.

The wildly fluctuating plastic resins prices during the year have put investors of plastic processing and sheet-metal working machines on the sidelines, immediately slackening demand for general purpose machinery on the Mainland. Having taken note of the increasing demand for precision and large plastic injection moulding machines and reinforced our relevant production lines accordingly, we achieved substantial growth in the sales of such series, compensating for the downturn in general purpose machines. As for the new products, development of CNC sheet-metal working machines and blow-moulding machines aiming at improving our products' value for money have accelerated. Initial response from the market has been encouraging so far.

To oversee the Group's industrial machinery-related businesses for more effective deployment of resources, a machinery holding company was set up in 2005. One of the measures taken was revamping the makeup of production bases in a bid to align production with their respective target markets. Prompt response to increasingly individualized market needs is now possible following the general takeover of a joint venture in Wuxi to improve the scale and commitment of our business in East China. In terms of marketing, to facilitate the launch of new products, sales networks and marketing drives both on the Mainland and overseas have been improved to ensure for our key products a greater market share within a shorter period of time. Success has been more evident in our overseas markets to which exports have grown satisfactorily thanks to our preliminary efforts in laying down a sustainable foundation for future development.

As for prospects in 2006, the Mainland, as the world's factory and a vibrant economy, is expected to witness rise in both investment and domestic spending. Intentions to invest in plastics processing and sheet-metal working machinery will improve when prices of plastic resins and steel stabilize. In anticipation of the likely accelerated growth of the Mainland market for medium to up-market injection moulding machines, we will scale up the production of these series at our plants in Wuxi, China, in collaboration with Japan UBE Industries Ltd to meet market needs. Turning to our other products, fully closed-loop plastic injection moulding machines, high speed CNC turret punch and high productivity multi-layer blow-moulding machines are expected to sell significantly better than in 2005. All in all, although competition will remain fierce, the Group is cautiously optimistic about the outlook of its machinery business.

Plastic Products and Processing

Turnover for the Group's plastic products and processing business rose by approximately HK$64,468,000, or about 23%, to reach approximately HK$349,707,000 for the year under review, bringing profit to the region of approximately HK$22,157,000, or a decrease of about 6% when compared to that of last year.

Our plastic product and processing business was adversely affected in cost by soaring plastic resins prices, which were pushed up by those of oil. Thanks to the efforts made by our staff, efficiency was enhanced through optimizing management and reducing wastage. Also, the Group's ancillary processes such as high quality spray-painting and silk-screening have given us an edge so that profitability could be maintained. Nevertheless, since market competition is expected to remain fierce while high material prices cannot be immediately transferred to the customers, the Group's profitability in the plastic products and processing business will still come under considerable pressure. Led by our export markets, manufacture of moulds registered substantial growth during the year under review. When quality and delivery are further improved, manufacture of moulds will become our new area of growth.

Equipped with a fully enclosed clean room built in accordance with international standards and complete with injection, printing, packaging and mould making facilities so that the entire process from product design to batch production can be carried out in-house, our factory in Zhuhai specializes in plastic injection products like sanitary plastic tableware and food packaging. Disadvantaged by high plastics prices, the factory failed to record satisfactory return despite achieving significant growth in turnover. The Group, however, remains optimistic about the business. In early 2006, to enhance profitability, the Group began tapping the more ludicrous overseas markets and planning the production of medicine packaging with more stringent sanitary requirements while better controlling and reducing wastage.

During the year under review, thanks largely to the Management's proper cost control, profit for optic plastic products was comparable to that of last year although the business was plagued by sagging selling prices and inflating raw material cost. Our focus for 2006 will be on expanding our distribution channels and reaching out to small and medium-sized overseas customers through electronic business solutions. On the product front, there will be more new products like aspheric lens and Fresnel lens in the hope of gaining a bigger market share for our magnifiers.

Audio and Electronic Products

Overall turnover for audio products in 2005 totaled approximately HK$84,535,000, down by about 40% when compared with that of 2004. This was mainly attributable to overstocking by our customers which had a lagged effect on our delivery cycles. With raw material prices inflating our cost and labour and power shortages on the Mainland causing us enormous difficulties, a balanced account was not possible and loss was again registered for the year. Unless there is substantial improvement, the Group will review the business further in order to minimize loss in 2006.

Printed Circuit Board

Sales of circuit boards were quite satisfactory for the year 2005, with turnover rising by approximately HK$25,409,000, or 7%, to stand at approximately HK$374,271,000. With material costs for circuit boards beginning to stabilize in 2005 and selling prices adjusted slightly upward, a profit of about HK$18,762,000 was recorded at the end of the year.

The key factor for satisfactory performance during the year under review lied in the substantial increase in the production of multi-layer circuit boards, the volume of which was twice that of 2004. Since multi-layer circuit boards have a bigger profit margin than single-layer ones, overall profit for the year was remarkably boosted as a result. Another factor was that lamination process is now carried out internally rather than entirely outsourced as was previously the case. This had the benefit of not only achieving certain savings but also assuring quality and delivery to the satisfaction of our customers. To reduce costs further, the Management has put in a lot of efforts to streamline work flow, economize the use of materials, identify cheaper substitutes, and minimize substandard products. The results have so far been more encouraging than expected.

Profit for the coming year is likely to suffer since prices of raw materials for circuit boards have began to soar in the third quarter of 2005 while basic salary and overtime pay for workers and staff are expected to rise in 2006. Under the circumstances, the Group has plans to acquire state-of-the-art CNC drilling machines to meet our customers' stringent demands as well as to save on outsourcing expenses.

Trading Business

Industrial Consumables

Turnover for the trading business rose by about 1% over that of last year to reach the region of approximately HK$268,287,000, yielding a profit of approximately HK$18,475,000.

During the year, the processing and manufacturing industries were hard hit by soaring costs as a result of consistently high prices of raw materials like metal and plastic. As our customers readjusted their production and procurement plans, the performance of our trading business experienced a sharp fall in the first quarter. Furthermore, climbing production costs also ate into our profit. Faced with intense competition in the market, the Group remained adamant with our strategic plan to secure for our selective products a bigger share in our target markets. Performance began to improve in the second quarter, to be followed by a more significant growth in the latter half of the year as the high material prices were gradually absorbed by the market and breakthroughs were made for some of our new products.

With the further opening up of the Mainland market, there will be a golden opportunity for us to expand our business although competition would be more fierce as the market draws in more and more players. In response to these challenges, the Group will continue to look out for new market needs for possible expansion, enhance our logistics and supply mechanism, provide our staff with continuous learning for better overall profitability, and satisfy our customers with quality products and service for mutual benefit.

Other Businesses

Other businesses refer primarily to the Group's investment in a Shenzhen enterprise that produces and sells electronic watt-hour meters. Taking advantage of China's need for electricity re-networking, the enterprise has been providing mainland electricity departments with multi-purpose electronic watt-hour meters for industrial and domestic use in recent years. Technologically advanced and all-encompassing in features, the meters have been well-received by customers, bringing in significant return for both the enterprise and the Group. During the year under review, new hi-tech products that can meet Mainland's needs for electricity management were launched. These include remote self-reading meters and systems for better management of electricity capacity / loading and distribution monitoring based on 2.5G-3G GPRS frequency bands, and electricity bill payment through pre-paid RF-smart card. It is believed that these new products will gradually take over as the major growth area for the enterprise in the coming year.

PROSPECTS

Looking into the year 2006, as the world's factory and a vibrant economy, China is expected to witness rise in both investment and domestic spending. As such, market condition will compare favourably with that of 2005. Nevertheless, unfavourable factors like persistently high prices of raw materials, a strong RMB and escalating interest rates are expected to intensify competition especially for general purpose injection moulding machines. Under the circumstances, the Group will seek to consolidate our market share with hi-tech and moulding machines with special application while actively striving to open up overseas markets for these products. Parallel to this, efforts will be made to improve the market penetration of our new products like high productivity multi-layer blow-moulding machines, CNC turret punches and rubber injection machinery, reinforce our collaboration with Japan UBE Industries Ltd., and familiarize manufacturers of up-market automobile parts with our injection moulding machines.

To maintain our profitability, management of the plastic products and processing business will be optimized to reduce loss and wastage. In particular, Enterprises Resources Planning, the latest management software system with special application in plastic processing, has been used to reinforce and upgrade our management.

Nurturing of talents, especially at the middle and senior levels, is also a priority for the Group. Although 2006 is not expected to be entirely rosy, we strongly believe that with the devotion of our staff, our business will continue to progress steadily so that reasonable return can be achieved for our stakeholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2005, the Group's shareholders' funds were approximately HK$725,295,239, compared with approximately HK$662,621,846 (restated) as at 31st December, 2004.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's gearing ratio as at 31st December, 2005 was approximately 5.6% (2004: 8.7%), and the liquidity ratio was approximately 1.30 (2004: 1.26), both were maintained at a healthy level. As at 31st December, 2005, cash, bank balances and time deposits amounted to approximately HK$116,815,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the year under review was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Chief Executive to acquire benefits by means of the acquisition of shares or any underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of SFO); and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

SHARE OPTION SCHEME

In order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time, the Company has adopted the share option scheme at the Annual General Meeting of the Company held on 30th May, 2005. No option were granted, exercised, cancelled or lapsed during the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31st December, 2005 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the five Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2005, the Group has approximately 6,000 employees (2004: approximately 6,000), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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

During the year ended 31st December, 2005, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN THE CODE ON CORPORATE GOVERNANCE PRACTICES

The directors consider that the Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2005 except for the following code provisions A.2.1, A.4.2 and E.2.1:

Code Provision A.2.1 – Pursuant to code provision A.2.1, roles of the Chairman and chief executive officer should be separate. In order to comply with this code, Mr. Wong Yiu Ming ("Mr. Wong"), the existing Executive Director and General Manager, has been re-designated as Executive Director and Chief Executive Officer of the Company with effect from 12th September, 2005. The date of appointment of Mr. Wong was slightly later than the six months ended 30th June, 2005.

Code Provision A.4.2 – Under the code provision A.4.2 of the Code, (a) All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Article 94 of the Memorandum and New Articles of Association ("M&A") of the Company, "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting." Accordingly, the existing Article 94 of the M&A of the Company constitutes a deviation from code provision A.4.2 of the Code and will be amended in the forthcoming annual general meeting as "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the existing Board), and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation as such meeting."

Besides, according to Article 103(A) of the M&A of the Company, "At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election." Therefore in order to comply with code provision A.4.2 of the Code, the existing Article 103(A) of the M&A of the Company will be amended in the forthcoming annual general meeting as "At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election."

Code Provision E.2.1 – under the Code Provision E.2.1 of the Code, "Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies." In order to comply with Code Provision E.2.1 of the Code, the existing Article 74 of the M&A is proposed to be amended to add in Article 74(V) in the forthcoming Annual General Meeting to the effect that if required under the Listing Rules, the Chairman and/or any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

CORPORATE GOVERNANCE

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of the Independent Non-executive Directors are independent.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk. The annual report will be available at the Company's website and the website of The Stock Exchange of Hong Kong Limited and dispatched to shareholders of the Company in late April 2006.

On behalf of the Board
TANG To
Chairman

Hong Kong, 24th April, 2006