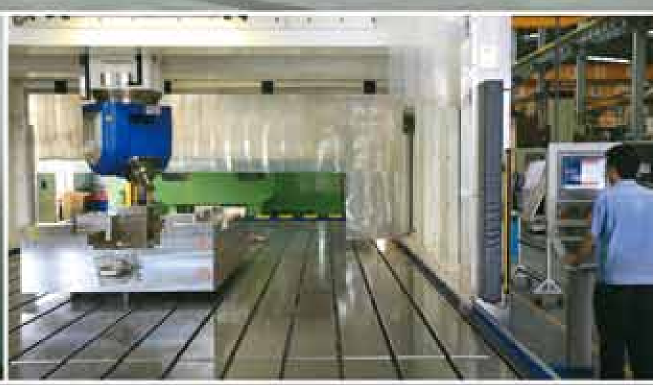
LKM®

Lung Kee (Bermuda) Holdings Limited

Stock Code: 255



2009

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

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

REGISTERED OFFICE
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2 Church Street
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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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, 2009.

BUSINESS REVIEW

The Group's revenue in the year ended 31st December, 2009 was approximately HK$2,235 million (2008: approximately HK$3,074 million). Profit attributable to owners of the Company in the year ended 31st December, 2009 was approximately HK$221 million (2008: approximately HK$288 million). Basic earnings per share in the year ended 31st December, 2009 was HK35.61 cents (2008: HK46.50 cents).

The review year happened to undergo the global economic recession time as resulted from the outbreak of financial tsunami. With impaired market confidence and contraction of consumer market, the global manufacturing industry was pushed to the edge of collapse. Under such extremely tough business-operating environment, the business of the Group was unavoidably affected. As the performance in the first half of the year was not satisfactory, despite the business began to turnaround in the second half of the year, the Group's turnover as a whole still fell behind expectation.

PROSPECTS

The economic performance in the first quarter of the year of 2010 offers positive sign of revival in the global economy; however, it does not guarantee that such good momentum of development will maintain throughout the year. Looking ahead, the business-operating environment is expected to improve mildly, as compared with that of last year, though uncertainties still prevail in the market.

After undergoing market adjustment process for more than one year, overseas markets, including Europe and America are gradually recovering, which stimulates the export business growth of China. Striving to trim down production cost, overseas customers seek to outsource mould and parts directly from China manufacturers. In such connection, the quality mould products as offered by the Group meet perfectly with their needs for higher quality. Equipped with the production skills and market competitive edge for high precision moulds, the Group will capitalize such business opportunity, and penetrate further into the high-end mould market. Moreover, in views of the flourishing domestic economic development in China, the Group will keep pace with the market development, by capitalizing its ample experience and solid foundation established in China for years.

To fortify its market competitive edge and leading position, the Group continues to strive for excellence in management and service quality. The Group persists in enhancing its internal management system, amongst plants located in the Southern and Eastern regions of China, seeking to achieve an optimal resources sharing, and take the best advantage of economy of scale. To match with the long-term direction of the central Government in further developing Eastern and Northern China, the Group will strategically merge and enlarge its resources, to reinforce its production facilities and marketing effort, to meet customer needs in these regions. Besides, the Group will further strengthen the production facilities of its plants in China aim at a higher level of automation; and by adding high precision machineries, in order to elevate its product precision and reliability, determine to secure loyalty and support from its customers.

Chairman's Statement

Following the gradual improvement in economic situations, the Group expects the prices of its import and China mould steels will adjust upwards yet at moderate rate. In views of this, the Group will devise an appropriate procurement and inventory strategy to ensure adequate stock for production use and at competitive price. In response to the serious shortage of labor supply and persistent surge of labor cost, the Group will endeavor to implement additional automation systems, and to adopt a time and manpower saving production workflow. Coupled with systemic human resources reallocation and manpower training, the Group will build up an effective and quality work force, in achieving its long-term development goal.

Looking ahead, the business-operating environment is still challenging. However, by adhering to its pragmatic and secure financial management principle consistently, the Group is well equipped with adequate fund and preserved strength to capture the new business opportunity, seeking for steady business development and healthy growth.

Taking this opportunity, the Board of Directors would like to express our thanks to all staff for their efforts and contribution. Also, sincere gratitude is extended to our shareholders and business partners for their great support.

Siu Tit Lung
Chairman

Hong Kong, 26th March, 2010

Management Discussion and Analysis

During the year ended 31st December, 2009, the Group continued to focus on the manufacturing and marketing of mould bases and related products.

The Group recorded revenue of approximately HK$2,235 million and earnings of approximately HK$221 million for the year ended 31st December, 2009.

OPERATIONAL REVIEW

During the early period under review, as dragged by the credit crisis in finance sector, all sectors of industry went through a restructuring process, as a result, a large number of less competitive manufacturing corporations closed down. The shrinkage in global consumption led to a continued contraction in demand, thus, demand in consumer products dropped substantially. In order to compete for orders, a price war was started; and a continuous fall in selling price sharply squeezed the profit margin of the industry. Fortunately, the market situation began to stabilize during the mid-term of the review year. The launching of stimulus economic measures by the China government, focused to turn the domestic demand into a major economic driver, has gained remarkable result. As triggered by the rise of domestic consumption, demand for consumer products did not only cease to fall, it even offered sign to rebound. China market was the first one to regain its economic momentum and revive gradually. Order level of the Group, closely followed the recovery pace of China, has stabilized. However, business performance of the major export markets of the Group – Japan, Europe and America — did not show much improvement.

At the same time, the Group put extra effort in reengineering its development strategy, organization structure and resources allocation with an aim to alleviate the adverse effects brought forward by the global economic recession. Firstly, the Group flexibly adjusted its sales strategy. In addition to direct sales offices set up in the surrounding areas near its factories located in Southern and Eastern regions in China, the Group enhanced its sales capacity through working with local distributors in the more remote areas. This strategy, does not only reduce the operation cost and credit risk of the Group, but also helped to monitor and react to the market changes more easily, and serves the needs of local customers more closely. Furthermore, besides utilizing its own logistic team, the Group also outsourced part of its transportation services, which enabled a more flexible delivery arrangement, with shorter delivery time and broader sales coverage of the Group to the major markets in China. Secondly, the Group continued to enhance its machining capacity and capability of its plants located in the Southern and Northern China, with emphasis in upgrading the quality and reliability of its products. The Group also uplifted its production efficiency by ameliorating its production processes and discarding low efficient equipment in order to fortify its leading position in the industry amid the fluctuating market environment.

Although enjoying certain reduction in the mould steel material price, the Group encountered surging labor and production costs. Through streamlining organization structure, reducing expenditure on consumable materials, tactful regulation of the inventory, strict control on purchasing prices, and prudent control of customer credit risks etc, the Group managed to further lower its total operating costs and financial risk for sustaining its market competitive edge.

Management Discussion and Analysis

As resorted to its solid financial base, effective credit risk control policy, positive attitude and efficacious cost control measures, the Group managed to tide over the financial tsunami crisis peacefully during the period under review. Yet, as affected by the downturn of global economic condition, the Group's performance as a whole was still not at all satisfactory.

LIQUIDITY AND CAPITAL RESOURCES

As at 31st December, 2009, the Group had bank balances of approximately HK$630 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$47 million, equal to approximately 2% of equity attributable to owners of the Company of approximately HK$1,928 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2009, the Group employed a total of approximately 7,100 employees, including approximately 6,700 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.

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, 2009, 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, 2009, 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	4/4
Mr. Chan Chun Sing, Colin	4/4
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.

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

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.

During the financial year ended 31st December, 2009, the Nomination Committee held four meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Lee Joo Hai *(Chairman)*	4/4
Mr. Chan Chun Sing, Colin	4/4
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, 2009, 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.

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, 2009, 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 *(Chairman)*	4/4
Mr. Chan Chun Sing, Colin	4/4
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, 2009, 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.

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 26 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 Audit Committee, the Board reviews the effectiveness of the system of internal control of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. No material deficiencies have been identified so far. The Board opines that the Group's internal control system is effective and the resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are adequate. There are 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.

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.

During the financial year ended 31st December, 2009, the Audit Committee held four regular meetings and a special meeting. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Liu Wing Ting, Stephen *(Chairman)*	5/5
Mr. Chan Chun Sing, Colin	5/5
Dr. Lee Tat Yee	5/5
Mr. Lee Joo Hai	4/5

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, 2009 is set out in "Audit Committee Report" of the Annual Report for the year ended 31st December, 2009 (the "Annual Report").

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

For the financial year ended 31st December, 2009, 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	3,099
Non-audit services	
— Taxation services	129
— Interim review	400
— 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. A notice of annual general meeting is sent to the shareholders of the Company at least 20 clear business days before the meeting. 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 chairman of the Board invites the company secretary of the Company to give an explanation of the detailed procedures for conducting a poll at the commencement of the annual general meeting. The company secretary of the Company answers any questions from the shareholders of the Company regarding voting by way of a poll.

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, 2009, the Audit Committee held four regular 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. A special meeting was held in April, 2009 to review the management's policies regarding financial instruments of the Group. The external auditor, Messrs. Deloitte Touche Tohmatsu, attended three regular 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 2009:

1. review of 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;

2. review of the management's policies regarding financial instruments of the Group;

3. review of the Group's consolidated financial statements for the period from 1st January, 2009 to 30th April, 2009 with a recommendation to the Board for approval;

4. review of the Group's consolidated financial statements for the six months period ended 30th June, 2009 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, 2009 to 31st October, 2009 with a recommendation to the Board for approval;

6. review of the compliance by the Group with the Code on Corporate Governance Practices;

7. review of the annual internal audit plan submitted by the Group's Internal Audit Department;

8. review of the findings and recommendations submitted by the Group's Internal Audit Department;

9. review of the report and management letter submitted by external auditor;

10. review of the audit plan for the year ended 31st December, 2009 submitted by external auditor; and

11. consideration of the 2009 audit fees with a recommendation to the Board for approval.

At the Audit Committee meeting on 26th March, 2010, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December, 2009 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 2010 and that the relevant resolution shall be put forth for the consideration of the shareholders of the Company and their approval at the 2010 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, 26th March, 2010

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, 2009.

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 and related products.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 30.

An interim dividend of HK10 cents per share amounted to approximately HK$62,001,000 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 10th May, 2010, amounting to approximately HK$69,043,000, 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, 2009 were revalued by an independent firm of qualified professional property valuers. The revaluation increase of HK$7,800,000 has been recognised in profit or loss in the consolidated statement of comprehensive income. 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 major investment properties held by the Group at 31st December, 2009 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$3 million. The Group continued its plant expansion policy and expended approximately HK$42 million on new plant and machinery and approximately HK$14 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 25 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, 2009 represented the retained profits of approximately HK$851,553,000.

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 21% to the total purchases for the year while the Group's five largest suppliers accounted for 57% 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

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 Yuk Lung, Mr. Mak Koon Chi, Mr. Wai Lung Shing and Dr. Lee Tat Yee 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).

BRIEF DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors

Mr. Siu Tit Lung, aged 59, 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 56, 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 51, 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 48, 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 57, 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 fellow of The Hong Kong Institute of Directors. He has extensive experience in the trading business.

Mr. Ting Chung Ho, aged 56, 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 55, 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 57, 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.

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

Independent non-executive directors *(continued)*

Dr. Lee Tat Yee, aged 62, 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 54, 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 and the Singapore Institute of Directors. He is also a fellow of 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 Adampak Limited (previously listed on the Sesdaq of The Singapore Exchange Securities Trading Limited ("SGX-ST")), 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 AGVA Corporation Limited from June 2003 to May 2009, FDS Networks Group Ltd from June 2000 to February 2010 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, 2009, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

Interests in the Company

Name of director	Capacity	Number of shares held: Personal interests	Number of shares held: Other interests	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
Siu Tit Lung *(Notes 1, 2 and 4)*	Beneficial owner and founder of discretionary trust	37,791,444	307,617,187	150,000	345,558,631	55.49%
Siu Yuk Lung *(Notes 1, 3 and 4)*	Beneficial owner and founder of discretionary trust	37,791,444	307,617,187	150,000	345,558,631	55.49%
Mak Koon Chi	Beneficial owner	3,343,750	–	500,000	3,843,750	0.62%
Wai Lung Shing	Beneficial owner	3,343,750	–	500,000	3,843,750	0.62%
Fung Wai Hing	Beneficial owner	1,957,031	–	500,000	2,457,031	0.39%
Ting Chung Ho	Beneficial owner	120,000	–	600,000	720,000	0.12%
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	–	–	300,000	300,000	0.05%

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 5,160,156 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, 2009.

SHARE OPTIONS

Particulars of the Company's share option scheme and other details are set out in note 26 to the consolidated financial statements.

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

	Number of share options								
	At 1st January, 2009	Granted during the year	Lapsed during the year	Cancelled/ forfeited during the year	Exercised during the year	At 31st December, 2009	Date of grant	Exercisable period	Exercise price per share HK$
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	500,000	–	–	–	500,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	500,000	–	–	–	500,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	500,000	–	–	–	500,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27

Directors' Report

SHARE OPTIONS *(continued)*

	Number of share options								
	At 1st January, 2009	Granted during the year	Lapsed during the year	Cancelled/ forfeited during the year	Exercised during the year	At 31st December, 2009	Date of grant	Exercisable period	Exercise price per share HK$
Category 1: Directors *(continued)*									
Ting Chung Ho	180,000	–	–	(180,000)	–	–	3rd November, 2006	4th November, 2007 to 3rd November 2010	3.82
	300,000	–	–	–	(100,000)	200,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
	–	400,000	–	–	–	400,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
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
	–	150,000	–	–	–	150,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
Total	5,930,000	2,800,000	–	(2,530,000)	(2,600,000)	3,600,000			
Category 2: Employees									
	3,212,000	–	(118,000)	(3,094,000)	–	–	3rd November, 2006	4th November, 2007 to 3rd November, 2010	3.82
	3,566,000	–	(480,000)	–	(120,000)	2,966,000	14th November, 2007	14th November, 2008 to 13th November, 2011	3.60
	–	3,838,000	–	(460,000)	–	3,378,000	14th January, 2009	14th January, 2010 to 13th January, 2013	2.27
Total	6,778,000	3,838,000	(598,000)	(3,554,000)	(120,000)	6,344,000			
Total all categories	12,708,000	6,638,000	(598,000)	(6,084,000)	(2,720,000)	9,944,000			

SHARE OPTIONS *(continued)*

The closing price of the Company's shares immediately before 14th January, 2009, the date of grant of options in 2009 was HK$2.11.

In respect of the share options exercised during the year ended 31st December, 2009, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was approximately HK$4.01.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2009, 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	39.99%
Rickdee Investments Limited	Beneficial owner	58,593,750	9.41%
Robin Hill Investments Limited	Beneficial owner	58,593,750	9.41%
Commonwealth Bank of Australia	Interest of controlled corporation	49,492,108	7.95%
JPMorgan Chase & Co.	Custodian corporation/approved lending agent	33,284,500	5.34%

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, 2009.

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, 2009 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 26 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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.

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, 26th March, 2010

Deloitte.
德勤

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 30 to 77, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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, 2009 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
26th March, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	**2,234,680**	3,073,547
Other income	9	**33,816**	13,337
Increase (decrease) in fair value of investment properties	15	**7,800**	(9,900)
Changes in inventories of finished goods and work in progress		**(11,261)**	(23,136)
Raw materials and consumables used		**(1,028,495)**	(1,461,505)
Employee benefits expenses		**(392,791)**	(477,419)
Depreciation and amortisation of property, plant and equipment		**(198,461)**	(189,773)
Other expenses		**(323,760)**	(475,956)
Interest on bank borrowings wholly repayable within five years		**(1,633)**	(15,965)
Profit before taxation		**319,895**	433,230
Income tax expense	11	**(98,935)**	(140,942)
Profit for the year	12	**220,960**	292,288
Other comprehensive income:			
Exchange difference arising on translation of foreign operations		**2,275**	107,565
Total comprehensive income for the year		**223,235**	399,853
Profit for the year attributable to:			
Owners of the Company		**220,928**	288,333
Minority interests		**32**	3,955
		220,960	292,288
Total comprehensive income for the year attributable to:			
Owners of the Company		**223,165**	395,927
Minority interests		**70**	3,926
		223,235	399,853
		HK cents	HK cents
Earnings per share	14		
— Basic		**35.61**	46.50
— Diluted		**35.52**	46.50

Consolidated Statement of Financial Position

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	**41,400**	33,600
Property, plant and equipment	16	**710,750**	851,556
Prepaid lease payments — non-current portion	17	**42,308**	43,319
Deposits paid for acquisition of property, plant and equipment		**15,916**	7,382
		810,374	935,857
Current assets			
Inventories	18	**426,115**	639,726
Trade and other receivables	19	**479,470**	526,652
Bills receivable	19	**28,340**	58,674
Prepaid lease payments — current portion	17	**1,049**	1,047
Deferred consideration receivable	20	**—**	2,483
Taxation recoverable		**66**	5,061
Bank balances and cash	21	**629,746**	309,259
		1,564,786	1,542,902
Current liabilities			
Trade and other payables	22	**324,711**	353,892
Bills payable	22	**36,141**	53,434
Taxation payable		**13,946**	26,030
Dividend payable		**74**	52
Embedded derivative	21	**417**	—
Unsecured bank borrowings — due within one year	23	**46,707**	203,324
		421,996	636,732
Net current assets		**1,142,790**	906,170
Total assets less current liabilities		**1,953,164**	1,842,027
Non-current liability			
Deferred tax liabilities	24	**19,696**	14,048
		1,933,468	1,827,979

Consolidated Statement of Financial Position

At 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	25	**62,274**	62,002
Reserves		**1,866,204**	1,761,121
Equity attributable to owners of the Company		**1,928,478**	1,823,123
Minority interests		**4,990**	4,856
Total equity		**1,933,468**	1,827,979

The consolidated financial statements on pages 30 to 77 were approved and authorised for issue by the Board of Directors on 26th March, 2010 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, 2009

	Attributable to owners of the Company								
	Share capital	Share premium	Statutory reserve (note)	Translation reserve	Share options reserve	Retained profits	Sub-total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2008	62,002	116,067	94,580	189,910	6,607	1,114,931	1,584,097	930	1,585,027
Profit for the year	–	–	–	–	–	288,333	288,333	3,955	292,288
Exchange difference arising on translation of foreign operations	–	–	–	107,594	–	–	107,594	(29)	107,565
Total comprehensive income 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 (note 13)	–	–	–	–	–	(93,002)	(93,002)	–	(93,002)
Interim dividend for the year ended 31st December, 2008 (note 13)	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	220,928	220,928	32	220,960
Exchange difference arising on translation of foreign operations	–	–	–	2,237	–	–	2,237	38	2,275
Total comprehensive income for the year	–	–	–	2,237	–	220,928	223,165	70	223,235
Recognition of equity-settled share-based payments	–	–	–	–	2,600	–	2,600	–	2,600
Transfer on cancellation/lapse of share options	–	–	–	–	(5,965)	5,965	–	–	–
Share issued on exercise of share options	272	11,507	–	–	(1,987)	–	9,792	–	9,792
Final dividend for the year ended 31st December, 2008 (note 13)	–	–	–	–	–	(68,201)	(68,201)	–	(68,201)
Interim dividend for the year ended 31st December, 2009 (note 13)	–	–	–	–	–	(62,001)	(62,001)	–	(62,001)
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	64	64
Transfer	–	–	43,135	–	–	(43,135)	–	–	–
At 31st December, 2009	62,274	127,574	176,272	299,741	5,129	1,257,488	1,928,478	4,990	1,933,468

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 Statement of Cash Flows

For the year ended 31st December, 2009

	Note	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**319,895**	433,230
Adjustments for:			
(Reversal of) allowance for inventories		**(29,958)**	23,405
Depreciation and amortisation of property, plant and equipment		**198,461**	189,773
Loss on fair value change in derivative financial instruments		**417**	1,601
Interest on bank borrowings wholly repayable within five years		**1,633**	15,965
(Increase) decrease in fair value of investment properties		**(7,800)**	9,900
Interest income		**(3,185)**	(3,226)
Gain on disposal of property, plant and equipment		**(103)**	(513)
Gain on disposal of a land lease		**—**	(149)
Release of prepaid lease payments		**1,078**	1,041
(Reversal of) impairment loss on trade receivables		**(1,548)**	3,011
Share-based payment expenses		**2,600**	4,302
Operating cash flows before movements in working capital		**481,490**	678,340
Decrease in inventories		**244,210**	185,392
Decrease in trade and other receivables		**49,636**	185,171
Decrease (increase) in bills receivable		**30,425**	(14,158)
Decrease in trade and other payables		**(25,071)**	(77,845)
(Decrease) increase in bills payable		**(17,476)**	16,533
Cash generated from operations		**763,214**	973,433
Income taxes paid		**(105,889)**	(146,235)
Income taxes refunded		**629**	2,035
NET CASH FROM OPERATING ACTIVITIES		**657,954**	829,233
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(67,612)**	(227,007)
Interest received		**3,185**	2,845
Proceeds on disposal of property, plant and equipment		**2,564**	43,862
Deferred consideration received	20	**2,483**	5,520
Proceed on disposal of a land lease		**—**	3,413
NET CASH USED IN INVESTING ACTIVITIES		**(59,380)**	(171,367)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 **HK$'000**	2008 HK$'000
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(202,403)**	(476,232)
Dividends paid	**(130,180)**	(161,190)
Interest paid	**(1,633)**	(15,965)
New bank borrowings raised	**46,214**	37,163
Proceeds from new shares issued	**9,792**	—
Capital contribution by a minority shareholder of a subsidiary	**64**	—
NET CASH USED IN FINANCING ACTIVITIES	**(278,146)**	(616,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**320,428**	41,642
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**309,259**	261,115
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**59**	6,502
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**629,746**	309,259

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 and related products.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) - Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except the new and revised HKFRSs affecting presenting and disclosure as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1st July, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.
3 Effective for annual periods beginning on or after 1st January, 2010.
4 Effective for annual periods beginning on or after 1st February, 2010.
5 Effective for annual periods beginning on or after 1st July, 2010.
6 Effective for annual periods beginning on or after 1st January, 2011.
7 Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is 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.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain investment 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 on initial recognition.

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 profit or loss in the period 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 profit or loss in the period 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.

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 profit or loss 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

Operating lease payments are recognised as an expense 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 dollars) at the rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

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 the profit as reported in the consolidated statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax assets are generally recognised for all deductible temporary difference 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 other 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 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 to the net carrying amount on initial recognition. 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. 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 of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. 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 of the financial assets have been affected.

Objective evidence of impairment could include:

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

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 in the consolidated statement of comprehensive income 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 loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

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 to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Derivative instruments (including those separated from non-derivative host contracts) are classified as held for trading and measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

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

At the end of the reporting period, 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 profit or loss 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 the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period, 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 of 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, 2009, the carrying amount of trade receivables (net of allowance for doubtful debts of approximately HK$40,251,000) is approximately HK$429,828,000 (31st December, 2008: HK$478,295,000, net of allowance for doubtful debts of approximately HK$49,559,000).

Allowance for inventories

Management of the Group reviews its inventories at the end of the reporting period 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 the end of the reporting period and make allowance for obsolete items. As at 31st December, 2009, the carrying amount of inventories (net of allowance for inventories of approximately HK$64,915,000) is approximately HK$426,115,000 (31st December, 2008: 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 shareholders 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 23 net of cash and cash equivalents and equity attributable to owners 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.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,092,934**	870,578
Financial liabilities		
Amortised cost	**208,640**	388,400
Derivative financial instruments	**417**	—

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, deferred consideration receivable, bank balances and cash, trade and other payables, bills payable and unsecured 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 interests at floating rates 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 also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 23 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rates 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 need arises.

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 Hong Kong Interbank Offered Rate, London Interbank Offered Rate, Cost of Funds Index and Singapore Interbank Offered Rate arising from the Group's borrowings.

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 end of the reporting period was outstanding for the whole year. A 50 basis points (2008: 50 basis points) 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, 2009 would decrease/increase by approximately HK$234,000 (2008: decrease/increase by approximately HK$1,017,000).

(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 management will consider using 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
SGD	**—**	129	**3,310**	861
RMB	**—**	137	**70**	2,174
USD	**25,175**	33,571	**256,195**	115,127
EUR	**1,255**	2,680	**40,885**	12,818
JPY	**13,207**	53	**268**	7,405

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 the functional currencies of the relevant group entities against the relevant foreign currencies monetary assets and liabilities (excluding derivatives). No analysis is presented for derivatives as the impact to the Group is considered insignificant. 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 the functional currency of the relevant group entity strengthen 5% against the relevant foreign currency. For a 5% weakening of the functional currency of the relevant group entity 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.

	SGD Impact (i)		RMB Impact (i)		EUR Impact (i)		JPY Impact (i)	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Pre-tax profit for the year	**(158)**	(35)	**(3)**	(97)	**(1,887)**	(483)	**616**	(350)

(i) 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, 2009, 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 recognised financial assets as stated in the consolidated statement of financial position.

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 the end of each reporting period 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 based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2009						
Non-derivative financial liabilities:						
Trade and other payables	N/A	44,217	70,863	10,712	125,792	125,792
Bills payable	N/A	5,142	30,999	–	36,141	36,141
Bank borrowings	2.21	–	34,629	13,043	47,672	46,707
		49,359	136,491	23,755	209,605	208,640
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

N/A — Not applicable

The amounts above include variable-rate bank borrowings of which the undiscounted cash flows are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

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

- the fair values of derivative financial instruments are determined with reference to quoted prices from the relevant bank; and
- the fair values of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value *(continued)*

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

The Group is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy should have the following levels:

(a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

(b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Group's derivative financial instruments, with carrying value of approximately HK$417,000 (2008: Nil) as set out in note 21, is based on Level 2 measurement.

7. REVENUE

The Group is principally engaged in the manufacturing and marketing of mould bases and related products. Revenue represents the net invoiced valued of goods sold during the year, after allowances for returns and trade discounts, excluding intra-group transactions.

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Group's board of directors) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard, HKAS 14 "*Segment Reporting*" required an entity to identity two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reporting segments as compared with the primary reportable segments determined in accordance with HKAS 14.

8. SEGMENT INFORMATION *(continued)*

No consolidated statement of financial position as at 1st January, 2008 has been presented as the redesignation of the Group's reporting segments has no effect on the financial position and results of the Group.

In prior years, primary segment information was analysed on the basis of two operating divisions:

i) Mould bases — manufacturing and marketing of mould bases; and

ii) Metal and parts — manufacturing and marketing of metal and parts.

However, for the purposes of resources allocation and performance assessment, the Directors only focus on the aggregate results of the two operating divisions, inclusion of any income, expenses and tax charges.

As a result, there is only one reportable segment for the Group under HKFRS 8. Information regarding this segment can be made reference to the consolidated financial statements as a whole.

The segment result of the Group represents profit after taxation set out in the consolidated statement of comprehensive income.

Entity-wide disclosures

As at 31st December, 2008 and 2009, substantially all of the Group's non-current assets are located in the places of domicile of the relevant group entities, namely the PRC.

The following is an analysis of the Group's revenue by location of customers:

	2009	2008
	HK$'000	HK$'000
The PRC (excluding Hong Kong)	**1,916,419**	2,616,159
Hong Kong	**7,002**	12,275
Others	**311,259**	445,113
	2,234,680	3,073,547

The Group has a very wide customer base, no single customer contributed more than 10% of the Group's revenue for each of the years ended 31st December, 2008 and 2009.

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Government grants (note)	20,414	1,167
Interest income	3,185	3,226
Rental income, net of direct outgoings of approximately HK$272,000 (2008: HK$229,000)	2,377	2,910
Gain on disposal of property, plant and equipment	103	513
Gain on disposal of a land lease	—	149
Sundry income	7,737	5,372
	33,816	13,337

Note: The amount represents government grants received during the year from the local treasury authority in the PRC as a general support for the Group's contribution in advanced technology development.

10. DIRECTORS' REMUNERATION

The emoluments paid or payable to each of the ten (2008: ten) directors were as follows:

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Fung Wai Hing HK$'000	Ting Chung Ho HK$'000	Chan Chun Sing, Colin HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
2009											
Fees	–	–	–	–	–	–	264	300	300	300	1,164
Other emoluments											
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	1,773	–	–	–	–	20,181
Contributions to retirement benefit schemes	713	713	214	214	172	194	–	–	–	–	2,220
Bonus (note)	2,300	2,300	5,500	5,500	3,300	3,100	–	–	–	–	22,000
Share-based payments	59	59	226	226	226	181	68	68	68	68	1,249
Total emoluments	9,552	9,552	7,884	7,884	5,258	5,248	332	368	368	368	46,814

	Siu Tit Lung HK$'000	Siu Yuk Lung HK$'000	Mak Koon Chi HK$'000	Wai Lung Shing HK$'000	Fung Wai Hing HK$'000	Ting Chung Ho HK$'000	Chan Chun Sing, Colin HK$'000	Liu Wing Ting, Stephen HK$'000	Lee Tat Yee HK$'000	Lee Joo Hai HK$'000	Total HK$'000
2008											
Fees	–	–	–	–	–	–	294	317	330	305	1,246
Other emoluments											
Salaries and other benefits	6,480	6,480	1,944	1,944	1,560	1,322	–	–	–	–	19,730
Contributions to retirement benefit schemes	713	713	214	214	172	144	–	–	–	–	2,170
Bonus (note)	4,000	4,000	6,800	6,800	4,400	3,000	–	–	–	–	29,000
Share-based payments	375	375	375	375	375	225	112	112	112	112	2,548
Total emoluments	11,568	11,568	9,333	9,333	6,507	4,691	406	429	442	417	54,694

Note: The bonus is determined based on performance of the Group and the current market environment.

No directors waived any emoluments in the years ended 31st December, 2008 and 2009.

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

11. INCOME TAX EXPENSE

	2009 **HK$'000**	2008 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
— current year	**77**	84
— underprovision in prior years	**5**	972
	82	1,056
Taxation in jurisdictions outside Hong Kong		
— current year	**68,687**	127,077
— underprovision in prior years	**11,867**	395
— transfer from deferred taxation	**12,651**	—
	93,205	127,472
Deferred taxation (note 24)		
— current year	**18,299**	12,517
— transfer to current income tax	**(12,651)**	—
— attributable to a change in tax rate	**—**	(103)
	5,648	12,414
	98,935	140,942

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% of the estimated assessable profit for both years.

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% for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

11. INCOME TAX EXPENSE *(continued)*

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 the 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 EIT Law, the relief shall continue and this subsidiary is entitled to a concessionary tax rate of 12.5% for the current year.

Pursuant to an approval by the relevant PRC tax authority, one (2008: one) 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 EIT Law, the subsidiary continues to enjoy the tax relief by enjoying a concessionary tax rate of 15% until the end of 2009.

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

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**319,895**	433,230
Tax at PRC income tax rate of 25% (2008: 25%)	**79,974**	108,308
Tax effect of non-deductible expenses	**24,884**	28,571
Tax effect of non-taxable income	**(18,970)**	(4,443)
Utilisation of tax losses previously not recognised	**(3,206)**	(10,278)
Tax effect of unused tax losses not recognised	**5,510**	3,038
Underprovision in prior years	**11,872**	1,367
Tax effect of tax exemption and relief granted to PRC subsidiaries	**(2,314)**	(2,079)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(15,813)**	2,817
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	**16,998**	13,744
Tax charge for the year	**98,935**	140,942

Details of deferred taxation are set out in note 24.

12. PROFIT FOR THE YEAR

	2009 **HK$'000**	2008 HK$'000
Profit for the year has been arrived at after charging (crediting):		
(Reversal of) allowance for inventories	**(29,958)**	23,405
Auditors' remuneration		
— current year	**3,374**	3,329
— overprovision in prior year	**(287)**	(256)
Gain on disposal of property, plant and equipment	**(103)**	(513)
Gain on disposal of a land lease	**—**	(149)
Gross foreign exchange loss	**1,710**	1,833
Gross foreign exchange gain	**(4,714)**	(6,026)
Loss on fair value change in derivative financial instruments	**417**	1,601
Operating lease rentals in respect of		
— rented premises	**10,118**	11,898
— plant and machinery	**101**	127
Release of prepaid lease payments	**1,078**	1,041
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK$39,000 (2008: HK$731,000)	**16,507**	29,428
(Reversal of) impairment loss recognised in respect of trade receivables, net	**(5,390)**	2,753

13. DIVIDENDS

	2009 **HK$'000**	2008 HK$'000
Dividends recognised as distribution during the year:		
2009 Interim — HK10 cents (2008: 2008 interim dividend HK11 cents) per share	**62,001**	68,201
2008 Final — HK11 cents (2008: 2007 final dividend HK15 cents) per share	**68,201**	93,002
	130,202	161,203

The board of directors have determined that a final dividend of HK11 cents (2008: HK11 cents) per share amounting to approximately HK$69,043,000 (2008: HK$68,201,000) should be paid to the shareholders of the Company whose names appear in the register of members on 10th May, 2010.

14. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Profit attributable to owners of the Company	**220,928**	288,333

	2009	2008
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**620,339,714**	620,013,303
Effect of dilutive potential ordinary shares on the exercise of share options	**1,568,888**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**621,908,602**	620,013,303

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.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2008	43,500
Decrease in fair value recognised in profit or loss	(9,900)
At 31st December, 2008	33,600
Increase in fair value recognised in profit or loss	7,800
At 31st December, 2009	41,400

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, 2009 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. 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.

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, 2008	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
Currency realignment	–	694	236	3,277	69	8	4,284
Transfer	–	5,425	–	–	–	(5,425)	–
Additions	–	2,761	5,733	41,686	8,834	64	59,078
Disposals	–	(363)	(3,088)	(3,864)	(5,334)	–	(12,649)
At 31st December, 2009	21,317	457,695	161,989	1,495,892	67,095	64	2,204,052
DEPRECIATION AND AMORTISATION							
At 1st January, 2008	–	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
Currency realignment	–	144	200	2,832	70	–	3,246
Provided for the year	–	24,610	17,827	149,177	6,847	–	198,461
Eliminated on disposals	–	(19)	(1,964)	(2,716)	(5,489)	–	(10,188)
At 31st December, 2009	–	98,669	113,834	1,227,960	52,839	–	1,493,302
CARRYING AMOUNTS							
At 31st December, 2009	21,317	359,026	48,155	267,932	14,256	64	710,750
At 31st December, 2008	21,317	375,244	61,337	376,126	12,115	5,417	851,556

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:

	2009 HK$'000	2008 HK$'000
Freehold land outside Hong Kong	**21,317**	21,317
Building held under medium-term leases or land use rights outside Hong Kong	**359,026**	375,244
	380,343	396,561

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.

	2009 HK$'000	2008 HK$'000
Analysed for reporting purposes as:		
Non-current asset	**42,308**	43,319
Current asset	**1,049**	1,047
	43,357	44,366

18. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**347,949**	550,298
Work in progress	**66,454**	74,352
Finished goods	**11,712**	15,076
	426,115	639,726

The cost of inventories recognised as an expense during the year by the Group amounted to approximately HK$1,630,358,000 (2008: HK$2,210,581,000).

19. TRADE, BILLS AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**470,079**	527,854
Less: allowance for doubtful debts	**(40,251)**	(49,559)
	429,828	478,295
Other receivables	**49,642**	48,357
Total trade and other receivables	**479,470**	526,652
Bills receivable	**28,340**	58,674

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 presented based on the invoice date at the end of the reporting period.

	2009 HK$'000	2008 HK$'000
0 to 60 days	**353,595**	358,757
61 to 90 days	**86,023**	130,405
Over 90 days	**18,550**	47,807
	458,168	536,969

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.

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$9,183,000 (2008: HK$36,927,000) 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.

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

	2009 **HK$'000**	2008 HK$'000
91 to 180 days	**9,183**	35,670
over 180 days	**—**	1,257
Total	**9,183**	36,927

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

	2009 **HK$'000**	2008 HK$'000
Balance at the beginning of the year	**49,559**	47,262
Currency realignment	**56**	2,762
Impairment losses reversed	**(4,754)**	(3,641)
Amounts recovered during the year	**(3,842)**	(258)
Amounts written off as uncollectible	**(3,974)**	(3,042)
Impairment losses recognised on receivables	**3,206**	6,476
Balance at the end of the year	**40,251**	49,559

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$5,795,000 (2008: HK$8,897,000), which are considered irrecoverable by the management after consideration of 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 ended 31st December 2008, the Group has directly written off certain irrecoverable trade receivables as expenses in the consolidated statement of comprehensive income of approximately HK$176,000 (2009: Nil) as a result of the liquidation of the relevant debtors.

20. DEFERRED CONSIDERATION RECEIVABLE

The consideration receivable was in connection with the disposal of certain subsidiaries during the year ended 31st December, 2006. The amount was unsecured, interest-free and was 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 0.4% to 4.8% (2008: 0.5% to 4.7%).

Included in bank balances and cash are foreign currency-linked deposits with the aggregate principal amount of US$7,000,000 (equivalent to approximately HK$54,285,000). The foreign currency-linked deposits contain embedded derivatives that are not closely related to the host contracts and are separately accounted for and presented in the consolidated statement of financial position. As at 31st December, 2009, the fair value of the embedded derivatives is approximately HK$417,000 (2008: Nil). The contracts were fully settled in January 2010.

22. TRADE, BILLS AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$101,543,000 (2008: HK$107,691,000) and receipt in advances of approximately HK$16,390,000 (2008: HK$10,987,000).

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2009 **HK$'000**	2008 HK$'000
0 to 60 days	**106,471**	124,333
61 to 90 days	**16,203**	24,641
Over 90 days	**15,010**	12,151
	137,684	161,125

23. UNSECURED BANK BORROWINGS

	2009 **HK$'000**	2008 HK$'000
Floating-rate bank loans	**46,707**	203,324
Less: Amounts due within one year shown under current liabilities	**(46,707)**	(203,324)
Amounts due after one year	**—**	—

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 JPY HK$'000
As at 31st December, 2009	**12,988**
As at 31st December, 2008	—

The effective borrowing rates of the Group ranged from 0.94% to 3.25% (2008: 2.52% to 6.82%) per annum. During the year, the Group obtained a new loan of approximately HK$46 million (2008: HK$37 million) for general working capital purpose.

24. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	**Revaluation of investment properties** HK$'000	**Withholding tax** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 1st January, 2008	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
Charge (credit) for the year	822	1,193	16,998	(714)	18,299
Transfer to current income tax	—	—	(12,651)	—	(12,651)
At 31st December, 2009	1,585	1,748	18,091	(1,728)	19,696

24. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group had unused tax losses of approximately HK$87,930,000 (2008: HK$99,199,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of approximately HK$10,473,000 (2008: HK$6,150,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of approximately HK$77,457,000 (2008: HK$93,049,000) due to the unpredictability of future profit streams. Most of the unused tax losses may be carried forward indefinitely.

According to the EIT, 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 since 1st January, 2008 amounting to approximately HK$339,960,000 (2008: HK$274,880,000). The Group has applied the preferential rate of 5% on such profits as all the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong.

25. 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, 2008	1,000,000,000	100,000	620,013,303	62,002
Shares issued on exercise of share options	—	—	—	—
At 31st December, 2008	1,000,000,000	100,000	620,013,303	62,002
Shares issued on exercise of share options	—	—	2,720,000	272
At 31st December, 2009	1,000,000,000	100,000	622,733,303	62,274

The new shares rank pari passu with existing shares in all respects.

26. 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, 2009, 6,638,000 share options with an exercise price of HK$2.27 per share were granted on 14th January, 2009. The estimated fair value of the options granted was approximately HK$2,890,000 (HK$0.4355 per option).

26. SHARE OPTION SCHEME *(continued)*

The above fair value was calculated using the Binomial Model. The inputs into the model are as follows:

Closing price of the Company's share at the date of grant	HK$2.11
Exercise price	HK$2.27
Expected volatility	40% per annum
Average expected life	3.5 years
Risk-free rate of interest	0.94% 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 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. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expenses of approximately HK$2,600,000 (2008: HK$4,302,000) for the year in relation to the share options granted by the Company.

At 31st December, 2009, the number of shares in respect of which options had been granted and which remained outstanding under the 2002 Scheme was 9,944,000 (2008: 12,708,000), representing 1.6% (2008: 2.0%) 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, 2008 and 2009:

Exercise price	Date of grant	Vesting period	Exercisable period	Outstanding at 1.1.2008	Lapsed during the year ended 31.12.2008	Cancelled during the year ended 31.12.2008	Outstanding at 31.12.2008 and 1.1.2009	Granted during the year ended 31.12.2009	Exercised during the year ended 31.12.2009	Lapsed during the year ended 31.12.2009	Cancelled during the year ended 31.12.2009	Outstanding at 31.12.2009
HK$												
3.82	3.11.2006	1 year	4.11.2007– 3.11.2010	6,160,000	(418,000)	–	5,742,000	–	–	(118,000)	(5,624,000)	–
3.60	14.11.2007	1 year	14.11.2008– 13.11.2011	7,342,000	(26,000)	(350,000)	6,966,000	–	(2,720,000)	(480,000)	–	3,766,000
2.27	14.1.2009	1 year	14.1.2010– 13.1.2013	–	–	–	–	6,638,000	–	–	(460,000)	6,178,000
Exercisable at the end of the year							12,708,000					3,766,000

26. 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 1.1.2008, 31.12.2008 and 1.1.2009	Granted during the year ended 31.12.2009	Cancelled during the year ended 31.12.2009	Exercised during the year ended 31.12.2009	Outstanding at 31.12.2009
HK$					
3.82	2,530,000	—	(2,530,000)	—	—
3.60	3,400,000	—	—	(2,600,000)	800,000
2.27	—	2,800,000	—	—	2,800,000
Exercisable at the end of the year	5,930,000				800,000

During the year ended 31st December, 2009, the total amount of consideration received from the Participants for taking up the options granted was HK$165.

The closing price of the Company's share immediately before 14th January, 2009, the date of grant of options in 2009 was HK$2.11.

In respect of the share options exercised during the year ended 31st December, 2009, the weighted average closing price of the Company's shares immediately before the dates of which the options were exercised was approximately HK$4.01.

27. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**43,418**	27,660

28. OPERATING LEASES

The Group as lessee

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

	2009 HK$'000	2008 HK$'000
Within one year	**6,716**	4,872
In the second to fifth year inclusive	**2,481**	4,952
	9,197	9,824

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$2,649,000 (2008: HK$3,139,000).

At the end of the reporting period, 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:

	2009 HK$'000	2008 HK$'000
Within one year	**2,739**	1,451
In the second to fifth year inclusive	**1,082**	—
	3,821	1,451

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

29. 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 7% 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 as expenses in the consolidated statement of comprehensive income of approximately HK$16,507,000 (2008: HK$29,428,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2009, contributions of approximately HK$63,340 (2008: HK$306,000) due in respect of the reporting period had not been paid over to the schemes.

30. 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:

	2009 **HK$'000**	2008 HK$'000
Short-term benefits	**42,181**	48,730
Post-employment benefits	**2,220**	2,170
Share-based payment expenses	**977**	2,100
	45,378	53,000

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 31st December, 2009 is as follows:

	2009	2008
	HK$'000	HK$'000
ASSETS		
Investment in a subsidiary	**55,856**	55,856
Amounts due from subsidiaries	**990,957**	821,602
Prepayments	**226**	218
Bank balances	**378**	73
	1,047,417	877,749
LIABILITIES		
Accrued charges	**813**	509
Amount due to a subsidiary	**—**	158,266
Dividend payable	**74**	52
	887	158,827
NET ASSETS	**1,046,530**	718,922
CAPITAL AND RESERVES		
Share capital	**62,274**	62,002
Reserves (note)	**984,256**	656,920
	1,046,530	718,922

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

	Share premium HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2008	116,067	6,607	257,483	380,157
Profit for the year	—	—	433,664	433,664
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)
At 31st December, 2008	116,067	10,481	530,372	656,920
Profit for the year	—	—	445,418	445,418
Recognition of equity-settled share-based payments	—	2,600	—	2,600
Transfer on cancellation/lapse of share options	—	(5,965)	5,965	—
Share issued on exercise of share options	11,507	(1,987)	—	9,520
Final dividend for the year ended 31st December, 2008	—	—	(68,201)	(68,201)
Interim dividend for the year ended 31st December, 2009	—	—	(62,001)	(62,001)
At 31st December, 2009	127,574	5,129	851,553	984,256

32. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company as at 31st December, 2008 and 2009 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
Super Visions International Limited	British Virgin Islands	US$2	100	Holding and licensing of trademarks
龍記鋼材製品（廣州保税區）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

32. 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$36,880,000 (2008: 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,				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
REVENUE	1,899,482	2,135,360	2,702,099	3,073,547	**2,234,680**
PROFIT BEFORE TAXATION	286,102	182,089	362,881	433,230	**319,895**
INCOME TAX EXPENSE	(40,185)	(31,021)	(55,381)	(140,942)	**(98,935)**
PROFIT FOR THE YEAR	245,917	151,068	307,500	292,288	**220,960**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	240,861	150,463	305,851	288,333	**220,928**
MINORITY INTERESTS	5,056	605	1,649	3,955	**32**
	245,917	151,068	307,500	292,288	**220,960**

ASSETS AND LIABILITIES

	At 31st December,				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
TOTAL ASSETS	2,006,002	2,310,684	2,713,387	2,478,759	**2,375,160**
TOTAL LIABILITIES	(845,048)	(1,068,936)	(1,128,360)	(650,780)	**(441,692)**
NET ASSETS	1,160,954	1,241,748	1,585,027	1,827,979	**1,933,468**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	1,136,497	1,244,351	1,584,097	1,823,123	**1,928,478**
MINORITY INTERESTS	24,457	(2,603)	930	4,856	**4,990**
TOTAL EQUITY	1,160,954	1,241,748	1,585,027	1,827,979	**1,933,468**

Investment properties

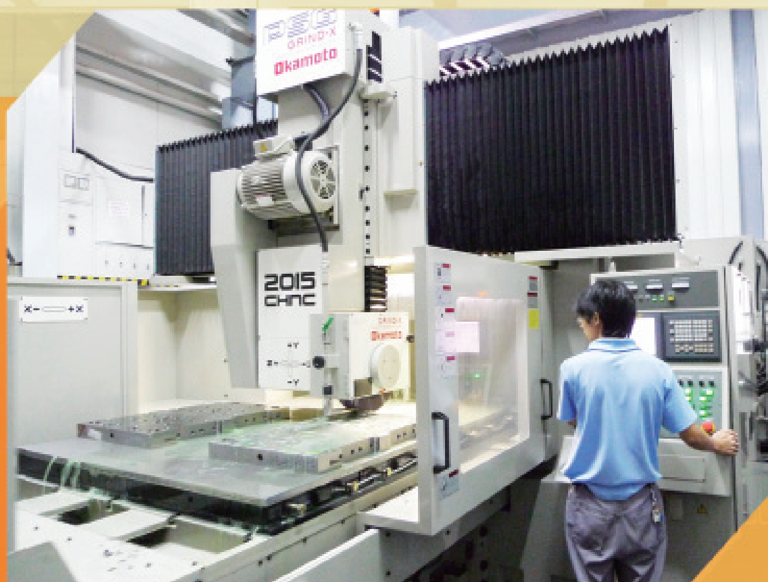
Location	Type of properties	Attributable interest	Lease term
Workshop 6 on ground floor Kwong Sang Hong Centre Nos.151–153 Hoi Bun Road Kowloon	Office premises	100%	Medium-term lease
Workshop No.2 on ground floor and the yard adjoining thereto Hung Tat Industrial Building No.43 Hung To Road Kowloon	Factory	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

大型精密龍門式加工中心正在加工一件汽車配件模板
Machining of a mould plate for an automotive mould on a high precision double column machining center

精密五軸深孔加工中心正在進行模架運水孔加工
Coolant hole drilling of a mould base on a precision 5-axis deep hole drilling center

新添置的電子顯微鏡能令鋼材金相檢測及失效分析更具效率
Newly acquired scanning electronic microscope adds strength in metrological and failure analysis

高精度的平面磨床啟用後，大大提升了模板的平面度及平行度
The surface flatness and parallelism of mould plates are highly improved after using the high precision surface grinder



所有數控機床的精度均會於每三至六個月使用激光干涉儀作較正
All numerically controlled machines are calibrated by a laser interferometer in every 3 to 6 months

庫存充足，鋼種齊全，為客戶提供最佳解決方案及靈活性
Maintaining of ample sizes and variety of stock, to offer optimal solution and flexibility to customers

設有第四軸的臥式加工中心，能配合客戶對精密模具複雜設計的特殊加工要求
Horizontal machining center equipped with the 4th-axis, is the best solution for high precision mould base with complicated design

各生產工序，均經由 ERP 軟件進行編排，CAD CAM 軟件製作加工機床刀路，盡量保証能在最短貨期內完成
All production schedules are prepared by ERP software, machining tool path are generated by CAD CAM software, to achieve the shortest delivery time