KEE SHING (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 174)

RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2005

RESULTS

The Board of Directors are pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2005 as follows:

Consolidated Income Statement

For the year ended 31st December, 2005

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Turnover *(Note 3)*	**1,964,169**	1,770,634
Other income	**3,043**	5,231
Changes in inventories of finished goods	**(1,895)**	58,254
Purchases of goods held for resale	**(1,793,878)**	(1,679,785)
Raw materials and consumables used	**(38,271)**	(29,164)
Staff costs	**(27,605)**	(24,317)
Depreciation and amortisation	**(2,735)**	(2,165)
Other expenses	**(29,456)**	(37,692)
Loss on disposal of investments held for trading/ gain on disposal of other investments	**(127)**	443
Gain arising from changes in fair value of investments held for trading/unrealised loss on other investments	**5,718**	(600)
Loss arising from changes in fair value of structured bank deposits	**(2,366)**	–
Gain on disposal of investment properties	**1,336**	–
Gain arising from changes in fair value of investment properties	**9,955**	9,540
Finance costs	**(9,856)**	(4,052)
Share of profit (loss) of associates	**3,257**	(4,356)
Profit before taxation	**81,289**	61,971
Income tax expense *(Note 4)*	**(11,881)**	(9,300)
Profit for the year	**69,408**	52,671
Attributable to:		
Equity holders of the parent	**67,874**	51,299
Minority interests	**1,534**	1,372
	69,408	52,671
Dividends *(Note 5)*	**89,100**	55,688
Earnings per share – *basis (Note 6)*	**HK15.24 cents**	HK11.51 cents

Consolidated Balance Sheet

At 31st December, 2005

	2005	2004
	HK$'000	*HK$'000*
Non-current Assets		
Investment properties	**266,561**	260,326
Property, plant and equipment	**33,532**	34,445
Interests in associates	**27,676**	24,938
Available-for-sale investments	**585**	–
Investments in securities	**–**	23,419
Structured bank deposits	**28,714**	31,080
Equity-linked deposits	**–**	768
	357,068	374,976
Current Assets		
Inventories	**145,431**	147,332
Debtors, deposits and prepayments	**159,900**	145,875
Bills receivable	**10,965**	27,187
Investments held for trading	**175,783**	–
Investments in securities	**–**	128,330
Taxation recoverable	**37**	235
Short term bank deposits	**21,295**	96,157
Bank balances and cash	**78,849**	67,670
	592,260	612,786
Current Liabilities		
Creditors and accrued charges	**38,395**	32,119
Amount due to minority shareholder of a subsidiary	**11,306**	–
Taxation payable	**3,894**	4,301
Bank borrowings	**272,928**	302,130
	326,523	338,550
Net Current Assets	**265,737**	274,236
Total Assets Less Current Liabilities	**622,805**	649,212
Capital and Reserves		
Share capital	**22,275**	22,275
Reserves	**571,124**	588,142
Equity attributable to equity holders of the parent	**593,399**	610,417
Minority interests	**21,733**	19,774
Total Equity	**615,132**	630,191
Non-current Liabilities		
Amount due to minority shareholder of a subsidiary	**–**	12,400
Deferred tax liabilities	**7,673**	6,621
	7,673	19,021
	622,805	649,212

Notes:

1. **Review of Annual Results**

   The annual results have been reviewed by the Audit Committee.

2. **Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies**

   In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associate have been changed. The change in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and/or prior accounting years are prepared and presented:

Business combination

In the current year, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous years, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$22,988,000 has been transferred to the Group's retained earnings on 1st January, 2005.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st January, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill, which amounted to HK$22,988,000 at 1st January, 2005 and was previously recorded in reserves, with a corresponding increase to retained profits.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual years beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39. By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investment in Securities" (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to maturity financial assets" The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Available-for-sale financial assets" are carried at cost less impairment, as fair value cannot be reliably measured. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised costs using the effective interest method.

On 1st January, 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. An adjustment of HK$4,305,000 to the previous carrying amounts of assets and liabilities at 1st January, 2005 has been made to the Group's retained earnings.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. For this reclassification, there has been no material impact on the results for the current and prior accounting years.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 of HK$7,089,000 has been transferred to the Group's retained profits.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation. In the current year, the Group has applied HKAS Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

Owner-occupied leasehold land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 Leases. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. In the opinion of the directors, the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

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

Summary of the effects of the change in accounting polices on the group

The effects of the adoption of new HKFRSs on the Group's results for the current and prior year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Loss arising from changes in fair value of investments held for trading	**(1,563)**	–
Loss arising from changes in fair value of other financial assets	**(2,366)**	–
Decrease in share of profit of associates/increase in share of loss of associates	**(212)**	(60)
Decrease in income tax expense	**212**	60
Decrease (increase) in deferred tax charge on revaluation of investment properties (included in income tax expense)	**318**	(63)
Gain arising from changes in fair value of investment properties	**9,955**	–
Increase (decrease) in profit for the year	**6,344**	(63)

The cumulative effects of the application of the new HKFRSs as at 31st December 2004 and 1st January, 2005 are summarised below:

	As at 31st December, 2004 (Originally stated)	**Retrospective adjustments**		**As at 31st December, 2004 (Restated)**	**Adjustments**			**As at 1st January, 2005 (Restated)**
		HKAS 1	**HKAS Int. 21**		**HKAS 32 & HKFRS 3**	**HKAS 39**	**HKAS 40**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investments in securities	23,419	–	–	23,419	–	4,305	–	27,724
Deferred tax liabilities	(7,473)	–	852	(6,621)	–	–	–	(6,621)
Total effects on assets and liabilities		–	852		–	4,305	–	
Retained profits	383,536	–	907	384,443	22,988	4,305	7,089	418,825
Capital reserve	22,988	–	–	22,988	(22,988)	–	–	–
Investment properties revaluation reserve	7,144	–	(55)	7,089	–	–	(7,089)	–
Minority interests	–	19,774	–	19,774	–	–	–	19,774
Total effects on equity		19,774	852		–	4,305	–	
Minority interests	19,774	(19,774)	–	–	–	–	–	–

The effect on the adoption of new HKFRSs for the Group's equity at 1st January, 2004 was to increase the retained profits by HK970,000 due to the application of HKAS Int 21.

3. **Segment information**

The turnover and contributions to profit from operations of the Group for the year ended 31st December, 2005, analysed by business segments and by geographical segments, are as follows:

By business segments:

	For the year ended 31st December, 2005				For the year ended 31st December, 2004			
		Turnover				Turnover		
	External sales	**Inter-segment sales**	**Total**	**Segment result**	External sales	Inter-segment sales	Total	Segment result
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of chemicals and metals	**1,943,494**	**–**	**1,943,494**	**65,863**	1,751,046	–	1,751,046	52,425
Property investment	**15,766**	**1,200**	**16,966**	**23,316**	14,449	1,239	15,688	20,539
Security investment	**4,170**	**–**	**4,170**	**8,109**	4,141	–	4,141	3,528
Other activities	**739**	**–**	**739**	**72**	998	–	998	86
Eliminations	**–**	**(1,200)**	**(1,200)**	**–**	–	(1,239)	(1,239)	–
Consolidated	**1,964,169**	**–**	**1,964,169**	**97,359**	1,770,634	–	1,770,634	76,578
Interest income from bank deposits				**2,282**				2,631
Unallocated other income				**761**				2,600
Unallocated corporate expenses				**(12,514)**				(11,430)
Finance costs				**(9,856)**				(4,052)
Share of profit (loss) of associates				**3,257**				(4,356)
Profit before taxation				**81,289**				61,971
Income tax expense				**(11,881)**				(9,300)
Profit for the year				**69,408**				52,671

By geographical segments:

	Revenue by geographical market		**Contribution to profit before taxation**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**1,443,806**	1,216,380	**52,994**	42,130
Taiwan	**246,668**	265,323	**5,606**	4,721
Elsewhere in the PRC	**139,635**	127,767	**26,959**	22,476
Others	**134,060**	161,164	**11,800**	7,251
	1,964,169	1,770,634	**97,359**	76,578
Interest income from bank deposits			**2,282**	2,631
Unallocated other income			**761**	2,600
Unallocated corporate expenses			**(12,514)**	(11,430)
Finance costs			**(9,856)**	(4,052)
Share of profit (loss) of associates			**3,257**	(4,356)
Profit before taxation			**81,289**	61,971

4. **Income tax expense**

	2005	2004
	HK$'000	*HK$'000*
The tax charge attributable to the Company and its subsidiaries comprises:		
Current taxation		
Hong Kong Profits Tax	**7,616**	6,565
Profits Tax outside Hong Kong	**1,886**	1,558
	9,502	8,123
Under(over) provision in prior years		
Hong Kong Profits Tax	**1,374**	–
Profits Tax outside Hong Kong	**(47)**	383
	1,327	383
	10,829	8,506
Deferred taxation	**1,052**	794
	11,881	9,300

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years. Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

5. Dividends

	2005 HK$'000	2004 HK$'000
Interim dividend paid in respect of 2005 of 10 cents (2004: 10 cents) per ordinary share	**44,550**	44,550
Final dividend paid in respect of 2004 of 10 cents (2003: 2.5 cents) per ordinary share	**44,550**	11,138
	89,100	55,688

6. Earning per share

The calculation of the basic earnings per share attributable to equity holders of the parent is based on the profit for the year of HK$67,874,000 (2004: HK$51,299,000) and on 445,500,000 ordinary shares (2004: 445,500,000 ordinary shares) in issue during the year.

The following table summaries the impact on basis earnings per share as a result of:

	2005 HK cents	2004 HK cents
Reported figures before adjustments	**13.81**	11.53
Adjustments arising from changes in accounting policies	**1.43**	(0.02)
Restated	**15.24**	11.51

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in either 2005 or 2004.

7. Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Investment property revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1st January, 2005	22,275	153,728	22,988	13,949	11,366	1,668	384,443	610,417	19,774	630,191
Opening balance adjustments:										
– transfer	–	–	–	(6,860)	6,860	–	–	–	–	–
– effects of changes in accounting policies	–	–	(22,988)	(7,089)	–	–	34,382	4,305	–	4,305
At 1st January, 2005 as restated	22,275	153,728	–	–	18,226	1,668	418,825	614,722	19,774	634,496
Exchange differences arising on translation of overseas operations	–	–	–	–	–	422	–	422	(201)	221
Released from winding up of a subsidiary	–	–	–	–	–	–	–	–	900	900
Share of an associate's movement in reserves	–	–	–	–	–	(519)	–	(519)	–	(519)
Net (expense) income recognised in equity	–	–	–	–	–	(97)	–	(97)	699	602
Profit for the year	–	–	–	–	–	–	67,874	67,874	1,534	69,408
Total recognised income and expense for the year	–	–	–	–	–	(97)	67,874	67,777	2,233	70,010
Dividends paid	–	–	–	–	–	–	(89,100)	(89,100)	(274)	(89,374)
At 31st December, 2005	**22,275**	**153,728**	**–**	**–**	**18,226**	**1,571**	**397,599**	**593,399**	**21,733**	**615,132**

DIVIDENDS

The Board will recommend at the forthcoming annual general meeting a final dividend of HK10.0 cents (2004: HK10.0 cents) per share payable on or before 21st June, 2006 to shareholders whose names appear on the register of members of the Company on 25th May, 2006. Including interim dividend, total dividends for the year will be HK20.0 cents per share (2004: HK20.0 cents per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22nd May, 2006 to 25th May, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant shares certificates must be lodged with the Company's share registrars, Standard Registrars Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 19th May, 2006.

BUSINESS REVIEW

Trading Division

Electroplating Materials and Chemicals

Strong commodity prices of the metals were the main drivers of the growth in 2005. Total trading turnover gained by 10.9% to HK$1.76 billion. Higher commodities prices also offset impacts of slow sales demand in precious metal products. Direct sales to China also fell as local competitors damaged the market by offering below-market-price strategies. Chinese factories were still suffering from shortage in electricity, skilled labor and high raw material prices. By the end of the year, shortfall of nickel in China pushed up the overall turnover significantly and also improved the full-year profitability.

Precious Metal Products

Weakening performance continued in precious metal business although stronger commodity prices contributed higher operating profits when compared with that in previous year. In spite of abolishment of tax rebate in gold products by Chinese government since mid-year, the overall market remained highly competitive. Rising concerns in environmental issues tightened regulations and import permits issuances to Chinese factories when using cyanide products for manufacturing. Sales volume in silver products tumbled as we insisted to sell with profits, not for market shares. Slow demand in palladium also dampened down the overall precious metal business. Sales in rhodium rose but profit margin was trimmed down almost half due to fierce competition among local and Chinese producers. Further squeezing in profit margin is expected in 2006 as many factories may seek for alternatives together with intensified competition.

Base Metal Products

Nickel electroplating business experienced a volatile environment in 2005. The pace of de-stocking within China market directed the whole sales turnover and profitability. The growth in turnover in 2005 partly benefited from the rise in commodity price and partly from supply shortage within China close to the end of the year. Such shortage escalated average margin in 2005. Robust economic growth in South East Asian countries also supported the nickel consumption in general as demand from Indonesia, Malaysia, and Taiwan remained strong in the second half year of 2005. Copper electroplating business experienced a flourishing year due to solid demand from printed-circuit board industries. With support of exceptional strong commodity price, sales turnover and gross profit both rose double-digits in the year. Competitions eased close to the end of the year as shortage in supply was also noticeable in the market.

Total inventory level as at 31st December, 2005 posted at HK$129.7 million, representing a decrease of 6.4% when compared with HK$138.5 million as at 31st December, 2004. The management has shortened the credit extension to customers so as to accelerate the cash flow period for commodity financing and minimize the risk in face of high commodity price.

Paint and Coating Chemicals

Total sales volume of 2005 improved by 9.2% over the same in 2004 and gross profit rose by 6.8%. Expanded production from Chinese competitors continued to intensify competition in local and global markets. Since the second half year of 2005, amid international oil price hovering at high level, cost pressure from suppliers as well as stockpiling effect in China market trimmed down part of our competitiveness. Oversupply situation in China has not been eased in early of 2006. Some of our major products experienced a decrease of more than 30-40% in selling price within a year. To cope with the market change, we shifted our focus to promoting high quality paints materials and secured supply channel into foreign-owned chemical companies. In addition, our suppliers also provide continued support to ensure our competitiveness in China market.

Stainless Steel

Stainless steel prices went up strongly in the first half year of 2005 because of the increase in raw material prices and the imbalance of supply and demand. With substantial increase in production including China and India, overcapacity started to hit most of coil and flat products in the mid-year, dragging down prices in the world markets. Amid the fall in global stainless steel price since the second half of the year, segment results consequently slightly dropped by 8.7% while sales volume rose by 18.0% over that of last year. Many stainless steel mills in Europe and Japan responded by cutting production since the third quarter till now to reduce global stockpiling and stabilize the world prices. In early of 2006, worldwide depleted stock level has started to rebuild again as demand expanded in Europe and the U.S. Erosion in base price of stainless steel has also ceased. As at 31st December, 2005, average inventory cost was slightly below the latest purchase cost. Inventory level was reported at HK$15.8 million as at 31st December, 2005 (as at 31.12.2004: HK$13.4 million).

Property Investment Division

Total rental income rose by 9.7% to HK$15.8 million in 2005 when compared with HK$14.4 million in 2004. For the whole year, we only sold 4 residential flats in Haihua Garden with average selling price of RMB14,501.7 per square meter. Gain from properties sales was recorded at HK$1.3 million before tax.

With Hong Kong economy trekking up during 2005, robust demand, generated mainly from multinational financials institutions, shrunk the vacancy in prime office spaces and boosted overall rental return in Grade A offices. High expectation of uprising rental from landlords narrowed the tenants' option and demand of spaces in second-tier office buildings located in prime commercial districts was improving starting in the fourth quarter of 2005.

Supply of Grade A offices was still insufficient to cope with hefty demand from foreign financial institutions which they took opportunities to expand before China opens financial markets to overseas enterprises in 2006. Soaring office rental also drove up property price in Grade A offices. Such trend continued in the 1st quarter of 2006.

After implemented measure to control Shanghai residential properties market in 2005, the rally immediately cooled down to a stable growth condition. Plentiful supply in investor-owned residential properties pressured down the overall rental market in downtown area. Our rental level was cut down by an average of 30-35% when compared with the rental in 2004. As tenants have much broader option to select, vacancies also rose at the year end. Sales market in the second half year mainly concentrated at low-end properties (selling price marked below RMB10,000 per square meter) in which it was expected government was taking an active role to help recover the volume transaction. The luxury residential properties showed a rebound at the end of year but a further decrease in average selling price was witnessed. As our properties was priced at mid-level (over RMB10,000 but less than RMB18,000 per square meter), transaction remained thin but market prices were resilient.

Securities Investment Division

In 2005, stock markets in Europe, North and South Asian countries performed outstandingly by whereas markets in the U.S. were reported almost no change on a yearly basis. The U.S. Treasuries market showed mixed performance, and inverted yield-curve was observed at the year end. Bond markets in Asian countries were performed badly as depreciation in currencies as well as inflation pressured policymakers to raise their interest rates. US dollar was exceptional strong against major currencies, except Chinese yuan, despite fear of inflation pressure and slow-down economy.

During 2005, we sold under-performed securities and part of bond-related funds amounting to HK$24.2 million, and invested into equities and managed funds totaling HK$41.2 million. Under the new accounting standards, we credited a net gain of HK$3.4 million in fair value of investment held for trading and structured bank deposits, together with a loss of HK$127K on disposal of investment held for trading. Large corporations continued their high dividend payout scheme during the year. Therefore, dividend income rose to HK$2.4 million when compared with HK$1.5 million in 2004. Interest income generated from portfolio was reported at HK$1.7 million.

Looking towards 2006, it is expected that oil-price volatility remains high and inflation pressure continued to be one of the concerns among all investors. The management will continue to review and monitor the whole portfolio and the global markets as well and re-allocate the securities if necessary to cope with the changing financial markets.

EMPLOYEES

Total number of the Group's staff reduced by 2 persons to 85 persons as at 31st December, 2005 comparing with 87 persons as at the year ended 2004. Staff turnover rate remained steadily low.

In accordance with HKAS 19 Employment Benefits, we are required to provide for the cost of benefits determined by actuarial valuation being carried out as at 31st December, 2005. The cost of benefits for employment was determined at HK$2.1 million as at 31st December, 2005. Excluding such cost, total staff cost in 2005 only rose by 5.0% over than in 2004.

In 2006, the management will continue to encourage staff to continue his/her further studies in his/her particular field to enhance and enrich professional knowledge and current practices.

FINANCIAL RESOURCES AND LIQUIDITY

Equity attributable to equity holders of the parent company dropped by 2.8% to HK$593.4 million following a total dividend distribution of HK$89 million made during the year 2005. Return on equity ratio for the fiscal year of 2005 was 11.4% when compared with 8.4% for the fiscal year of 2004.

Working capital as at 31st December, 2005 dropped by HK$8.5 million to HK$265.7 million when compared with HK$274.2 million as at 31st December, 2004. Inventory as at 31st December, 2005 was posted at HK$145.4 million, representing a decrease of 1.3% when compared with HK$147.3 million as at 31st December, 2004. The fall in inventory was partly due to limited supply from our core suppliers and partly due to reduction in goods ordering before Chinese New Year. Trade debtor amounted to HK$143.6 million as at 31st December, 2005, representing an increase of HK$14.8 million over the same last year, was mainly a reflection of rising metal prices over credit sales. Trading turnover day as at 31st December, 2005 remained the same as that as at 31st December, 2004 at 27 days.

The Group net cash outflow as at 31st December, 2005 amounted to HK$172.8 million (As at 31st December, 2004: net cash outflow HK$138.3 million). Negative net cash due to dividend payment during the year was main reason of the fall in total short-term cash reserve. Capital expenditure during the year amounted to HK$2.2 million (2004: HK$3.4 million).

DEBT STRUCTURE

All borrowings are in form of Money Market bank loans and Trust Receipt for the year 2005. Average lending tenor for Trust Receipt in financing trading facilities was about 56 days in the fiscal year of 2005, two days shorter than 58 days in 2004. Money-Market bank loans is either used to finance additional safety stocks held or to financed assets purchased in the same foreign currencies. Total finance cost in 2005 accounted HK$9.9 million (2004: HK$4.1 million).

As at 31st December, 2005, total banking facilities granted by lenders to the Group amounted HK$628.2 million. Average banking utilization rate accounted at 43.4% during 2005. Debt to equities ratio declined to 0.46:1 as at the period ended 31st December, 2005 when compared with 0.48:1 as at the year ended 31st December, 2004. During the year, we employed part of internal funds to finance part of receivables extended to customers.

OUTLOOK

Global economic expansion has slowed down but demand remains firm across Hong Kong, China and other South Asian markets. Commodity prices may ease from their highs due to slower demand growth and new supply. However, we expect that prices will buoy at high level as economic growth in China continue to support the major commodity markets. The pace of de-stocking effect in China market is expected to influence the import volume and pricing strategies throughout 2006. Rental market in Shanghai residential properties has showed a sign of rebound in the first quarter of 2006 while rental in Shanghai office grows further. Ongoing review and restructuring of the Group's securities portfolio will be performed to ensure a reasonable return. Increasing pressure on cost from financing and operation is expected to persist. The Group's management team will all the time review, monitor and control the cost structures for pursuing better performance of 2006.

I would like to take this opportunity to thank all staff across the Group on their hard work and commitment during the year. Their outstanding performance has been recognized and highly praised by the Board.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the year ended 31st December, 2005 with the Code in Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Exchange"), with which it is required to report compliance.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SHARE DEALING

All directors have confirmed that they complied with the required standards set out in the Model Code for Directors' Share Dealing as set out in Appendix 10 to the Listing Rules throughout the review period.

PUBLICATION OF ANNUAL REPORT ON THE EXCHANGE'S WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing The Listing of Securities on the Exchange will be published on the Exchange's website in due course.

As at the date hereof, the Board consists of the following persons:

Executive Directors:
Leung Shu Wing *(Chairman)*
Leung Miu King
Wong Chi Kin
Wong Choi Ying

Non-Executive Directors:
Yuen Tin Fan, Francis

Independent Non-Executive Directors:
Wong Kong Chi
Lai Chung Wing, Robert
Chan Wing Lee

Leung Shu Wing
Chairman

Hong Kong, 12th April, 2006

Please also refer to the published version of this announcement in The Standard.