K & P INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 675)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

RESULTS

The Board of Directors (the "directors") of K & P International Holdings Limited (the "Company") herein announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005 together with the comparative figures (as restated) for the corresponding year in 2004 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	Notes	2005 HK$	2004 HK$ (Restated)
REVENUE	5	**388,117,918**	349,258,527
Cost of sales		**(311,319,794)**	(270,603,071)
Gross profit		**76,798,124**	78,655,456
Other income and gains	5	**26,812,564**	13,802,167
Selling and distribution costs		**(37,021,619)**	(32,129,907)
Administrative expenses		**(36,539,825)**	(25,569,115)
Other expenses		**(800,124)**	(3,057,992)
Finance costs	7	**(7,590,829)**	(5,753,567)
Share of loss of an associate		**(5,836,506)**	(6,127,939)
PROFIT BEFORE TAX	6	**15,821,785**	19,819,103
Tax	8	**(2,134,723)**	(2,846,004)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		**13,687,062**	16,973,099

	Notes		
DIVIDENDS	*9*		
Interim		**1,327,524**	–
Proposed final		**1,327,524**	2,655,048
		2,655,048	2,655,048
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS	*10*		
Basic		**5.16 cents**	6.55 cents
Diluted		**N/A**	6.50 cents

CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	**2005** ***HK$***	2004 *HK$* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**74,756,541**	71,653,982
Prepaid land lease payments		**20,935,727**	21,412,941
Other intangible assets		**9,312,500**	8,052,500
Interest in an associate		**–**	26,303,422
Available-for-sale investments/long term investments		**680,000**	3,180,000
Total non-current assets		**105,684,768**	130,602,845
CURRENT ASSETS			
Inventories		**49,306,427**	40,701,912
Prepayments, deposits and other receivables		**17,141,423**	16,415,133
Trade and bills receivables	*11*	**87,166,280**	79,020,008
Investment at fair value through profit or loss		**1,989,000**	–
Pledged time deposits		**8,374,121**	8,183,896
Cash and cash equivalents		**39,699,878**	19,117,426
Total current assets		**203,677,129**	163,438,375
CURRENT LIABILITIES			
Trade payables	*12*	**51,873,868**	62,207,706
Accrued liabilities and other payables		**27,627,027**	28,608,304
Interest-bearing bank and other borrowings		**80,081,066**	59,778,516
Convertible loan notes		**–**	6,450,619
Tax payable		**1,495,571**	1,697,979
Total current liabilities		**161,077,532**	158,743,124
NET CURRENT ASSETS		**42,599,597**	4,695,251

TOTAL ASSETS LESS CURRENT LIABILITIES	**148,284,365**	135,298,096
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**7,439,537**	5,130,515
Deferred tax liabilities	**3,611,481**	3,611,481
Total non-current liabilities	**11,051,018**	8,741,996
Net assets	**137,233,347**	126,556,100
EQUITY		
Issued capital	**26,550,480**	26,550,480
Reserves	**109,355,343**	97,350,572
Proposed final dividend	**1,327,524**	2,655,048
Total equity	**137,233,347**	126,556,100

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings and derivative financial instruments and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs

HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 28, 31, 33, 37, 38, 40, HKFRS 5, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in note 3. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

(b) HKAS 32 and HKAS 39 – Financial Instruments

(i) Equity securities and club membership

In prior years, the Group classified its investments in unlisted equity securities and club membership in the form of a debenture as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Upon the adoption of HKAS 39, these investments held by the Group at 1 January 2005 were designated as available-for-sale investments under the transitional provisions of HKAS 39. The adoption of HKAS 39 has not resulted in any change in the measurement of the investments in unlisted equity securities, while the club membership is now stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment. Comparative amounts have been reclassified for presentation purposes.

(ii) Convertible loan notes

In prior years, convertible loan notes were stated at amortised cost. Upon the adoption of HKAS 32, the conversion options of the convertible loan notes are separated from the liability component of the convertible loan notes. In accordance with HKAS 32, comparative amounts of the liability component of the convertible loan notes have been restated. The conversion options of the convertible loan notes are derivative financial instruments and are stated at fair value. In accordance with the transitional provisions of HKAS 39, comparative amounts of the derivative financial instruments have not been restated.

(c) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 January 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 December 2003 and at 31 December 2004. The Group has recognised the cost of options which were granted during the year in the current year's income statement in accordance with the revised accounting policy.

The effects of adopting HKFRS 2 are summarised in note 3.

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated retained profits, in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Under the transitional provisions of HKFRS 3, goodwill previously eliminated against the retained profits remains eliminated against the retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

3 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 January 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Change in classification of financial instruments *HK$*	HKAS 17# Prepaid land lease payments *HK$*	HKAS 32# Convertible loan notes *HK$*	Total *HK$*
Assets				
Property, plant and equipment	–	(22,279,000)	–	(22,279,000)
Prepaid land lease payments	–	21,412,941	–	21,412,941
Available-for-sale investments	3,180,000	–	–	3,180,000
Long term investments	(3,180,000)	–	–	(3,180,000)
Prepayment, deposits and other receivables	–	444,735	–	444,735
				(421,324)
Liabilities/equity				
Convertible loan notes	–	–	13,096	13,096
Asset revaluation reserve	–	(5,814,383)	–	(5,814,383)
Retained profits	–	5,393,059	(13,096)	5,379,963
				(421,324)

At 31 December 2005 Effect of new policies (Increase/(decrease))	Effect of adopting HKASs 32# and 39* Change in classification of financial instruments *HK$*	HKAS 17# Prepaid land lease payments *HK$*	HKFRS 2# Equity-settled share option arrangements *HK$*	Total *HK$*
Assets				
Property, plant and equipment	–	(21,987,885)	–	(21,987,885)
Prepaid land lease payments	–	20,935,727	–	20,935,727
Available-for-sale investments	680,000	–	–	680,000
Long term investments	(680,000)	–	–	(680,000)
Prepayments, deposits and other receivables	–	477,214	–	477,214
				(574,944)
Liabilities/equity				
Share option reserve	–	–	69,285	69,285
Asset revaluation reserve	–	(5,814,383)	–	(5,814,383)
Retained profits	–	5,239,439	(69,285)	5,170,154
				(574,944)

* Adjustments taken effect prospectively from 1 January 2005
# Adjustments/presentation taken effect retrospectively

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

Effect of new policies (Increase/(decrease))	Effect of adopting HKAS 17 Prepaid land lease payments *HK$*	Effect of adopting HKAS 32 Convertible loan notes *HK$*	Total *HK$*
1 January 2004			
Asset revaluation reserve	(3,052,550)	–	(3,052,550)
Retained profits	5,844,812	219,208	6,064,020
			3,011,470
1 January 2005			
Asset revaluation reserve	(5,814,383)	–	(5,814,383)
Retained profits	5,393,059	(13,096)	5,379,963
			(434,420)

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

Effect of new policies	**Effect of adopting** **HKAS 17 Prepaid land lease payments** *HK$*	**HKAS 32 Convertible loan notes** *HK$*	**HKFRS 2 Equity-settled share option arrangements** *HK$*	**Total** *HK$*
Year ended 31 December 2005				
Increase in administrative expenses	(153,620)	–	(69,285)	(222,905)
Total decrease in profit	(153,620)	–	(69,285)	(222,905)
Decrease in basic earnings per share	(0.06)	–	(0.03)	(0.09)
Decrease in diluted earnings per share	–	–	–	–
Year ended 31 December 2004				
Increase in cost of sales	(616)	–	–	(616)
Increase in administrative expenses	(194,537)	–	–	(194,537)
Increase in other expenses	(256,600)	–	–	(256,600)
Increase in finance costs	–	(232,304)	–	(232,304)
Total decrease in profit	(451,753)	(232,304)	–	(684,057)
Decrease in basic earnings per share	(0.18)	(0.09)	–	(0.27)
Decrease in diluted earnings per share	(0.18)	(0.09)	–	(0.27)

4. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004.

	Precision parts and components		Consumer electronic products		Corporate and others		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
		(Restated)				(Restated)				(Restated)
Segment revenue:										
Sales to external customers	**205,741,362**	191,089,906	**182,376,556**	158,168,621	**–**	–	**–**	–	**388,117,918**	349,258,527
Intersegment sales	**7,173,851**	6,567,143	**–**	–	**–**	–	**(7,173,851)**	(6,567,143)	**–**	–
Other income and gains	**9,539,291**	8,395,552	**309,059**	112,156	**67,318**	10,418	**–**	–	**9,915,668**	8,518,126
Total	**222,454,504**	206,052,601	**182,685,615**	158,280,777	**67,318**	10,418	**(7,173,851)**	(6,567,143)	**398,033,586**	357,776,653
Segment results	**22,197,106**	19,547,976	**(7,377,540)**	5,358,715	**(2,467,342)**	1,509,877			**12,352,224**	26,416,568
Interest income									**586,812**	170,204
Gain on disposal of an available-for–sale long term investment									**–**	5,113,837
Gain on disposal of an associate									**16,310,084**	–
Finance costs									**(7,590,829)**	(5,753,567)
Share of loss of an associate	**(5,836,506)**	(6,127,939)	**–**	–	**–**	–	**–**	–	**(5,836,506)**	(6,127,939)
Profit before tax									**15,821,785**	19,819,103
Tax									**(2,134,723)**	(2,846,004)
Profit for the year									**13,687,062**	16,973,099
Assets and liabilities										
Segment assets	**148,836,248**	162,116,941	**95,469,019**	61,450,384	**16,501,556**	16,845,914	**(1,507,925)**	23,237	**259,298,898**	240,436,476
Interest in an associate	**–**	26,303,422	**–**	–	**–**	–	**–**	–	**–**	26,303,422
Unallocated assets									**50,062,999**	27,301,322
Total assets									**309,361,897**	294,041,220
Segment liabilities	**37,994,253**	60,633,082	**40,595,744**	28,714,866	**910,881**	1,468,048	**16**	16	**79,500,894**	90,816,012
Unallocated liabilities									**92,627,656**	76,669,108
Total liabilities									**172,128,550**	167,485,120

Other segment information:										
Depreciation and amortisation	**16,674,646**	18,611,369	**8,115,583**	5,395,895	**339,486**	548,392	**–**	–	**25,129,715**	24,555,656
Provision for impairment of trade receivables	**253,240**	921,346	**544,479**	–	**–**	–	**–**	–	**797,719**	921,346
Provision for slow-moving inventories	**100,000**	370,000	**574,216**	–	**–**	–	**–**	–	**674,216**	370,000
Surplus on revaluation of buildings credited to the asset revaluation reserve	**–**	–	**–**	–	**424,648**	628,099	**–**	–	**424,468**	628,099
Capital expenditure	**16,063,075**	26,516,361	**12,875,683**	14,681,985	**159,974**	143,801	**–**	–	**29,098,732**	41,342,147

(b) *Geographical segments*

The following table presents revenue, and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

	Segment revenue		Other segment information			
	Sales to external customers		Segment assets		Capital expenditure	
	2005	2004	**2005**	2004	**2005**	2004
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
				(Restated)		
Hong Kong	**147,783,763**	135,268,737	**117,126,683**	114,146,807	**6,369,959**	5,568,887
Mainland China	**12,564,548**	4,458,866	**142,007,641**	140,808,051	**22,283,446**	32,953,690
Total in the People's Republic of China (the "PRC")	**160,348,311**	139,727,603	**259,134,324**	254,954,858	**28,653,405**	38,522,577
Japan	**28,537,084**	29,024,655	**3,500,258**	5,325,386	**–**	–
Other Asian countries*	**12,055,947**	20,081,491	**8,567,253**	20,684,692	**292,323**	137,232
Total in Asia	**200,941,342**	188,833,749	**271,201,835**	280,964,936	**28,945,728**	38,659,809
Germany	**70,691,098**	64,347,082	**20,501,377**	3,544,219	**–**	–
Other European countries**	**91,002,808**	73,383,458	**8,430,074**	6,889,611	**–**	–
Total in Europe	**161,693,906**	137,730,540	**28,931,451**	10,433,830	**–**	–
North America	**16,815,723**	14,986,554	**6,266,769**	1,698,446	**153,004**	2,682,338
Others***	**8,666,947**	7,707,684	**2,961,842**	944,008	**–**	–
Consolidated	**388,117,918**	349,258,527	**309,361,897**	294,041,220	**29,098,732**	41,342,147

* Other Asian countries mainly comprise Taiwan, Singapore, Malaysia, Thailand, Indonesia and Korea.

** Other European countries mainly comprise Italy, the United Kingdom, France, the Netherlands, Austria, Sweden and Spain.

*** Others mainly comprise South America, Australia and New Zealand.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2005	2004
	HK$	*HK$*
Revenue		
Sale of goods	**388,117,918**	349,258,527
Other income and gains		
Bank interest income	**586,812**	170,204
Tooling charge income	**3,901,874**	1,015,363
Sale of scrap	**405,270**	114,148
Sales commissions	**4,427,638**	5,878,203
Gain on disposal of an available-for-sale long term investment	**–**	5,113,837
Gain on disposal of an associate	**16,310,084**	–
Subcontracting fee income	**434,847**	997,932
Others	**746,039**	512,480
	26,812,564	13,802,167

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2005	2004
	HK$	*HK$*
		(Restated)
Cost of inventories sold	**307,705,578**	267,408,146
Auditors' remuneration	**1,129,724**	934,350
Depreciation	**22,189,715**	21,731,347
Recognition of prepaid land lease payments	**444,735**	294,211
Minimum lease payments under operating leases on land and buildings	**3,348,021**	3,006,280
Amortisation of other intangible assets*	**2,940,000**	2,824,309
Provision for slow-moving inventories	**674,216**	370,000
Staff costs (including directors' other emoluments):		
Wages and salaries	**92,673,424**	79,589,544
Equity-settled share option expense	**69,285**	–
Pension scheme contributions	**1,241,425**	968,237
	93,984,134	80,557,781
Less: Amount capitalised in deferred development costs	**(4,200,000)**	(4,350,000)
	89,784,134	76,207,781
Foreign exchange differences, net	**2,146,990**	(616,020)

* The amortisation of other intangible assets for the year is included in "Cost of sales" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group 2005 HK$	2004 HK$ (Restated)
Interest expenses on bank loans and overdrafts wholly repayable within five years	**6,463,552**	3,184,111
Interest on finance leases	**917,316**	667,531
Interest on convertible loan notes and fixed rate loan notes	**209,961**	1,901,925
	7,590,829	5,753,567

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005 HK$	2004 HK$
Group:		
Current – Hong Kong		
Charge for the year	**2,134,723**	1,839,047
Overprovision in prior years	**–**	(179,862)
Deferred	**–**	1,186,819
Total tax charge for the year	**2,134,723**	2,846,004

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax charge at the effective tax rate is as follows:

	Group 2005 HK$	2004 HK$ (Restated)
Profit before tax	**15,821,785**	19,819,103
Tax at the statutory tax rate of 17.5% (2004: 17.5%)	**2,768,812**	3,468,343
Overprovision of tax in prior years	–	(179,862)
Profits and losses attributable to an associate	**1,021,389**	1,072,389
Income not subject to tax	**(4,405,767)**	(2,889,430)
Expenses not deductible for tax	**2,466,972**	873,506
Tax losses utilised from previous periods	**(149,431)**	(248,406)
Unrecognised tax losses	**145,663**	550,381
Others	**287,085**	199,083
Tax charge at the Group's effective rate	**2,134,723**	2,846,004

There was no share of tax attributable to the Group's associate during the year (2004: Nil).

9. DIVIDENDS

	2005	2004
	HK$	*HK$*
Interim – HK0.5 cent (2004: Nil) per ordinary share	**1,327,524**	–
Proposed final – HK0.5 cent (2004: HK1.0 cent) per ordinary share	**1,327,524**	2,655,048
	2,655,048	2,655,048

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of HK$13,687,062 (2004: HK$16,973,099, as restated), and on the 265,504,800 (2004: weighted average of 259,004,800) ordinary shares in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2005 has not been shown as the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

In the prior year, the calculation of diluted earnings per share was based on the profit attributable to shareholders for the year of HK$16,973,099, as restated. The weighted average number of ordinary shares used in the calculation was the 259,004,800 ordinary shares in issue during that year, as used in the basic earnings per share calculation; and the weighted average of 1,975,842 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during that year.

In the calculations of the diluted earnings per share, the effect of the convertible loan notes outstanding during the year ended 31 December 2004 was not taken into account as they had an anti-dilutive effect on the basic earnings per share for that year.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended from 60 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$	*HK$*
Within 90 days	**77,627,793**	64,691,297
Between 91 to 180 days	**7,823,104**	10,980,902
Over 180 days	**1,715,383**	3,347,809
	87,166,280	79,020,008

12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follow:

	Group	
	2005	2004
	HK$	*HK$*
Within 90 days	**49,888,727**	45,726,426
Between 91 to 180 days	**1,947,621**	14,964,564
Over 180 days	**37,520**	1,516,716
	51,873,868	62,207,706

The trade payables are non-interest-bearing and are normally settled on terms varying from 60 to 120 days.

FINANCIAL RESULTS

For the year ended 31 December 2005, the Group's turnover reached HK$388.1 million, representing an 11.1% increase over the previous year. Overall gross profit decreased from approximately HK$78.7 million (as restated) in the previous year to approximately HK$76.8 million this year. Profit attributable to shareholders was approximately HK$13.7 million (2004: HK$17.0 million (as restated)).

Basic earnings per share for the year ended 31 December 2005 amounted to HK5.16 cents (2004: HK6.55 cents) per share.

FINAL DIVIDEND

The directors have decided to recommend the payment of a final dividend of HK0.5 cent per share (2004: HK1 cent) in respect of the year ended 31 December 2005 to the shareholders on the Register of Members of the Company on Wednesday, 14 June 2006.

CLOSURE OF REGISTERS

The Register of Members will be closed from Friday, 9 June 2006 to Wednesday, 14 June 2006, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and attending the annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 8 June 2006.

BUSINESS REVIEW

The Group's core businesses including consumer electronic products and precision parts and components collectively had another successful year. The Group's turnover for the year under review achieved another new record level since the incorporation of the Company. As in the previous year, the growth in turnover resulted from a combination of several factors including sales revenue generated by new products, increased turnover to certain existing customers and to new customers.

Escalated raw material costs, increased workers' wages in the PRC and appreciation of Reminbi have created challenges to us. The increases in raw material and production costs have led to a decrease in gross profit margin of certain existing products. As a result, despite the growth in turnover of the Group's core businesses, the overall gross profit dropped by 2.7% from last year.

The segmental results of the precision parts and components segment improved from approximately HK$19.5 million in the last year to approximately HK$23.6 million this year. This improvement is attributable to the increased demand for our precision components by telecommunication and other high technology industries.

However, the segmental results of the consumer electronic products segment turned into a loss in the current year. The poorer in operating results of the consumer electronic products segment stems mainly from increased operating costs related to our new subsidiary in the United States of America (the "USA"), to the research and development, and sales and marketing human resources. Certain complaints filed by a third party against the Group in the United States had further affected the segmental results unfavorably.

A USA company (the "Complainant") filed a patent infringement complaint with the United States District Court (the "USDC") against our Company and two of the Company's subsidiaries on 18 February 2005. The Complainant also filed the same patent infringement compliant with the United States International Trade Commission (the "ITC") against the Company and the same subsidiaries on 15 March 2005. The Complainant claimed that certain features of the Group's weather forecasting products imported into the USA infringed certain of the Complainant's patents.

On 9 August 2005, the Complainant motioned to withdraw its complaint, without prejudice, filed with the ITC. Moreover, on 11 August 2005, the Complainant voluntarily dismissed its complaint, without prejudice, filed with the USDC. Since the said complaints were withdrawn on a "without prejudice" basis, the Company has received legal advice that the Complainant may possibly take action again in the future. The Group has sought legal and licensed patent counsel's opinions on the patent infringement as claimed by the Complainant and been advised that the features of the Group's weather forecasting products do not infringe the patent rights held by the Complainant.

The abovementioned legal actions have affected our planned expansion of sales into the North American market. The growth in sales to the North American market for the current year was 12%, which is below the level initially planned. However, we expect that our sales to the North American market will improve from year 2006 onward.

The European market has always been the major market of our consumer electronic products segment. In order to better our service being rendered to our customers and hence to derive higher sales revenue from this market, we have engaged a representative in Europe to serve the customers of this market and provide solutions to them timely.

During the year under review, we launched several new products with value added features and these products have been well accepted by the market. Given the success of our newly developed products, we have applied patents for these products so as to protect our intellectual property rights.

Investments

Disposal of Investment in an associate YOUEAL TTI Limited ("YTTI")

YTTI was established with the principal business of manufacture and sale of mobile phone keypads. Though the customers of YTTI are global renowned cellular phone manufacturers, YTTI had incurred substantial operating losses since its incorporation in late 2002. In the year under review, the Company and YTTI's major shareholder also hold different views regarding the future plan for the operation and expansion of YTTI.

Accordingly, on 14 July 2005, the Company and YTTI's major shareholder entered into an agreement in relation to the sale of the Group's 41% equity interest in YTTI and of its loan of US$615,000 due from YTTI (the "Shareholder's Loan") to YTTI's major shareholder (the "Disposal") at an aggregate cash consideration of US$4,715,000 (approximately HK$36,777,000) (the "Consideration"). The Consideration is equal to the aggregate value of the Company's total investment cost in and the Shareholder's Loan to YTTI. The Disposal was approved by the Company's shareholders at the special general meeting held on 14 September 2005 and was completed on 20 September 2005.

The Group recorded a gain on the Disposal of approximately HK$16.3 million in the current financial year.

Other investment

On 31 December 2005, the Group also disposed of its other investment, that is an interest in an unlisted investment at cost for HK$2.5 million to a third party.

FUTURE PLAN AND PROSPECT

As in the previous year, we will continue our focus on developing our core businesses that include consumer electronic products and precision parts and components. Moreover, we would also allocate more resources in developing OEM/ODM businesses so as to enhance our Group's business growth further.

The licensing of "HONEYWELL" trademark for the North American market is an important strategic move for our consumer electronic products segment. We believe that this licensed trademark would enable us to penetrate into the North American market and will bring positive contribution to the Group in the long run.

During the year under review, the production capacity of the precision parts and components segment could not meet the requests of our customers occasionally. In order to cope with the continuous business growth, we have planned to expand our production capacity in the current and coming years for this segment. We intend to construct a new manufacturing facility on the land in Zhongshan, the PRC that we acquired in 2002. Based on our current planning, construction costs of the new manufacturing facility are estimated at HK$25 million and the facility will be completed in early 2007. Funding of this new manufacturing facility that includes utilizing our internal cash resources and obtaining external financing would be arranged where appropriate.

Our production facility for the consumer electronic products segment is located in Shenzhen, the PRC. We anticipate that the production costs in Shenzhen region would increase continuously in the foreseeable future. One of the measures to reduce the production costs of our consumer electronic products is to relocate our production facility to a lower production cost region. As a result, subsequent to the year end date, we have entered into an agreement with a third party for acquiring the land use right of a piece of land in Qingyuan, the PRC, for the future relocation of the Group's production facility for the consumer electronic products segment. This land use right was acquired for a cash consideration of approximately RMB6.4 million.

Rising raw material and production costs have always been challenges to us. We would continue our efforts to improve our production efficiency and implement effective cost control and reduction measures to mitigate the impact arising from increased costs. During the year, the Group acquired the licensed right of an ERP system. We anticipate that our resources planning, operational efficiency and cost controls would further be better and strengthened with the implementation of the newly acquired system.

Our strategy is to develop new products with value added features, implement cost control and reduction measures and improve our production efficiency. We have planned to phase out the low end products and add new product lines for our consumer electronic products segment. Moreover, after disposal of our interest in the associate YTTI, we have reorganised the management structure and realigned the marketing strategy so as to reduce the corresponding operating costs.

We anticipate that the above strategies and measures would enable us to maintain the momentum for growth in turnover and profitability and to lessen the effect of rising production costs.

OPERATIONS REVIEW

The following highlights the Group's results for the year ended 31 December 2005.

- Turnover increased by 11.1% from the prior year to HK$388.1 million for the year.
- Gross profit decreased by approximately HK$1.9 million from 2004 to approximately HK$76.8 million for the year.
- Profit from operating activities before the finance costs and the share of the results of an associate was HK$29.2 million, decreased by HK$2.5 million from last financial year.
- Finance costs increased by HK$1.8 million from last year to HK$7.6 million.
- Share of loss of an associate decreased by HK$0.3 million to HK$5.8 million.
- Profit for the year was HK$13.7 million.

In the year under review, sales turnover of the precision parts and components segment has increased by approximately 7.7% as compared with the previous financial year. On the other hand, the consumer electronic products segment has achieved approximately 15.3% increase in sales turnover from the previous year. As in the previous year, the overall increase in the Group's turnover is mainly attributable to the increased sales turnover related to new products with new value added features, to both existing and new customers.

Although we have shifted our product mixes to products with value added features, our product's gross profit dropped by approximately 2.7% because of increasing production costs attributable to increased raw material and labor costs and appreciation of Reminbi.

The Group's finance costs increased to HK$7.6 million from the prior year due to the increased market interest rate and the Group's borrowings.

During the year, the Group's share of loss of the associated company amounted to HK$5.8 million. Such loss is offset by the gain on disposal of interest in the associate YOUEAL TTI Limited of approximately HK$16.3 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by its principal bankers and other financial institutions in Hong Kong.

The total borrowings from banks and financial institutions include long term loans, finance leases, overdrafts, import and export loans, amounted to approximately HK$87.5 million as at 31 December 2005, of which HK$80.0 million is repayable in 2006.

The Group's financial position remains healthy. At the balance sheet date, the aggregate balance of cash and cash equivalents and pledged deposits of the Group amounted to approximately HK$48.1 million.

The Group's borrowings are mainly on a floating rate basis and are mainly denominated in either Hong Kong dollars or United States dollars. These match with the principal currencies in which the Group conducts it business. Therefore, the Group does not have any significant foreign exchange risk.

The gearing ratio on the basis of total debts to total assets as at 31 December 2005 was 55.6% (2004: 57.0%)

CHARGE ON THE GROUP ASSETS

Certain bank borrowings are secured by fixed charges over the Group's leasehold land and buildings with aggregate net book value of HK$25.5 million and bank deposits amounting to approximately HK$8.4 million.

CONTINGENT LIABILITIES

Except for corporate guarantees given to banks and other financial institutions in relation to facilities granted to the subsidiaries, the Company had no other contingent liabilities as at the balance sheet date.

CAPITAL STRUCTURE

As at 31 December 2005, the Company had approximately 265.5 million shares in issue with total shareholders' funds of the Group amounting to approximately HK$137.2 million.

Pursuant to the share option scheme, the Board of Directors granted share options to certain senior executives and employees of the Group. The exercise in full of those share options granted but remaining not exercised would result in the issue of 2.5 million additional shares and proceeds of approximately HK$0.65 million.

FUND RAISING

General

Other than obtaining additional general banking facilities to finance the Group's trading requirements, we did not have special fund raising exercise during the year 2005.

Convertible loan notes

During the year, the holders of the convertible notes aggregated US$641,245 did not request the Company to convert the whole of the convertible notes. At the maturity date of 17 June 2005, the Company redeemed all the convertible notes at 132.25% of their face value. The convertible loan notes were redeemed with the Company's cash resources.

EMPLOYEES

As at 31 December 2005, the Group had a total workforce of approximately 3,900 of which approximately 90 were based in Hong Kong, 25 were based in overseas and approximately 3,785 were based in the PRC.

The Group remunerates its employees largely based on the prevailing industry practice and labor laws. Since December 1996, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to the employees of the Group.

Moreover, under the Mandatory Provident Fund Scheme Ordinance of Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its Hong Kong employees. For overseas and PRC employees, the Group is required to contribute a certain percentage of its payroll costs to the central pension scheme operated by the respective local government.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules), throughout the year ended 31 December 2005 except for the deviation in respect of the separation of the roles of chairman and chief executive officer. During the year, the Company fixed the term of all independent non-executive Directors as two years. Further information will also be included in the 2005 Annual Report.

REVIEW OF ACCOUNTS

The Audit committee has reviewed the Group's 2005 final results before they were tabled for the Board's review and approval.

By order of the Board
LAI PEI WOR
Chairman

Hong Kong, 25 April 2006

As at the date of this announcement, the Board comprises Messrs. Lai Pei Wor, Chan Yau Wah and Chung Yik Cheung, Raymond (being executive Directors) and Messrs. Kung Fan Cheong, Leung Man Kay and Li Yuen Kwan, Joseph (being independent non-executive Directors).

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