FINANCIAL REVIEW

In 2004, Hong Kong economy has enjoyed a remarkable economic recovery, the Group's total net assets increased by HK$41 million compared with last year. Details of variance are summarised as followed:

Details of the variances are summarised as follows:

	Increase/(Decrease) in the Group's total net assets HK$ million
Property, plant and equipment	(16.4)
Investment properties	93.0
Negative goodwill	13.1
Interests in associates	1.6
Prepaid rental	(0.7)
Rental deposits	(0.4)
Deferred product development costs	1.1
Properties held for sale	0.3
Short term investments	7.5
Inventories	11.5
Accounts receivable, bills receivable, prepayments, deposits and other receivables	(38.9)
Loans receivable and interest receivable on loans	(9.2)
Cash and bank balances and time deposits	(58.9)
Accounts payable, other payables and accrual	33.8
Amount due to associates	0.1
Taxation (including tax payable and deferred tax liabilities)	1.2
Provision for long service payments	0.3
Minority interests	2.0
Net increase in Group's total net assets	41.0

As at 31 December 2004, the Group's properties in both Hong Kong and the Mainland China were revaluated by a professional valuer in accordance with the open market values. A revaluation surplus of approximately HK$0.4 million, HK$9.7 million and HK$8.0 million have been credited to property revaluation reserve, investment property reserve and profit and loss account respectively.

With an optimistic view in the future of property market especially in luxury residential property, the Group invested in luxury residential properties in 2004.

During the year, a total of HK$13.1 million negative goodwill was recognised as income, including that arising from the disposal of 312,486,000 Swank's shares in January 2004.

A tighter control was exercised on the trade receivables that successfully reduced the receivable balances throughout the year under review. On the other hand, the accounts payable dropped by a similar amount because a balancing position was considered necessary. In addition, a shorter credit period might induce more attractive price on material purchases.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2004, cash and bank balances (including time deposits) maintained by the Group were HK$397.7 million (2003: HK$456.6 million), representing a decrease of HK$58.9 million compared with the position as at 31 December 2003. On the other hand, the Group has available banking facilities of HK$28.3 million. It is believed that the Group has adequate cash resources to meet the normal working capital requirements and all commitments for future development. The gearing of the Group, measured as total debts to total assets, was 19.5% as at 31 December 2004, comparing with 23.7% as at 31 December 2003.

Most of the business transactions conducted by the Group were nominated in Hong Kong Dollars, United States Dollars and Renminbi. As at 31 December 2004, there were no outstanding forward contracts in foreign currency committed by the Group that might involve it in significant foreign exchange risks and exposures.

CORPORATE TRANSACTIONS

On 20 January 2005, China Time Investment Holdings Limited (the "Offeror") entered into a sale and purchase agreement (the "S&P Agreement"), amongst others, with Probest Holdings Inc. ("Probest"), a subsidiary of the Company and subsidiaries of SW Kingsway Group, pursuant to which the Offeror conditionally agreed, inter alia, to acquire 1,437,396,440 and 437,521,205 shares of Swank, representing approximately 46% and 14% of the existing issued share capital of Swank from Probest and SW Kingsway Group respectively for total consideration of approximately HK$56 million (i.e. equivalent to HK$0.03 per share).

Subject to completion of the S&P Agreement (the "Completion"), the Offeror will be obliged under Rule 26 of the Takeovers Code to make a mandatory cash offer to acquire all the issued shares of Swank (other than those already owned by the Offeror and parties acting in concert with it).

On 20 January 2005, Swank, Probest and Profitown Investment Corporation ("Profitown") also entered into a conditional loan restructuring agreement (the "Loan Restructuring Agreement"). Pursuant to the terms of the Loan Restructuring Agreement, subject to Completion taking place, Profitown will issue a new promissory note in favour of Probest, in consideration of Probest waiving portion of the outstanding loan due and owing by Swank to Probest under the existing promissory note and releasing Swank from all future obligations and liabilities under the existing promissory note and Swank will also execute a guarantee to guarantee Profitown's obligations in respect of interest payment under the new promissory note.

On Completion, Swank, Probest, Profitown and the Company will enter into a shareholders agreement, the principal terms of which will include unanimous board approval on material issues regarding Profitown, a put option exercisable by Swank in respect of its shares in Profitown and an indemnity by Probest in favour of Profitown in the event of deficit in the net tangible asset value of Profitown during the 30-month period from the completion date. On Completion, Probest and the Company will also execute a deed in favour of the Offeror. Under certain events, Probest will indemnify the Offeror.

For details of the above transactions, please refer to the announcement dated 18 April 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group employed approximately 4,720 employees, with about 4,590 in the Mainland China and about 130 in Hong Kong. All employees are remunerated based on industry practice and in accordance with the prevailing labour law. In Hong Kong, apart from basic salary, staff benefits include medical insurance, performance related bonuses and mandatory provident fund would be provided by the Group.