1. BASIS OF PREPARATION

a) Principal activities

The principal activity of the Company is investment holding. During the year, the Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards ("PCBs"), the trading and distribution of electronic components and parts, the trading of listed equity investments, the provision of loan financing, and the manufacture and sale of optical products. There were no significant changes in the nature of the Group's principal activities during the year.

b) Basis of consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. RECENTLY ISSUED HONG KONG FINANCIAL REPORTING

Impact of recently issued Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in preparing the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain properties. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the principal accounting policies adopted by the Group is set out below.

a) Subsidiaries

A subsidiary is a company in which the Group or Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the balance sheet are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted to the extent of dividends received and receivable.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Joint venture companies (continued)

A joint venture company is treated as:

i) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

ii) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company;

iii) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company; and

iv) a long term investment, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

c) Associates

An associate is a company in which the Group or the Company has significant influence and which is neither a subsidiary nor a joint venture of the Group or the Company.

The investments in associates are stated at cost less provision, if necessary, for any impairment loss, such provision being determined for each associate individually. The results of associates are accounted for to the extent of dividends received and receivable.

The investments in associates are accounted for in the consolidated balance sheet under the equity method whereby the investments are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's or the Company's share of net assets of the associates. The results of the associates are accounted for in the consolidated income statement to the extent of the Group's or the Company's share of the associates' results of operation.

d) Goodwill

Goodwill arising on acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Goodwill (continued)

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets or all liabilities at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

e) Negative goodwill

Negative goodwill arising on acquisitions of controlled subsidiaries, associates and jointly controlled entities represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

- for acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

- for associates and jointly controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a controlled subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as movement on Group reserves is credited to the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditure is capitalised as an additional cost of the assets.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land held under medium term leases	Over the remaining lease terms
Buildings	4%
Leasehold improvements	5 – 50%
Plant and machinery	6.67 – 20%
Furniture, fixtures and office equipment	10 – 20%
Motor vehicles	20%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property, plant and equipment and depreciation (continued)

Changes in the values of property, plant and equipment resulting from revaluations are dealt with, on an individual asset basis, as movements in the asset revaluation reserve. Deficits arising from revaluation, to the extent they cannot be offset against the revaluation surplus in respect of the same asset, are charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

The gain or loss on disposal or retirement of a property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant property, plant and equipment. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

h) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Changes in the value of the investment property is treated as movements in an investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

Investment properties are stated in the balance sheet at their carrying values. Carrying values represent the valuation less accumulated depreciation of investment properties at time when the properties are reclassified to investment properties. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

i) Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expenses when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Research and development costs (continued)

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line method over the commercial lives of the underlying products not exceeding seven years, commencing from the date when the products are put into commercial production.

j) Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date on an individual investment basis. Fair values are determined by reference to quoted market prices net of any discount which is deemed necessary by the directors to reflect the potential impact of the disposal of such shares in the case of substantial shareholdings. The gains or losses arising from changes in the fair value of a security are credited to or charged to the income statement in the period in which they arise.

k) Properties held for sale

Properties held for sale are stated at the lower of carrying amount and net realisable value.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company or has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settled the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are credited or charged to the income statement on the straight-line basis over the lease terms.

p) Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment.The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of probable future long services payments expected to be made. The provision is based on the best estimate of the probable future payments which has been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basis salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme.The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Employee benefits (continued)

Retirement benefits scheme (continued)

The employees of the Group's subsidiaries in the People's Republic of China (the "PRC") are members of the state-sponsored retirement scheme operated by the government of the PRC.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company 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 by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

q) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

r) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances and time deposits represent assets which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

i) From the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

ii) Interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

iii) From the sale of listed equity investments, on the trade day;

iv) From the sale of properties, when the legally binding sales contract is signed;

v) Dividends, when the shareholders' right to receive payment has been established; and

vi) Management fee, when the services are rendered.

t) Translation of foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the consolidated income statement.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

a) The electronic products segment consists of the manufacture and sale of electronic products;

b) The PCBs segment consists of the manufacture and sale of PCBs;

c) The electronic components and parts segment consists of the trading and distribution of electronic components and parts;

d) The listed equity investments segment consists of the trading of listed equity investments;

e) The provision of finance segment consists of the provision of loan financing services; and

f) The optical products segment consists of the manufacture and sale of optical products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to the third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (CONTINUED)

a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Segment revenue																
Sales to external customers	**391,632**	398,361	**108,992**	130,901	**–**	2	**15,515**	870	**107**	412	**174,890**	192,236	**–**	-	**691,136**	722,782
Inter-segment sales	**–**	-	**4,787**	11,458	**19,416**	21,071	**–**	-	**2,887**	-	**–**	-	**(27,090)**	(32,529)	**–**	-
Other revenue	**3,356**	1,904	**5,192**	1,412	**–**	25	**469**	421	**–**	-	**2,800**	3,167	**–**	-	**11,817**	6,929
Total	**394,988**	400,265	**118,971**	143,771	**19,416**	21,098	**15,984**	1,291	**2,994**	412	**177,690**	195,403	**(27,090)**	(32,529)	**702,953**	729,711
Segment results	**17,288**	17,027	**(18,328)**	(18,342)	**683**	673	**(3,607)**	(7,297)	**(5,800)**	(9,177)	**(5,345)**	(21,673)	**642**	(60)	**(14,467)**	(38,849)
Interest, dividend income and unallocated gains															**2,272**	4,723
Negative goodwill recognized as income															**13,062**	23,550
Gain on disposal of partial interest in Swank															**8,458**	18,407
Gain on disposal of properties held for sale															**3,900**	-
Write back of over-provision/ (provision) against properties held for sale															**3,150**	(2,967)
Surplus/(deficit) on revaluation of leasehold land and building, net															**4,843**	(1,015)
Gain on disposal of interests in associates															**10,900**	-
Unallocated expenses															**(9,704)**	(1,041)
Profit from operating activities															**22,414**	2,808
Share of profits less losses of associates															**2,791**	1,727
Profit before taxation															**25,205**	4,535
Taxation																
Company and subsidiaries															**(452)**	(1,627)
Associates															**–**	(151)
Profit before minority interests															**24,753**	2,757
Minority interests															**5,758**	8,941
Net profit from ordinary activities attributable to shareholders															**30,511**	11,698

4. SEGMENT INFORMATION (CONTINUED)

a) Business segments (continued)

Group

	Electronic products		PCBs		Electronic components and parts		Listed equity investments		Provision of finance		Optical products		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**185,093**	194,155	**119,469**	129,691	**1,222**	5,202	**23,884**	6,675	**101,612**	57,953	**195,056**	166,971	**(16,641)**	(5,518)	**609,695**	555,129
Interests in associates	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**37,220**	35,581	**–**	-	**37,220**	35,581
Unallocated assets	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**271,731**	324,352
Total															**918,646**	915,062
Segment liabilities	**31,309**	44,962	**80,327**	66,800	**1,396**	3,341	**42**	96	**123**	83	**41,356**	56,997	**(16,600)**	(5,457)	**137,953**	166,822
Unallocated liabilities		-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**20,336**	26,900
Total liabilities															**158,289**	193,722
Other segment information																
Depreciation and amortisation	**14,303**	13,100	**6,724**	9,760	**119**	-	**–**	-	**–**	-	**13,645**	10,980	**–**	-	**34,791**	33,840
Unallocated amounts															**2,646**	2,922
															37,437	36,762
Capital expenditure	**10,216**	18,723	**3,154**	2,198	**–**	-	**–**	-	**–**	-	**3,000**	1,053	**–**	-	**16,370**	21,974
Unallocated amounts															**85**	1,044
															16,455	23,018
Provision against loans receivable	**–**	-	**–**	-	**–**	-	**–**	-	**–**	20	**–**	-	**–**	-	**–**	20
Write back of over-provision (provision) against properties held for sale	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**3,150**	(2,967)
Write back of (over-provision)/ provision against doubtful accounts receivable	**–**	-	**(1,090)**	2,947	**–**	-	**–**	-	**–**	-	**–**	5,074	**–**	-	**(1,090)**	8,021
Provision against inventories/ (write-back of over-provision against inventories)	**291**	(97)	**(240)**	5,326	**–**	-		-	**–**	-	**238**	7,168	**–**	-	**289**	12,397
Surplus/(deficit) on revaluation of leasehold land and buildings	**643**	(643)	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**643**	(643)
Unallocated amounts															**4,200**	(372)
															4,843	(1,015)
Surplus/(deficit) on property revaluation recognized directly in equity	**375**	(1,290)	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**–**	-	**375**	(1,290)
Unallocated amounts															**9,652**	-
															10,027	(1,290)

4. SEGMENT INFORMATION (CONTINUED)

b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Europe		North America		Hong Kong		Japan		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:														
Sales to external customers	89,922	100,032	189,345	231,592	183,782	197,090	180,807	150,401	47,280	43,667	–	-	691,136	722,782

	Hong Kong		Mainland PRC		Others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information:										
Segment assets	675,826	577,418	193,395	254,868	12,205	47,195	–	-	881,426	879,481
Interests in associates	(10,165)	(9,376)	47,224	44,796	161	161	–	-	37,220	35,581
									918,646	915,062
Capital expenditure	160	1,262	16,295	21,756	–	-	–	-	16,455	23,018

5. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing.

Revenue from the following activities has been included in turnover:

	2004 HK$'000	2003 HK$'000
Manufacture and sale of electronic products	**391,632**	398,361
Manufacture and sale of PCBs	**108,992**	130,901
Trading and distribution of electronic components and parts	**–**	2
Trading of listed equity investments	**15,515**	870
Provision of loan financing	**107**	412
Manufacture and sale of optical products	**174,890**	192,236
	691,136	722,782

6. OTHER REVENUE

	2004 HK$'000	2003 HK$'000
Bank interest income	**1,575**	3,621
Dividends income from listed investments	**363**	–
Sales of obsolete inventories	**2,795**	889
Management fee received	**1,908**	2,346
Product development income	**2,678**	2,709
Rental income	**1,024**	421
Sales of raw materials	**1,778**	446
Others	**1,968**	1,220
	14,089	11,652

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2004	2003
	HK$'000	HK$'000
Cost of inventories	**583,563**	621,192
Depreciation	**35,279**	34,836
Amortisation of prepaid rental	**737**	737
Amortisation of deferred product development costs	**1,421**	1,189
Minimum lease payments under operating leases:		
Land and buildings	**9,495**	9,673
Office equipment	**233**	269
Staff costs (including directors' remuneration – note 8):		
Wages and salaries	**114,775**	119,856
Pension contributions	**1,818**	2,261
Less: Forfeited contributions	**(562)**	(393)
	1,256	1,868
	116,031	121,724
Auditors' remuneration:		
Current year provision	**1,370**	1,930
Prior year underprovision	**–**	65
	1,370	1,995
(Write back of provision)/provision against doubtful accounts receivable	**(1,090)**	8,021
Provision against inventories	**289**	12,397
Negative goodwill recognised as income	**(13,062)**	(23,550)
(Gain)/loss on disposal of property, plant and equipment	**(21)**	118
(Gain)/loss on disposal of properties held for sales	**(3,900)**	240
Exchange losses, net	**1,068**	276
Net loss/(gain) on disposal of listed equity investments	**88**	(185)
Gain on disposal of partial interest in Swank	**(8,458)**	(18,407)

The cost of inventories sold includes HK$102,679,000 (2003: HK$95,087,000) relating to direct staff costs, provision against inventories, amortisation of prepaid rental, amortisation of deferred product development costs, operating lease rentals of land and buildings and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

* At 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2003: Nil).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	2004 HK$'000	2003 HK$'000
Directors' fees		
Executive	–	–
Independent non-executive	361	330
Other emoluments:		
Executive:		
Salaries and other benefits	7,189	8,229
Bonuses	–	–
Pension contributions	295	369
Independent non-executive:		
Salaries and other benefits	–	–
	7,845	8,928

The remuneration of the directors fell within the following bands:

	Number of directors	
	2004	2003
Nil – HK$1,000,000	5	4
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$3,000,000	2	2
	8	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining three (2003: two) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,520**	3,210
Pension contributions	**103**	56
	3,623	3,266

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2004	2003
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**–**	1
	3	2

10. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2004	2003
	HK$'000	HK$'000
The PRC:		
Hong Kong:		
Current year provision	**976**	1,524
(Over)/under provision in prior years	**(750)**	80
Mainland China	**226**	23
	452	1,627
Share of tax attributable to associates	**–**	151
Total tax charge for the year	**452**	1,778

10. TAXATION (CONTINUED)

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries registered in Mainland China, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd ("Gaojin"), are exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

The foregoing tax concession for Yifu has expired. Pursuant to a further tax concession granted in the current year, the income tax rate applicable to 15% for 2004 (2003: 15%). Gaojin began its first profitable year as the year ended 31 December 2002 and entitled to the 50% relief on the income tax. The income tax applicable rate to Gaojin is 15% per annum.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and associates are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Profit before tax	**25,205**	4,535
Tax at the statutory tax rate	**4,411**	794
Adjustments in respect of current tax of previous years	**(750)**	80
Income not subject to taxation	**(5,502)**	(945)
Expenses not deductible for taxation	**2,419**	2,325
Tax losses utilised from previous years	**(759)**	(476)
Effect of different taxation rates in other countries	**633**	–
Tax charge at the Group's effective rate	**452**	1,778

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company is HK$1,538,000 (2003: HK$30,768,000).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$30,511,000 (2003: HK$11,698,000) and the weighted average of 286,068,644 (2003: 286,068,644) ordinary shares in issue during the year.

A diluted earnings per share for the year ended 31 December 2003 and 2004 have not been disclosed as no diluting events existing during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At beginning of year	34,900	45,671	181,048	48,235	3,667	313,521
Additions	–	4,025	7,836	2,095	–	13,956
Disposals	–	(77)	(642)	(179)	(332)	(1,230)
Surplus on revaluation	4,200	–	–	–	–	4,200
At 31 December 2004	39,100	49,619	188,242	50,151	3,335	330,447
Accumulated depreciation						
At beginning of year	–	19,481	86,027	19,715	2,529	127,752
Provided during the year	1,018	5,955	19,663	8,261	382	35,279
Disposals	–	(14)	(494)	(174)	(295)	(977)
Write-back on revaluation	(1,018)	–	–	–	–	(1,018)
At 31 December 2004	–	25,422	105,196	27,802	2,616	161,036
Net book value						
At 31 December 2004	39,100	24,197	83,046	22,349	719	169,411
At 31 December 2003	34,900	26,190	95,021	28,520	1,138	185,769
An analysis of cost or valuation						
At cost	–	49,619	188,242	50,151	3,335	291,347
At 2004 valuation	39,100	–	–	–	–	39,100
	39,100	49,619	188,242	50,151	3,335	330,447

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:			
At beginning of year and at 31 December 2004	13	144	157
Accumulated depreciation:			
At beginning of year	8	93	101
Provided during the year	2	27	29
At 31 December 2004	10	120	130
Net book value:			
At 31 December 2004	3	24	27
At 31 December 2003	5	51	56

The analysis of the Group's leasehold land and buildings at 31 December 2004 is as follows:

	At valuation HK$'000
Medium term leasehold land and buildings situated in Mainland PRC	24,100
Medium term leasehold land and buildings situated in Hong Kong	15,000
	39,100

The leasehold land and buildings have been valued on an open market value basis, based on their existing use, by B.I. Appraisals Limited, an independent firm of professional valuers, on 31 December 2004 at HK$39,100,000. Revaluation surplus of HK$4,843,000 and HK$375,000 resulting from these valuations have been credited to the income statement and to the property revaluation reserve, respectively.

Had the Group's land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$39,830,000 (2003: HK$40,848,000).

Certain of the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group. The net book values of the pledged assets included in the total amount of property, plant and equitment at 31 December 2004 amounted to HK$15,000,000 (2003: HK$11,200,000).

14. INVESTMENT PROPERTIES

Group

	2004 HK$'000
At 1 January 2004	–
Additions	83,348
Surplus on revaluation	9,652
At 31 December 2004	93,000

Investment properties were valued at their open market value at 31 December 2004 by B.I. Appraisals Limited, an independent firm of professional valuers. These valuations gave rise to a revaluation surplus of HK$9,652,000 which have been credited to the investment property reserve.

The investment properties are held under long-term lease in Hong Kong.

15. NEGATIVE GOODWILL

The amounts of the negative goodwill recognised in the consolidated balance sheet, arising from the acquisition of Swank International Manufacturing Company Limited ("Swank") and additional investment in Electronics Tomorrow Manufactory Inc. in 2002, are as follows:

Group

	HK$'000
Cost	
At 1 January 2004	88,680
Accumulated recognition as income	
At 1 January 2004	48,334
Recognition as income during the year	13,062
At 31 December 2004	61,396
Net book value	
At 31 December 2004	27,284
At 31 December 2003	40,346

16. INTERESTS IN SUBSIDIARIES

	2004 HK$'000	2003 HK$'000
Unlisted shares, at cost	**93,316**	93,316
Due from subsidiaries	**279,862**	244,045
Due to subsidiaries	**(2,778)**	(153)
	370,400	337,208
Provisions for impairment loss	**(38,628)**	(38,628)
	331,772	298,580

The balances with the subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2004	2003	Principal activities
Active Base Limited	Hong Kong	HK$2	**100%**	100%	Provision of loan financing
Allied Trade Limited	The British Virgin Islands	US$1	**100%**	–	Investment holding
Allied Success Inc.	The British Virgin Islands	US$10,000	**88%**	–	Investment holding
Connion Limited	Hong Kong	HK$2	**100%**	100%	Securities investment and property holding
E-Top PCB Limited	Hong Kong	HK$100	**57%**	65%	Trading of printed circuit boards

16. INTEREST IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2004	2003	Principal activities
Eastec Purchasing Limited	The British Virgin Islands/ Japan	US$1	**100%**	100%	Trading of electronic components and parts
Eastec Technology Limited	Hong Kong	HK$2	**100%**	100%	Trading of electronic components and parts
Electronics Tomorrow International Limited	The British Virgin Islands	US$600	**100%**	100%	Investment holding
Electronics Tomorrow Limited	Hong Kong	HK$500,000	**100%**	100%	Manufacture and sale of electronic products
Electronics Tomorrow Manufactory Inc.	The British Virgin Islands	US$350	**57%**	65%	Investment holding
Fortune Dynamic Group Corp. ("Fortune Dynamic")	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Good Order International Inc.	The British Virgin Islands	US$100	**100%**	100%	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	**100%**	100%	Investment holding
Master Base Limited	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Maxwood Limited	Hong Kong	HK$2	**100%**	100%	Securities investment

16. INTEREST IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2004	2003	Principal activities
Merit Team Limited	Hong Kong	HK$2	**100%**	–	Property holding
Plentiful Light Limited	The British Virgin Islands/ The PRC	US$100	**57%**	65%	Manufacture of printer circuit boards
Probest Holdings Inc. ("Probest")	The British Virgin Islands	US$1	**100%**	100%	Investment holding
Dongguan Yifu Circuit Board Factory ("Yifu") (i), (iii)	The PRC	HK$64,160,000	**48%**	55%	Manufacture of printed circuit boards
Gaojin Electronics (Shenzhen) Company Limited ("Gaojin") (ii)	The PRC	US$5,000,000	**100%**	100%	Manufacture of electronic products
Dongguan De Bao Optical Company Limited ("De Bao") (iv), (vii)	The PRC	HK$58,550,910	**26%**	31%	Manufacture of multi-coating lenses
Dongguan Hamwell Glasses Company Limited ("Dongguan Hamwell") (v), (vii)	The PRC	HK$62,504,800	**42%**	51%	Manufacture of optical products
Global Origin Limited (vii)	Hong Kong	HK$75,000,000	**46%**	55%	Investment holding
Profit Trend International Limited (iii)	Hong Kong	HK$1,000,000	**26%**	31%	Investment holding

16. INTEREST IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered share capital	Percentage of equity attributable to the Company 2004	2003	Principal activities
Prowin Commercial & Industrial Limited (vii)	Hong Kong	HK$2	**51%**	61%	Property holding in the PRC
Shenzhen Henggang Swank Optical Industrial Company Limited ("Henggang") (iii), (vi)	The PRC	US$30,000,000	**41%**	49%	Manufacture of optical products
Swank International Manufacturing Company Limited (vii)	Hong Kong	HK$31,249,000	**51%**	61%	Investment holding
Swank International Optical Company Limited (vii)	Hong Kong	HK$100,000	**51%**	61%	Trading of optical products

Other than Electronics Tomorrow International Limited, Fortune Dynamic and Master Base Limited, which are held directly by the Company, all subsidiaries are held indirectly by the Company.

(i) Yifu is a Sino-foreign owned joint venture enterprise under the PRC law.

(ii) Gaojin is registered as a wholly foreign owned enterprise under the PRC law.

(iii) The Company has the power to cast the majority of votes at meetings of the board of directors of these entities and therefore they are regarded as subsidiaries of the Company.

(iv) De Bao is registered as a wholly foreign owned enterprise under the PRC law. The registered capital of De Bao is HK$118,100,000. At the balance sheet date, plant and machinery amounting to HK$58,550,910 has been contributed by the Group towards meeting the registered capital requirement. The outstanding amount of approximately HK$59,549,000 was due for contribution on 18 March 1999 is accordance with De Bao's articles of association. The Group has been in discussion with the relevant authorities to modify the original terms of the articles of association, including the amount of total registered capital. Up to the date of this Annual Report, the Group has not yet obtained the approval from the relevant authorities.

16. INTEREST IN SUBSIDIARIES (CONTINUED)

(v) Dongguan Hamwell is a Sino-foreign owned joint venture enterprise under the PRC law. The registered capital of Dongguan Hamwell is HK$67,940,000. At the balance sheet date, plant and machinery amounting to approximately HK$62,505,000 has been contributed by the Group to Dongguan Hamwell, towards meeting the registered capital requirement. The remaining registered capital of HK$5,435,000 has not yet been contributed by the minority shareholder of Dongguan Hamwell as at 31 December 2004.

(vi) Henggang is a Sino-foreign owned joint venture enterprise under the PRC law. Subject to the payment of an annual amount of approximately HK$2,830,000 (2003: HK$2,830,000) to the joint venture party, the Group is entitled to all of the profits and bears all of the losses of Henggang.

(vii) On 2 January 2004, the Group disposed of 10% of the interests in Swank through a sale and purchase agreement entered between the Group and an independent third party. Immediately after the completion of the agreement, the Group's equity interests in Swank decreased from 61% to 51% and a net proceeds of HK$8,406,000 was generated. In addition, on 20 January 2005, the Group entered into an agreement with an independent third party to further dispose of 46% interests in Swank.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year of formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group	
	2004	2003
	HK$'000	HK$'000
Share of net assets	**128,876**	143,592
Due from associates	**8,467**	5,005
Provision for impairment loss	**(100,123)**	(113,016)
	37,220	35,581

The amounts due from associates are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

The amounts due to associates are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity attributable to the Group 2004	2003	Principal activities
Dongguan Yueheng Optical Company Limited	Corporate	The PRC	**26%**	31%	Manufacture of optical lenses
Dongguan Yueheng Optical (HK) Company Limited	Corporate	Hong Kong	**26%**	31%	Trading of optical products
Dongguan Yueheng Optical (BVI) Company Limited	Corporate	The British Virgin Islands	**26%**	31%	Financial servicing and marketing of optical products

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

18. PREPAID RENTAL

	Group 2004 HK$'000	2003 HK$'000
Cost		
At beginning and end of the year	**10,500**	10,500
Amortisation		
At beginning of the year	**7,123**	6,386
Provided during the year	**737**	737
At end of the year	**7,860**	7,123
Net book value		
At end of the year	**2,640**	3,377

18. PREPAID RENTAL (CONTINUED)

The prepaid rental represents the capital contribution made by the joint venture partner of Yifu in the form of a right to use the property owned by the joint venture partner within the terms of the joint venture.

The prepaid rental is amortised on a straight-line basis over the underlying initial term of the joint venture of 15 years.

19. DEFERRED PRODUCT DEVELOPMENT COSTS

	Group	
	2004	2003
	HK$'000	HK$'000
Cost		
At beginning of the year	**19,376**	17,599
Additions	**2,499**	1,777
At end of the year	**21,875**	19,376
Accumulated amortisation and impairment		
At beginning of the year	**14,593**	13,404
Amortisation provided during the year	**1,421**	1,189
At end of the year	**16,014**	14,593
Net book value		
At end of the year	**5,861**	4,783

20. LOANS RECEIVABLE

	Group	
	2004	2003
	HK$'000	HK$'000
Secured	**3,000**	12,254
Unsecured	**67**	67
	3,067	12,321
Less: Non-current portion	**(2,000)**	–
	1,067	12,321

The loans receivable bear interest ranging from 3% to 12% (2003: prime rate to 12%) per annum.

21. PROPERTIES HELD FOR SALE

	Group 2004 HK$'000	2003 HK$'000
At cost	**6,333**	12,666
Less: Provision for impairment loss	**(333)**	(6,966)
	6,000	5,700

The properties held for sale are situated in Hong Kong and are held under medium term leases.

22. SHORT-TERM INVESTMENTS

	Group 2004 HK$'000	2003 HK$'000
Trading securities		
– Listed equity securities in Hong Kong	**7,491**	–

23. INVENTORIES

	Group 2004 HK$'000	2003 HK$'000
Raw materials	**54,121**	38,510
Work in progress	**10,168**	19,982
Finished goods	**25,121**	19,418
	89,410	77,910

As at 31 December 2004, all inventories are stated at cost.

24. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2004		2003	
	HK$'000	**Percentage**	HK$'000	Percentage
Current to three months	**93,523**	**75**	111,448	74
Four to six months	**2,597**	**2**	17,509	12
Seven months to one year	**14,532**	**12**	16,202	11
Over one year	**13,533**	**11**	5,450	3
	124,185	**100**	150,609	100
Provision	**(8,296)**		(10,193)	
Total after provision	**115,889**		140,416	

The normal credit period granted by the Group to customers ranges from 21 days to 120 days.

25. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current to three months	**52,736**	94,877
Four to six months	**34,148**	19,893
Seven months to one year	**5,298**	3,252
Over one year	**522**	1,253
	92,704	119,275

Accounts payable aged less than four months accounted for 57% (2003: 79.5%) of the total accounts payable.

26. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**1,243**	1,465	**240**	240
Amount utilised during the year	**(294)**	(222)	**(10)**	–
At end of year	**949**	1,243	**230**	240

The Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

27. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
	HK$'000
At 1 January 2004 and at 31 December 2004	1,433

The Group has tax losses arising in Hong Kong of approximately HK$177,890,000 (2003: 150,452,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

28. ISSUED CAPITAL

	2004	2003
	HK$'000	HK$'000
Authorised:		
50,000,000,000 (2003: 50,000,000,000) ordinary shares of HK$0.01 (2003: HK$0.01) each	**500,000**	500,000
Issued and fully paid:		
286,068,644 (2003: 286,068,644) ordinary shares of HK$0.01 each (2003: HK$0.01) each	**2,861**	2,861

There was no repurchase of any shares during the year.

29. SHARE OPTION SCHEME

(a) Share option schemes of the company

The company operates a share option scheme (the "Tomorrow Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Tomorrow Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder of the Company's subsidiaries. The Tomorrow Scheme became effective on 29 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Tomorrow Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Tomorrow Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the company, or to any of their associates, in excess of 0.1% of the shares of the company in issue at any time or with an aggregate value (based on the price of the company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Tomorrow Scheme at any time during a period not exceeding five years after the date when the option is granted and expiring on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted during the year and no share options outstanding as at the balance sheet date.

29. SHARE OPTION SCHEME (CONTINUED)

(b) Share option schemes of Swank

All details of the Swank Scheme are the same as described under the heading "Share option schemes of the Company", except for the Swank Scheme became effective on 28 May 2002 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

No share options have been granted by Swank during the year. Swank has no share options outstanding as at the balance sheet date.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003	200,556	77	84,917	3,878	289,428
Capital	–	–	283,208	–	283,208
Net profit for the year	–	–	–	30,768	30,768
At 31 December 2003 and at 1 January 2004	200,556	77	368,125	34,646	603,404
Net profit for the year	–	–	–	1,538	1,538
At 31 December 2004	200,556	77	368,125	36,184	604,942

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.

31. CONTINGENT LIABILITIES

	Company 2004 HK$'000	Company 2003 HK$'000
Guarantees of banking facilities granted to subsidiaries	**28,300**	22,400

The Group had no other significant contingent liabilities at the balance sheet date (2003: Nil).

32. COMMITMENTS

(a) Capital commitments

	Group 2004 HK$'000	Group 2003 HK$'000
Deferred product development costs:		
Contracted for	**–**	–
Authorised, but not contracted for	**811**	1,199
	811	1,199
Commitments to contribute to subsidiaries registered in the PRC	**4,618**	9,638

The Company had no significant commitments at the balance sheet date (2003: Nil).

(b) Operating lease commitments

The Group leases certain of its office properties, factory premises, warehouses and office equipment under operating lease arrangements. Leases for office properties, factory premises and warehouses are negotiated for terms ranging from 1 to 15 years, and those office equipment for a term of three years.

32. COMMITMENTS (CONTINUED)

(b) Operating lease commitments (continued)

At 31 December 2004, the Group and the Company had future minimum lease under non-cancellable operating leases falling committed for due as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Within one year	**10,010**	9,753	**1,756**	2,282
In the second to fifth years, inclusive	**19,258**	17,640	**5,127**	–
After five years	**3,538**	6,389	**–**	–
	32,806	33,782	**6,883**	2,282
Office equipment:				
Within one year	**210**	55	**–**	–
In the second to fifth years, inclusive	**89**	34	**–**	–
	299	89	**–**	–
	33,105	33,871	**6,883**	2,282

33. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following connected and related party transactions:

(i) A loan of HK$16,000,000 (2003: HK$7,000,000) was granted by a wholly-owned subsidiary of the Group to E-Top PCB Limited ("E-Top"), a 57% owned subsidiary of the Group, for its general working capital. The loan was unsecured, bore interest at the one-month Hong Kong dollar time deposit rate and had no fixed terms of repayment.

(ii) In addition, the Group had certain banking facilities, with a total limit of HK$28.3 million (2003: HK$22.4 million), which were used by a wholly-owned subsidiary of the Group. These banking facilities were secured by corporate guarantees executed by E-Top and Plentiful, both of which are 57% owned subsidiaries of the Group, and certain wholly-owned subsidiaries of the Group, and certain leasehold land and buildings of the Group (note 13).

33. CONNECTED AND RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Probest a wholly-owned subsidiary of the Group issued a promissory note to another subsidiary, Swank in 2003. The promissory note payable is unsecured with maturity date on 1 June 2006 and bearing interest at the rate equivalent to 1% over the prevailing Hong Kong prime rate per annum. During the year, interest income receivable by Probest amounted to HK$13,567,000 (2003: HK$15,076,000).

(iv) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2004**	2003
		HK$'000	HK$'000
Sales of products to associates	(i)	**10,224**	8,390
Purchases of products from associates	(ii)	**14,807**	12,755
Management fee income from associates	(iii)	**585**	2,346

(i) The sale to the associates were made according to the published prices, terms and conditions offered to the major third party customers of the Group.

(ii) The purchases from the associates were made according to the published prices, terms and conditions offered by the associates to their major third party customers.

(iii) The management fee income was charged according to the management's estimation on costs of office premises and utilities used by the associates.

34. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group and the Company have undertaken the following events in relation to further disposal of the interest in Swank:

(a) On 20 January 2005, a conditional sale and purchase agreement (as amended by the supplemental agreement dated 13 April 2005) ("Share Disposal Agreement") was made between Probest which is a wholly-owned subsidiary of the Company, Rich Global Investments Limited ("Rich Global") and Kingsway Lion Spur Technology Limited ("Kingsway Lion") which are subsidiaries of SW Kingsway Capital Holdings Limited, and an independent third party, China Time Investment Holdings Limited ("China Time"), pursuant to which China Time agreed to acquire from Probest, Rich Global and Kingsway Lion of 1,437,396,440, 156,283,205 and 281,238,000 existing issued shares of Swank International Manufacturing Company Limited ("Swank"), representing approximately 60% of the existing issued share of Swank, at the considerations of HK$43,121,893, HK$4,688,496 and HK$8,437,140, respectively, subject to completion of certain conditions.

34. POST BALANCE SHEET EVENTS (CONTINUED)

(a) The sale proceed to be receivable by Probest in two instalments will be as follows:

i) as to HK$23,121,893 within six months of completion of the Share Disposal agreement; and

ii) as to HK$20,000,000 on the anniversary of completion of the Share Disposal Agreement.

Upon completion of the Share Disposal Agreement, Probest will hold approximately 5% of the existing issued shares of Swank which in turn owns 70% issued capital of Profitown Investment Corporation ("Profitown"). Probest directly holds 30% issued capital of Profitown at the balance sheet date.

(b) On 20 January 2005, Probest, Swank and Profitown entered into a conditional loan restructuring agreement ("Loan Restructuring Agreement"), pursuant to which Probest conditionally agreed to waive an outstanding principal of the promissory note due by Swank to Probest, over and above the debt (HK$112,167,732 as of 18 April 2005) due and owing by Profitown to the Swank ("Profitown/Swank Loan"), the interest and the default interest on the debt for the period from 5 November 2003 up to and inclusive of date of the Share Disposal Agreement as referred to (a) above, in the amount of approximately HK$12,669,995 and any further interest which may be accrued on the debt up to and inclusive of the effective date when the conditions of the Loan Restructuring Agreement are fulfilled.

As part of the Loan Restructuring Agreement and on its effective date when all the stipulated conditions are fulfilled, Profitown will issue and deliver a new promissory note to Probest, in consideration of which Swank undertakes to waive a sum equivalent to the debt (which amounts to HK$112,167,732 as of 18 April 2005) from Profitown/Swank Loan. In addition, Swank will execute a guarantee in favour of Probest ("Swank Guarantee") that if and whenever Profitown defaults for any reason in payment of the principal sum due under the Promissory Note to be issued to Probest, Swank will upon demand by Probest unconditionally pay and satisfy all the interest which Profitown is liable to pay under the new Promissory Note on and after such default. The obligations of Swank under the Swank Guarantee are unsecured and will cease to be effective if the Put Option, as referred to (c) below, is exercised and the transaction contemplated under the Put Option is completed.

As at 18 April 2004, the principal amount, interests and default interests of the Debt to be waived by Probest amounted to approximately HK$66 million.

34. POST BALANCE SHEET EVENTS (CONTINUED)

(c) Both before and immediately after completion of the said Share Disposal Agreement (referred to in note (a) above), Profitown will be held as to 30% by Probest and as to 70% by Swank. On completion of the Share Disposal Agreement, Swank, Probest and the Company, and Profitown will enter into a shareholder agreement to regulate the management of Profitown ("Profitown Shareholders Agreement"). Pursuant to principal terms of the Profitown Shareholders Agreement, Swank will have the right to request Probest or an independent third party procured by Probest to purchase (the "Put Option") all (but not part of only) of its shares, being 70% of all the existing issued shares of Profitown exercisable at any time before the expiry of 30 months from the Completion Date of the Share Disposal Agreement at a price equal to the net tangible asset value of Profitown as at the date of exercise of such put option attributable to such shares and such purchaser will assume all the liabilities due from Swank to any member of the Profitown Group incurred prior to the date of Profitown Shareholders Agreement at nil consideration. If the net tangible asset value of Profitown as determined on the same basis and accounting policies adopted by Profitown in its latest audited accounts shall fall below zero during the 30-month period from the Completion Date, Probest will indemnify Profitown on demand for the deficit in the event that such deficit exceeds the outstanding principal amount of the new promissory note due to Probest and the interest accrued.The Put Option and such indemnity by Probest will cease and Probest shall have no further obligations in respect thereto if (i) the aggregate shareholding of China Time in the Swank falls below 51%; (ii) there is any change to the majority of the board of directors of China Time since the date of and as disclosed in the Share Disposal Agreement; and (iii) Mr.Wang An Kang cease to be the legal and beneficial owner of at least 75% of and in China Time.

(d) On completion of the Share Disposal Agreement, the Company and its wholly-owned subsidiary, Probest, will execute a deed in favour of China Time ("Tomorrow Group Deed"), pursuant to which, Probest shall indemnify China Time for an amount of HK$56,247,530 upon demand in case Swank ceases to be listed on the Stock Exchange under certain circumstances as detailed in the joint announcement dated 18 April 2005 made by the Company, Swank and China Time.

Upon completion of the above Share Disposal Agreement and the Loan Restructuring Agreement, the Group will realize a gain of approximately HK$43 million.

The further details and stipulated conditions for completion, where appropriate, of the said Share Disposal Agreement, Loan Restructuring Agreement, Shareholder Agreement and the Tomorrow Group Deed are set out in the joint announcement dated 18 April 2005 made by the Company, Swank and China Time.

35. PARENT ENTERPRISES

The directors consider Winspark Venture Limited, which is incorporated in the British Virgin Islands, to be its parent enterprise at the balance sheet date.