Notes to
the Financial Statements

31 December 2005

1. General information

The principal activity of the Company is investment holding. During the year, the Group's principal activities are the design, manufacture and sale of optical products.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 1102, 11/F, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

The financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

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2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The adoption of new/revised HKFRS

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employees 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 32	Financial Instruments Disclosures 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 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes-Recovery of Revalued Non-Depreciable Assets

2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The adoption of the new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28 and HKAS-Int 12 and Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10,16, 23, 27, 28 and 33 and HKAS-Int 12 and Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity's financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front payments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKAS 17 resulted in:

(a) Property, plant and equipment decreased and land use rights increased by approximately HK$7,869,000 as at 31 December 2005;

(b) Property, plant and equipment decreased and land use rights increased by approximately HK$8,362,000 as at 31 December 2004; and

(c) Decrease in reserves of approximately HK$988,000 and HK$479,000 as at 1 January 2004 and 1 January 2005 respectively.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets and financial liabilities at fair value through profit and loss and available-for-sale financial assets.

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2. Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in an expense in the income statement. Effective from 1 January 2005, the Group expenses the cost of share options in the income statement. Under the transitional provision, retrospective treatment is required only in respect of share options granted after 7 November 2002 and had not yet vested on 1 January 2005. The Group had no such share options.

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

HKAS 1 (Amendment)	Capital Disclosure
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRSs 1 & 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restaurant Approach under HKFRS 29 Financial Reporting in Hyperinflationary Economics (effective on or after 1 March 2006)

2. Summary of significant accounting policies (cont'd)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed when necessary to ensure with the policies with the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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2. Summary of significant accounting policies (cont'd)

2.2 Consolidation (cont'd)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Summary of significant accounting policies (cont'd)

2.4 Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the function currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities, denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sales financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all group entities that have functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.

(ii) income and expenses for each income statement are translated at average rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of gain or loss on sale.

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2. Summary of significant accounting policies (cont'd)

2.5 Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are stated at cost or their revalued amounts, being their fair values at the date of revaluation, less accumulated depreciation and accumulated impairment losses. Buildings are shown at fair value, based on periodic, but at least annual, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of properties are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserve directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from other reserve to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts less their residual values over their estimated useful lives. The principal annual rates used for this purpose are as follows:

Buildings	Over the lease term
Plant and machinery	6.67% – 10%
Furniture and fixtures	10%
Motor vehicles	20%

The assets' residue values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.6 Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts); and

– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Summary of significant accounting policies (cont'd)

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to settle of the liability for at least 12 months after the balance sheet date.

2.11 Deferred income tax

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.12 Employee benefits

(i) 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.

(ii) Employee leave entitlements

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 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 Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. 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.

(iii) Retirement benefits

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' basic 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.

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2. Summary of significant accounting policies (cont'd)

2.12 Employee benefits (cont'd)

(iv) Share-based compensation

The Group operated an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options was recognised as an expense. The total amount to be expensed over the vesting period was determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions were included in assumptions about the number of options that were expected to become exercisable. At each balance sheet date, the entity revised its estimates of the number of options that were expected to become exercisable. It recognised the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs were credited to share capital (nominal value) and share premium when the options were exercised.

2.13 Provision 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 settle 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

2.14 Revenue recognition

Revenue comprises the fair value of sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

2. Summary of significant accounting policies (cont'd)

2.14 Revenue recognition (cont'd)

(ii) Sales of services

Commission and management fee income are recognised when the services are rendered.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

3. Financial risk management

3.1 Financial risk factors

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited to the Group's financial management policies and practices described below:

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history.

(b) Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meeting its trading, manufacturing and other business operations.

3. Financial risk management (cont'd)

3.1 Financial risk factors (cont'd)

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair value estimation

The aggregate net fair values of financial assets and financial liabilities are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and are based on relevant market information and about the financial instruments. These estimates are subjective in nature and involved uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

3.3 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Estimated useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges of its plant and equipment. This estimate is based on the historical experience of the actual useful lives of plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimates lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated provision of impairment of receivables

The Group makes provision for impairment of receivables based in an assessment of the collectibility of trade and other receivables. Provisions for impairment are applied to trade and other receivables when events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such differences will impact carrying value of receivables and doubtful debts expenses in the period such estimate has been changed.

3. Financial risk management (cont'd)

3.3 Critical accounting estimates and judgements (cont'd)

(c) Certificates of land use rights and building ownership in the PRC

The Group's management is of the view that the Group will eventually obtain good title to the land use rights and buildings located in the PRC, as referred to note 17, on which the Group will continue to carry on its business of manufacturing of optical products.

Consequently, the directors are of the view that no adjustment to write down the carrying value of the leasehold land and buildings and no other adjustment relating thereto are required.

4. Segment information

The Group is principally engaged in the manufacture and sale of optical products. The directors of the Company regard these segments as the primary source of the Group's risks and returns. The secondary segment format, representing the principal markets of the Group's products, is mainly divided into five geographical areas, namely the United States of America, Europe, Hong Kong, Mainland PRC and others.

(a) Business segments

The Group has only one business segment and is the manufacture and sale of optical products. Therefore, no separate analysis of business segment information is prepared as all the information has been disclosed in the consolidated financial statements.

(b) Geographical segments

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.

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4. Segment information (cont'd)

Geographical segments

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

	United States of America		Europe		Hong Kong		Mainland PRC		Others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	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	77,979	91,777	43,729	53,340	6,815	5,784	8,917	10,967	9,543	13,022	–	–	146,983	174,890
Other segment information:														
Segment assets	25,184	24,661	11,403	12,596	38,404	40,513	113,028	122,871	2,303	5,118	–	–	190,322	205,759
Interests in associates	161	161	–	–	(12,516)	(10,165)	48,180	47,224	–	–	–	–	35,825	37,220
													226,147	242,979
Capital expenditure	–	–	–	–	1,068	49	4,486	2,951	–	–	–	–	5,554	3,000

5. Turnover

Turnover represents the net invoiced value of goods sold, net of returns and allowances.

6. Other income

	2005 HK$'000	2004 HK$'000
Bank interest income	371	66
Commission income	904	–
Management fee received from an associate	613	585
Sales of obsolete inventories	594	698
Gain on disposal of property, plant and equipment	–	29
Rental income	410	556
Gain on deregistration of a subsidiary	2,973	–
Unclaimed dividend written back	–	421
Others	326	511
	6,191	2,866

7(a). Reversal of impairment loss upon disposal of interests in associates

On 30 April 2004, the Company entered into a disposal agreement with an independent third party whereby the Company agreed to dispose all of its 49% equity interests in Hanson International Industrial Company Limited ("Zhuhai Hanson"), a private company established in the PRC, and Hanson International Optical Co., Ltd ("Hong Kong Hanson"), a private company incorporated in Hong Kong, at the aggregate consideration of HK$4,700,000. Full provision for impairment loss against the Group's interests in this associate company had been made in the previous years.

7(b). Waiver of amounts due to associates upon disposal of interests in associates

As a precondition of the said disposals, on the same date, a supplemental agreement was also made between the Company, Zhuhai Hanson, Hong Kong Hanson, and all the other shareholders of Zhuhai Hanson and Hong Kong Hanson, under which Zhuhai Hanson and Hong Kong Hanson agreed to waive all the debts due by the Group amounted to approximately HK$6,200,000.

As a result, a net gain of approximately HK$10,900,000 arising from the disposal of the interests in the two associates, which represented the write back of the previous impairment loss provision for the interests in the associates of HK$4,700,000 and the write off of current accounts payable to these two associates of approximately HK$6,200,000, had been recorded in the previous years' consolidated income statement.

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8. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging the following:

	2005 HK$'000	2004 HK$'000
Cost of inventories *	140,874	155,905
Depreciation	11,355	12,427
Amortisation of land use rights	493	493
Minimum lease payments under operating leases in respect of land and buildings	1,471	1,569
Staff costs (including directors' remuneration – note 11):		
Wages and salaries	48,546	42,535
Pension contributions	544	532
Less: Forfeited contributions	(56)	(22)
Net pension contributions	488	510
	49,034	43,045
Exchange loss, net	183	437
Auditors' remuneration		
– Current year	640	570
– Over provision in prior period	(20)	(923)
	620	(353)
Loss on disposal of plant and equipment	6	–
Impairment of inventories	1,942	238
Impairment of trade receivables	1,571	–

* The cost of inventories includes HK$46,311,000 (2004: HK$42,934,000) relating to staff costs, provision against inventories and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses.

At 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

9. Finance costs

	Group	
	2005	2004
	HK$'000	HK$'000
Interest on loan from a shareholder	3,109	3,036
Interest on promissory note	9,948	10,531
	13,057	13,567

10. Wavier of debt and accrued interest under a Loan Restructuring Agreement

(a) On 20 January 2005, an agreement (as amended by the Supplemental Agreement) (the "Disposal Agreement") was made between Probest Holdings Inc ("Probest"), amongst the others, an independent third party, China Time Investment Holdings Limited ("China Time"), pursuant to which Probest, disposed of approximately 46% existing issued shares of the Company to China Time.

Upon completion of the Sale and Purchase Agreement on 3 June 2005, Probest holds approximately 5% of the existing issued shares of the Company which in turn owns 70% issued capital of Profitown Investment Corporation ("Profitown"), and 30% issued capital of Profitown.

(b) On 20 January 2005, the Company, Probest and Profitown entered into the Loan Restructuring Agreement ("Loan Restructuring Agreement"), pursuant to which Probest agreed to waive an outstanding principal of the Debt under the Old Promissory Note due by Swank to Probest with over and above the Remaining Debt of HK$112,167,732 due and owing by Profitown to the Company ("Profitown/Swank Loan), the interest and the default interest on the Debt for the period from 5 November 2004 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 were fulfilled. Profitown issued the New Promissory Note with the principal amount of HK$112,285,435 in favour of Probest, in consideration of Probest waiving portion of the outstanding Debt under the Old Promissory Note and releasing the Company from all future obligations and liabilities under the Old Promissory Note.

In addition, the Company executed 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 New Promissory Note issued to Probest, the Company 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 the Company under the Swank Guarantee are unsecured and will cease to be effective if the Put Option is exercised and the transaction contemplated under the Put Option is completed.

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10. Wavier of debt and accrued interest under a Loan Restructuring Agreement (cont'd)

(c) On 3 June 2005, the Company, Probest and its holding company, Tomorrow International Holdings Limited and Profitown entered into a shareholder agreement to regulate the management of Profitown ("Shareholders Agreement"). Pursuant to principal terms of the Shareholders Agreement, the Company 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 Sale and Purchase 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 the Company to any member of the Profitown Group incurred prior to the date of the 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 Company 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 Sale and Purchase Agreement; and (iii) Mr. Wang An Kang cease to be the legal and beneficial owner of at least 75% of and in China Time.

Further details of the above Disposal Agreement, Loan Restructuring Agreement, Shareholders Agreement and the issue of the New Promissory Note are set out in a joint announcement dated 10 May 2005.

After completion all of the abovementioned transactions, a net gain of approximately HK$67,662,000 on the waiver of debt principal and accrued interest due to Probest under the Loan Restructuring Agreement was resulted and credited to the consolidated income statement for the year ended 31 December 2005.

11. Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	2005 Total HK$'000
Executive directors				
Zhao Jun (note i)	–	294	2	296
Li Wei (note i)	–	245	1	246
Zhou Jing (note i)	–	235	1	236
Wang An Kang (note i)	–	235	–	235
Yau Tak Wah, Paul (note iii)	–	–	–	–
Louie Mei Po (note iii)	–	–	–	–
Wong Shin Ling, Irene (note iii)	–	–	–	–
Tam Wing Kin (note iii)	–	–	–	–
Cheung Wah Hing (note iii)	–	–	–	–
Independent non-executive directors				
Hahn Ka Fai, Mark (note iii)	61	–	–	61
Shum Wai Ting, Rebecca (note iii)	61	–	–	61
Wu Wang Li (note iii)	61	–	–	61
Choi Tse Kit, Sammy (note i)	88	–	–	88
Wu Bin (note i)	88	–	–	88
Tam King Ching, Kenny (note ii)	64	–	–	64
	423	1,009	4	1,436

Note (i): appointed on 5 July 2005
Note (ii): appointed on 24 August 2005
Note (iii): resigned on 5 July 2005

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11. Directors' remuneration (cont'd)

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contribution HK$'000	2004 Total HK$'000
Executive directors				
Yau Tak Wah, Paul	–	–	–	–
Louie Mei Po	–	–	–	–
Wong Shin Ling, Irene	–	–	–	–
Tam Wing Kin	–	–	–	–
Tam Ping Wah (note i)	–	–	–	–
Cheung Wah Hing	–	478	5	483
Independent non-executive directors				
Hahn Ka Fai, Mark	120	–	–	120
Shum Wai Ting, Rebecca	120	–	–	120
Wu Wang Li (note ii)	31	–	–	31
	271	478	5	754

Note (i): resigned on 19 July 2004
Note (ii): appointed on 27 September 2004

	Group 2005 HK$'000	Group 2004 HK$'000
Directors' fees:		
Executive	–	–
Independent non-executive	423	271
	423	271
Other emoluments:		
Executive:		
Salaries and other benefits	1,009	478
Compensation for loss of office	–	–
Pension contributions	4	5
Independent non executive	–	–
	1,013	483
	1,436	754

11. Directors' remuneration (cont'd)

The remuneration of the directors fell within the following bands:

	Number of directors 2005	2004
Nil – HK$1,000,000	15	9
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	–	–
	15	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

12. Individuals with highest emoluments

The five highest paid employees during the year did not include any director (2004: Nil). Details of the remuneration of the remaining five (2004: Nil) non-director, highest paid employees are as follows:

	Group 2005 HK$'000	2004 HK$'000
Salaries, allowances and benefits in kind	2,666	1,226
Bonuses	–	–
Compensation for loss of office	–	–
Pension contributions	59	24
	2,725	1,250

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

	Number of employees 2005	2004
Nil – HK$1,000,000	5	5
HK$1,000,001 – HK$1,500,000	–	–
	5	5

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13. Income tax

No Hong Kong profits tax and overseas tax has been provided in the financial statements as the companies within the Group have neither accumulated tax losses brought forward, which exceed the estimated assessable profits for the year, non assessable profits for the year.

The charge for the year can be reconciled to the profit/(loss) per the consolidated income statement as follows:

	2005 HK$'000	2004 HK$'000
Profit/(loss) before taxation	38,717	(7,582)
Calculated at a taxation rate of 17.5% (2004: 17.5%)	6,776	(1,327)
Effect of different taxation rates in other countries	262	634
Income not subject to taxation	(12,608)	(274)
Expenses not deductible for taxation purposes	1,017	2,111
Unrecognised tax losses	5,106	4,305
Utilisation of previously unrecognised tax losses	(553)	(5,449)
Taxation charge	–	–

The tax charge for the year represents the share of tax of associates located outside Hong Kong of HK$Nil (2004: HK$Nil).

14. Profit attributable to equity holders of the Company

The consolidated profit attributable to shareholders includes a profit of approximately HK$63,088,000 (2004: profit of HK$188,000) which has been dealt with in the financial statements of the Company.

15. Dividends

No dividend was paid or proposed for the year ended 31 December 2005, nor has any dividend been proposed since the balance sheet date.

16. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company for the year of HK$45,938,000 (2004 (restated): net loss of HK$5,259,000) and the weighted average of 3,124,862,734 (2004: 3,124,862,734) ordinary shares in issue during the year.

(b) Diluted

Diluted profit/(loss) per share for the years ended 31 December 2005 and 2004 have not been disclosed as no dilutive events existed during these years.

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17. Property, plant and equipment

Group

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1/1/2004, as previously reported	68,900	166,365	63,029	2,521	300,815
Prior year adjustment for leasehold land arising from adoption of new HKAS17	(27,400)	–	–	–	(27,400)
At 1/1/2004, as restated	41,500	166,365	63,029	2,521	273,415
Additions	–	2,467	533	–	3,000
Disposals/write off	–	(576)	(5)	(332)	(913)
Deficit on revaluation	(2,900)	–	–	–	(2,900)
At 31/12/2004	38,600	168,256	63,557	2,189	272,602
Accumulated depreciation and impairment					
At 1/1/2004	18,642	130,245	42,957	2,433	194,277
Prior year adjustment for leasehold land arising from adoption of new HKAS17	(17,889)	–	–	–	(17,889)
At 1/1/2004, As restated	753	130,245	42,957	2,433	176,388
Charge for the year	1,870	5,396	5,111	50	12,427
Disposals	–	(437)	–	(294)	(731)
Write back on revaluation	(1,117)	–	–	–	(1,117)
At 31/12/2004	1,506	135,204	48,068	2,189	186,967
Net book value					
At 31/12/2004	37,094	33,052	15,489	–	85,635
At 1/1/2004, as restated	40,747	36,120	20,072	88	97,027
An analysis of cost or valuation					
At cost	–	168,256	63,557	2,189	234,002
At valuation	38,600	–	–	–	38,600
	38,600	168,256	63,557	2,189	272,602

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the Financial Statements

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17. Property, plant and equipment (cont'd)

Group

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation					
At 1/1/2005, as previously reported	68,900	168,256	63,557	2,189	302,902
Prior year adjustment for leasehold land arising from adoption of new HKAS17	(30,300)	–	–	–	(30,300)
At 1/1/2005, as restated	38,600	168,256	63,557	2,189	272,602
Additions	–	1,135	4,419	–	5,554
Disposals	–	–	(8)	–	(8)
Deficit on revaluation	(2,690)	–	–	–	(2,690)
At 31/12/2005	35,910	169,391	67,968	2,189	275,458
Accumulated depreciation and impairment					
At 1/1/2005	20,977	135,204	48,068	2,189	206,438
Prior year adjustment for leasehold land arising from adoption of new HKAS17	(19,471)	–	–	–	(19,471)
At 1/1/2005, as restated	1,506	135,204	48,068	2,189	186,967
Charge for the year	1,764	5,551	4,040	–	11,355
Disposals	–	–	(2)	–	(2)
Deficit on revaluation	(3,270)	–	–	–	(3,270)
At 31/12/2005	–	140,755	52,106	2,189	195,050
Net book value					
At 31/12/2005	35,910	28,636	15,862	–	80,408
At 1/1/2005, as restated	37,094	33,052	15,489	–	85,635
An analysis of cost or valuation					
At cost	–	169,391	67,968	2,189	239,548
At valuation	35,910	–	–	–	35,910
	35,910	169,391	67,968	2,189	275,458

17. Property, plant and equipment (cont'd)

The Group's leasehold land and buildings are held on medium term and are situated in Mainland PRC.

Certain of the Group's buildings, which are held for own use in Dongguan and Shenzhen in the PRC, 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 2005 at HK$35,910,000. Revaluation deficit of HK$542,000 (2004: HK$Nil) and revaluation surplus of HK$1,122,000 (2004: revaluation deficit of HK$1,783,000) resulting from the revaluation have been debited to the income statement and the property revaluation reserve, respectively.

The Group has not obtained building ownership certificates for buildings situated in the Mainland PRC with a net book value of HK$35,910,000 at 31 December 2005 (2004: HK$37,094,000).

Had the Group's buildings stated at valuation been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$42,307,000 (2004: HK$44,038,000).

As at 31 December 2004 and 2005, the Company had no property, plant and equipment.

18. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book value are as follows:

	2005 HK$'000	2004 HK$'000
Outside Hong Kong, held on		
Leases of between 10 to 50 years	7,869	8,362

The Group has not obtained land use right certificates situated in the Mainland PRC with a net book value of HK$7,869,000 at 31 December 2005 (2004: HK$8,362,000).

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19. Investments in subsidiaries

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	1,086	1,086
Less: Impairment loss	(1,081)	(1,081)
	5	5

The following is a list of the principal subsidiaries at 31 December 2005:

Name	Country/place of incorporation/ establishment and operation	Principal activities	Nominal value of issued ordinary/ registered share capital	Interest held Directly	Interest held Indirectly
Anchorage Trading Limited	Hong Kong	Sales agent of an overseas Principal	HK$1	100%	–
Artland Manufactory Limited	Hong Kong	Investment holding	HK$2	–	70%
Bestway Development Limited	Hong Kong	Representative office in trading	HK$2	–	70%
Dongguan De Bao Optical Co., Ltd. ("De Bao")	The PRC	Manufacture of multi-coating lenses	HK$58,550,910 (Note i)	–	35% (Note iii)
Dongguan Hamwell Glasses Co., Ltd. ("Dongguan Hamwell")	The PRC	Manufacture of optical products	HK$62,504,800 (Note ii)	–	58%
Global Origin Limited	Hong Kong	Investment holding	HK$75,000,000	–	63%
Golden Cadilac Company Limited	Hong Kong	Investment holding	HK$20	–	70%
Hamwell International Limited	Hong Kong	Investment holding	HK$10,000	–	63%

19. Investments in subsidiaries (cont'd)

Name	Country/place of incorporation/ establishment and operation	Principal activities	Nominal value of issued ordinary/ registered share capital	Interest held Directly	Indirectly
Profit Trend International Limited	Hong Kong	Investment holding	HK$1,000,000	–	35% (Note iii)
Profitown Investment Corporation	The British Virgin Islands	Investment holding	US$1,000	70%	–
Prowin Commercial & Industrial Limited	Hong Kong	Property holding in the PRC	HK$2	–	70%
Shenzhen Henggang Swank Optical Industrial Co., Ltd. ("Henggang") (Note iv)	The PRC	Manufacture of optical products	US$30,000,000 (note iv)	–	57%
Swank International Group BVI Limited	BVI	Trade mark holding	US$1	–	70%
Swank International Limited	Hong Kong	Investment holding	HK$20	–	70%
Swank International Management Company Limited	Hong Kong	Provision of accounting and secretarial service	HK$2	–	70%
Swank International Optical Company Limited	Hong Kong	Trading of optical products	HK$100,000	–	70%
Toey Limited	BVI	Investment holding	US$1	–	70%

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19. Investments in subsidiaries (cont'd)

Notes:

(i) 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 in 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.

(ii) 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 2005.

(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) Henggang is a sino-foreign owned joint venture enterprise under the PRC law. Subject to the payment of an annual amount of approximately HK$2,853,000 (2004: 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.

20. Interests in associates

	Group	
	2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	–	–
Share of net assets	133,147	128,876
Less: Impairment loss	(100,029)	(100,029)
	33,118	28,847
Amounts due from associates	2,707	8,373
	35,825	37,220

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

20. Interests in associates (cont'd)

(b) The following is a list of the principal associates at 31 December 2005:

Name	Business structure	Country/ place of incorporation/ establishment and operations	Principal activities	Percentage of interest in ownership/ voting power held indirectly
Dongguan Yueheng Optical Co., Ltd.	Corporate	The PRC	Manufacture of optical lenses	50%
Dongguan Yueheng Optical (HK) Co. Limited	Corporate	Hong Kong	Trading of optical products	50%
Dongguan Yueheng Optical (BVI) Company Limited	Corporate	The British Virgin Islands	Financial servicing and marketing of optical products	50%

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 as 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.

Note: Dongguan Yueheng Optical Co., Ltd. is a sino-foreign owned joint venture enterprise under the PRC law.

21. Other receivables

	Group 2005 HK$'000	Group 2004 HK$'000
Other receivables	96,339	96,339
Less: Impairment loss	(96,339)	(96,339)
	–	–

Other receivables represent the amounts owed by Hanmy (Holding) Limited and its related companies (collectively "Hanmy") to the Group. The Group has commenced legal proceedings against Hanmy for recovery of the amounts due. The Group has fully provided for these debts as in the opinion of the directors, it is uncertain whether the debts will be recovered following the conclusion of the legal proceedings.

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22. Trade receivables

The ageing analysis of the Group's trade receivables, based on payment due date and net of provisions, is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Current to 30 days	40,530	41,248
31 to 60 days	1,964	2,693
61 to 90 days	1,565	3
More than 90 days	1,274	11
	45,333	43,955
Less: Provision for impairment of receivables	(1,571)	–
	43,762	43,955

The normal credit period granted by the Group to customers ranges from 30 days to 120 days.

23. Inventories

	Group	
	2005	2004
	HK$'000	HK$'000
Raw materials	13,341	15,139
Work in progress	5,028	5,094
Finished goods	4,562	3,088
	22,931	23,321

Included above are raw materials of HK$13,341 (2004: HK$15,139) work in progress of HK$5,027 (2004: HK$5,094) and finished goods of HK$4,113,000 (2004: HK$3,088,000) which are carried at net realisable value.

The Group recognised a loss of approximately HK$1,942,000 (2004: HK$238,000) for the impairment of its inventories during the year.

24. Amount due from/(to) a subsidiary

The amount due is unsecured, interest free and repayable on demand.

25. Amount due to a shareholder, Probest

The amount due to Probest is unsecured, bearing interest at a rate per annum equivalent to 1% over Hong Kong prime rate and has no fixed repayment terms. In the opinion of the directors of the Company, the amount due to Probest will not be repayable within the next 12 months.

26. Trade payables

The ageing analysis of the Group's trade payables, based on payment due date, is as follows:

	2005 HK$'000	2004 HK$'000
Current to 30 days	10,028	14,010
31 to 60 days	887	992
61 to 90 days	527	379
More than 90 days	1,148	1,680
	12,590	17,061

27. Promissory note payable

	Group and Company	
	2005 HK$'000	2004 HK$'000
Interest repayable on demand	5,059	12,058
Principal repayable:		
Within 1 year	–	88,000
Payable after 1 year but within 2 years	–	75,000
After 2 years but within 5 years	112,285	–
Total	117,344	175,058
Amount due to Probest under promissory note	117,344	175,058
Portion classified as current liabilities	(5,059)	(100,058)
Non-current portion	112,285	75,000

The promissory note payable to Probest is unsecured with maturity date on 2 December 2007 and bearing interest at the rate equivalent to 1% over the prevailing Hong Kong prime rate per annum.

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28. Provision for long service payments

	Group 2005 HK$'000	Group 2004 HK$'000
At 1 January	379	490
Amount utilized during the year	(203)	(111)
At 31 December	176	379
Portion classified as current liabilities	–	–
Non-current portion	176	379

The Group provides for the probable future long service payments expected to be made to employees under the Employment Ordinance, as further explained under the heading "Employee benefits" in note 2.12 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.

29. Amount due to a related company

The amount due to a related company, a company wholly owned by Mr. Wang An Kang, an executive director of the Company, is unsecured, interest free and is repayable on demand.

30. Deferred taxation

The principal component of the Group's and the Company's net deferred tax asset position not recognised in the financial statements is as follows:

	Group		Company	
	2005 HK$'000	2004 HK$'000	2005 HK$'000	2004 HK$'000
Tax losses	126,748	125,157	32,073	32,046

In view of the title issues relating to the Group's leasehold land and buildings, the revaluation of the Group's leasehold land and buildings will unlikely to give rise to a tax consequence, and consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

31. Share capital

	2005 HK$'000	2004 HK$'000
Authorised:		
300,000,000,000 ordinary shares of HK$0.01 each	3,000,000	3,000,000
Issued and fully paid:		
3,124,862,734 ordinary shares of HK$0.01 each	31,249	31,249

32. Share option scheme

The Company operates a share option scheme (the "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 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, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 28 May 2004 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 Scheme is an amount equivalent, upon their exercise, up 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 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. The share option may be exercised under the Scheme at any time during a period not exceeding 5 years after the date when the scheme 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 were outstanding as at the balance sheet date.

33. 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 in the financial statements.

(b) Company

	Share premium amount HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2004	723,462	341,800	(1,162,601)	(97,339)
Net profit for the year	–	–	188	188
At 31 December 2004 and at 1 January 2005	723,462	341,800	(1,162,413)	(97,151)
Net profit for the year	–	–	63,088	63,088
At 31 December 2005	723,462	341,800	(1,099,325)	(34,063)

34. Commitments

(a) Capital commitments

	Group 2005 HK$'000	Group 2004 HK$'000
Property, plant and equipment – Contracted but not provided for	2,819	–
	2,819	–

The Company had no significant commitments at the balance sheet date (2004: Nil).

34. Commitments (cont'd)

(b) Operating lease commitment

At 31 December 2005, the Group and the Company had commitments for future minimum lease under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	Group		Company	
	2005	2004	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	1,424	1,323	622	–
In the second to fifth year inclusive	842	–	285	–
	2,266	1,323	907	–

The Group leases certain of its office properties and warehouses under operating lease arrangements. Leases for office properties and warehouses are negotiated for terms ranging from 1 to 2 years.

35. Related party transactions

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

		Group	
	Note	2005	2004
		HK$'000	HK$'000
Sales of finished goods to associates	(i)	8,256	10,224
Purchases of raw materials and finished goods from associates	(ii)	13,180	14,807
Management fee income from an associate	(iii)	613	585
Interest expense charged by a shareholder, Probest		13,057	13,567
Annual rental to a joint venture partner	(iv)	2,853	2,830
Amount due to a shareholder, Probest (note 25)		49,703	46,594
Promissory note payable to Probest (note 27)		112,285	163,000
Loan principal and interests waived by Probest (note 10)		67,662	–
Commission income from a related company	(v)	904	–

Notes:

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

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

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35. Related party transactions (cont'd)

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

(iv) The annual rental paid to a joint venture partner in the PRC and accordingly the Group is entitled to all of the profits and bears all of the losses of Henggang.

(v) The commission income received from Rightlink Trading Limited ("Rightlink"), a company wholly owned by Mr Wang An Kang, an executive director of the Company. The commission was charged at 3% of the invoiced amount on products sold by Rightlink.

36. Post balance sheet event

Sequent to the balance sheet date, the Group has incorporated a wholly owned subsidiary in the PRC with a registered capital of HK$5 million, the first capital contribution of HK$750,000 was made up to the approval for which date of the financial statements.

37. Ultimate holding company

The directors regard China Time Investment Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

38. Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.