1. Corporate Information

The Company was incorporated as an exempted company with limited liability in Bermuda on 12 May 1998 under the Companies Act 1981 (as amended) of Bermuda.

The principal place of business of Topsearch International (Holdings) Limited is located at Room 3308, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the manufacture and sale of printed circuit boards. Details of the principal activities of the Company's subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the ultimate holding company is Inni International Inc. ("Inni"), which is incorporated in Liberia.

2. 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 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

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of 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 have been eliminated on consolidation.

3. Summary of Significant Accounting Policies *(Continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results of its associate has not been equity accounted for by the Group because the amounts are not significant. The results of the associate are therefore included in the Group's profit and loss account to the extent of dividends received and receivable. The Group's interest in the associate is treated as a long term asset and is stated at cost less any impairment losses.

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of an associate, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

3. Summary of Significant Accounting Policies *(Continued)*

Negative goodwill *(Continued)*

Prior to the adoption of SSAP 30 "Business combinations" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries and an associate, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

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 and 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 profit and loss account 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.

3. Summary of Significant Accounting Policies *(Continued)*

Impairment of assets *(Continued)*

A reversal of an impairment loss is credited to the profit and loss account 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.

Fixed assets and depreciation

Fixed assets, other than construction in progress, 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

Leasehold land and buildings	Over the lease terms
Leasehold improvements	Over the lease terms
Plant and machinery	9% per annum
Furniture, fixtures and equipment	18% per annum
Motor vehicles	18% per annum
Moulds, dies, test fixtures and pins	25% per month

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. Summary of Significant Accounting Policies *(Continued)*

Fixed assets and depreciation *(Continued)*

Construction in progress represents a building under construction and is stated at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Other assets

Other assets represent club membership debentures and are stated at cost less any impairment losses.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost or net realisable value.

Raw materials are valued on a weighted average basis. Work in progress and finished goods are valued at standard cost which approximates actual cost determined on a weighted average basis and comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. Summary of Significant Accounting Policies *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and 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 cash equivalents comprise cash on hand and at banks, including short term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account 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 an associate, 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 negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

3. Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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.

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.

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:

(a) 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;

(b) tooling and subcontracting income, when the relevant services are rendered;

(c) royalty income, on an accrual basis in accordance with the relevant trademark licensing agreement;

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(e) tax refund, on a cash basis.

3. Summary of Significant Accounting Policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Employee benefits

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 Employment Ordinance. A provision has not been recognised in respect of possible future long service payments to employees, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefit schemes

The Group operates two retirement benefit schemes for its eligible employees in Hong Kong. In accordance with the Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Schemes Ordinance (the "ORSO"), the Group's Hong Kong employees enjoy retirement benefits under either the Mandatory Provident Fund Scheme or the Mandatory Provident Fund Exempted ORSO Scheme under which employer voluntary contributions have to be made. The assets of both schemes are held separately from those of the Group in independently administered funds. The Group's contributions to both schemes are based on a percentage of the employees' monthly salaries. When an employee leaves the Mandatory Provident Fund Exempted ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect of the Mandatory Provident Fund Scheme, the Group's employer contributions vest fully with the employees when contributed into the scheme.

Employees of the Group's subsidiaries which operate in Mainland China are members of the Central Pension Scheme operated by the Chinese government. The subsidiary is required to contribute a certain percentage of its payroll costs to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the profit and loss account as they become payable in accordance with the rules of the Central Pension Scheme.

3. Summary of Significant Accounting Policies *(Continued)*

Employee benefits *(Continued)*

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 profit and loss account 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into 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 into 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 in respect of the Group's business and geographical segments. Business segment information is chosen as the primary segment reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segment

No further business segment information is presented as the manufacture and sale of printed circuit boards is the only major business segment of the Group.

(b) Geographical segment

In determining the Group's geographical segments, revenue and results 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.

The segment revenue of the Group by geographical area is analysed as follows:

	2004	2003
	HK$'000	*HK$'000*
Asia, excluding the People's Republic of China (the "PRC") and Taiwan	**478,762**	489,247
PRC, including Hong Kong	**307,298**	197,544
Taiwan	**217,271**	213,506
North America	**199,368**	182,584
Europe	**110,301**	76,458
	1,313,000	1,159,339

As the Group's production facilities are located in Guangdong Province, the PRC, no further geographical segment information on assets and capital expenditure is provided.

5. Turnover and Other Revenue

Turnover represents the Group's net invoiced value of goods sold, net of trade discounts and returns.

An analysis of turnover and other revenue is as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**1,313,000**	1,159,339
Other revenue		
Tax refund for reinvestment of profits in a PRC subsidiary *	**13,062**	—
Tooling income	**6,496**	3,799
Subcontracting income	**743**	1,718
Interest income	**320**	238
Royalty income	**—**	444
Others	**130**	851
	20,751	7,050

* PRC corporate income tax refund was received by the Group during the year for the reinvestment of profits earned by a PRC subsidiary as capital contribution during the prior years.

6. Profit from Operating Activities

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

	Note	2004 HK$'000	2003 HK$'000
Cost of inventories sold		**1,049,795**	943,623
Depreciation	*14*	**140,024**	129,012
Minimum lease payments under operating lease rentals on land and buildings		**10,510**	12,152
Auditors' remuneration		**1,428**	1,202
Staff costs, excluding directors' remuneration *(note 8)*			
Wages and salaries		**142,052**	151,604
Retirement scheme contributions		**7,870**	7,717
Less: Forfeited contributions		**(510)**	(904)
Net retirement scheme contributions*		**7,360**	6,813
		149,412	158,417
Exchange losses, net		**1,873**	2,516
Loss on disposal of fixed assets		**683**	132
Provision/(write-back of provision) for obsolete inventories		**3,600**	(101)

* At 31 December 2004, there was no forfeited contribution available to reduce contributions to the retirement scheme in future years (2003: HK$486,000).

7. Finance Costs

	Group 2004 HK$'000	Group 2003 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**10,613**	10,146
Shareholder's loan	**177**	43
Finance leases	**3,508**	4,017
Total interest	**14,298**	14,206
Less: Interest capitalised to land and buildings	**(2,628)**	(3,876)
	11,670	10,330

8. Directors' Remuneration

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees	**290**	240
Other emoluments:		
Basic salaries, other allowances and benefits in kind	**9,595**	7,632
Retirement scheme contributions	**761**	683
	10,356	8,315
	10,646	8,555

Fees include HK$280,000 (2003: HK$240,000) paid to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

Rental expenses amounting to HK$1,380,000 (2003: HK$1,380,000) in respect of a director's accommodation have been included under directors' other emoluments above *(note 33)*.

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**5**	3
HK$1,000,001 to HK$1,500,000	**3**	2
HK$5,000,001 to HK$5,500,000	**1**	1
	9	6

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

8. Directors' Remuneration *(Continued)*

During the year, three executive directors were granted an aggregate of 2,900,000 share options and an independent non-executive director who has re-designated to non-executive director of the Company on 1 December 2004 was granted 640,000 share options prior to the aforesaid re-designation in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. Five Highest Paid Employees

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salary, other allowances and benefits in kind	**957**	2,725
Retirement scheme contributions	**58**	39
	1,015	2,764

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2004	2003
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	1
	1	2

10. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil). No Macau profits tax has been provided as the Macau subsidiary of the Company is exempted from Macau Complementary Tax (2003: Nil). 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.

	2004	2003
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Over provision in prior years	**(4,550)**	—
Current — Elsewhere	**6,110**	3,700
Refund of 5% PRC corporate income tax*	**(6,474)**	—
Deferred *(note 24)*	**(2,650)**	5,000
Total tax charge/(credit) for the year	**(7,564)**	8,700

* PRC corporate income tax is provided at the rate of 15% on the profits generated by a subsidiary of the Company in the PRC, Topsearch Printed Circuits (Shenzhen) Ltd. The applicable corporate income tax rate will be reduced to 10% from the standard rate of 15% according to "Detailed Rules for the Implementation of the Income Tax Law of the People's Republic of China for Foreign Investment Enterprises and Foreign Enterprises" if the company is granted Export Enterprise status by the Shenzhen Economic Development Bureau. The status has to be certified every year based on a criterion that the export sales made by the company exceeded 70% of total sales in any particular year.

10. Tax *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries 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	**81,392**		41,203	
Tax at the statutory tax rate of 15% (2003: 17.5%)	**12,209**	**15.0**	7,211	17.5
Lower tax rates for other jurisdiction	**(4,452)**	**(5.5)**	(588)	(1.4)
Effect on opening deferred tax of increase in rates	**—**	**—**	794	1.9
Adjustments in respect of current tax of previous periods	**(4,550)**	**(5.6)**	—	—
Refund of 5% of profits earned in 2001-2003	**(6,474)**	**(7.9)**	—	—
Income not subject to tax	**(6,096)**	**(7.5)**	—	—
Expenses not deductible for tax	**1,799**	**2.2**	1,283	3.1
Tax charge/(credit) at the Group's effective rate	**(7,564)**	**(9.3)**	8,700	21.1

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 was HK$17,985,000 (2003: HK$8,465,000) *(note 27)*.

12. Dividend

	2004	2003
	HK$'000	*HK$'000*
Proposed final — 2.80 cents (2003: 1.02 cents) per ordinary share	**19,900**	6,528

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and is calculated based on the number of shares issued by the Company at the balance sheet date plus 70,000,000 ordinary shares placed by the Company *(note 34)* and 700,000 ordinary shares alloted by the Company *(note 26)* subsequent to the balance sheet date.

13. Earnings per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$88,956,000 (2003: HK$32,503,000) and the weighted average of 640,000,000 (2003: 640,000,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$88,956,000. The weighted average number of ordinary shares used in the calculation is the 640,000,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 121,133 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

The diluted earnings per share amount for the year ended 31 December 2003 had not been disclosed as no diluting events existed during that year.

14. Fixed Assets

Group

	Land and buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Moulds, dies, test fixtures and pins	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At beginning of year	64,000	188,562	179,143	963,054	75,160	9,953	134,829	1,614,701
Additions	1,072	23,999	61,228	89,891	4,863	1,087	12,426	194,566
Transfers	154,992	42,151	(220,310)	21,710	1,457	—	—	—
Disposals	(2,264)	(5,147)	—	(2,849)	(580)	—	—	(10,840)
Exchange realignment	—	1	—	—	47	22	—	70
At 31 December 2004	**217,800**	**249,566**	**20,061**	**1,071,806**	**80,947**	**11,062**	**147,255**	**1,798,497**
Analysis of cost or valuation:								
At cost	—	249,566	20,061	1,071,806	80,947	11,062	147,255	1,580,697
At valuation	217,800	—	—	—	—	—	—	217,800
	217,800	249,566	20,061	1,071,806	80,947	11,062	147,255	1,798,497
Accumulated depreciation:								
At beginning of year	—	115,447	—	347,619	48,231	6,490	133,156	650,943
Provided during the year	5,977	22,212	—	88,897	8,963	1,239	12,736	140,024
Disposals	(458)	(4,546)	—	(2,366)	(412)	—	—	(7,782)
Written back on revaluation	(5,519)	—	—	—	—	—	—	(5,519)
Exchange realignment	—	—	—	—	34	9	—	43
At 31 December 2004	**—**	**133,113**	**—**	**434,150**	**56,816**	**7,738**	**145,892**	**777,709**
Net book value:								
At 31 December 2004	**217,800**	**116,453**	**20,061**	**637,656**	**24,131**	**3,324**	**1,363**	**1,020,788**
At 31 December 2003	64,000	73,115	179,143	615,435	26,929	3,463	1,673	963,758

14. Fixed Assets *(Continued)*

The Group's land and buildings are situated in the PRC and are held under lease terms of 30 to 50 years.

The net book value of assets held under finance leases included in the total amount of plant and machinery at 31 December 2004 amounted to HK$184,025,000 (2003: HK$238,144,000). These fixed assets were pledged to the respective banks as a security of the finance lease facilities granted to the Group.

The land and buildings of the Group with revalued amount of HK$217,800,000 (2003: HK$24,222,000) have been pledged to a bank to secure long term bank loans granted to the Group *(note 21)*.

The Group's land and buildings were revalued at 31 December 2004 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at an aggregate open market value of HK$217,800,000 (2003: HK$64,000,000) based on their existing use. The resulting revaluation surplus of HK$5,519,000 (2003: HK$8,096,000) has been credited to the property revaluation reserve *(note 27)*.

Had the Group's land and buildings been stated at historical cost less accumulated depreciation and impairment losses, their carrying amounts as at 31 December 2004 would have been approximately HK$188,694,000 (2003: HK$38,444,000).

Prior to its transfer to land and buildings, the carrying amount of construction in progress included capitalised interest of HK$10,374,000 (2003: HK$7,746,000).

15. Interests in Subsidiaries

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**467,769**	467,769
Due from subsidiaries	**329,129**	226,850
	796,898	694,619

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed terms of repayment.

15. Interests in Subsidiaries *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Topsearch Industries (BVI) Limited*	British Virgin Islands	Ordinary US$50,000	100	Investment holding
Indirectly held				
Topsearch Industries (Holdings) Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting** HK$20,000,000	100	Investment holding
Topsearch Printed Circuits (HK) Limited	Hong Kong	Ordinary HK$10,000,000	100	Investment holding and sale of printed circuit boards
Topsearch Printed Circuits Macao Commercial Offshore Company Limited	Macau	Ordinary MOP100,000	100	Sale of printed circuit boards
Topsearch Printed Circuits (Shenzhen) Ltd.@	PRC/ Mainland China	Registered paid-up capital US$48,600,000	100	Manufacturing of printed circuit boards
Topsearch Marketing (S) Pte Ltd.*	Singapore	Ordinary shares S$1,000	100	Provision of marketing services
Topsearch Marketing (U.K.) Limited*	United Kingdom	Ordinary shares £2	100	Provision of marketing services

15. Interests in Subsidiaries *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
TPS Marketing (M) Sdn. Bhd.*	Malaysia	Ordinary shares RM2	100	Provision of marketing services
Topsearch Marketing (USA) Inc.*	USA	Ordinary shares US$1,000	100	Provision of marketing services
Topsearch Marketing (Taiwan) Limited*	Taiwan	Ordinary shares NT1,000,000	100	Provision of marketing services
Topsearch Printed Circuits Korea Co., Ltd.*	Republic of Korea	Ordinary shares WON50,000,000	100	Provision of marketing services
可立身物業管理(深圳)有限公司*@	PRC/ Mainland China	Registered paid-up capital HK$1,000,000	100	Provision of property management services
至卓飛高線路板(曲江)有限公司*@	PRC/ Mainland China	Registered capital US$20,000,000	100	Manufacturing of printed circuit boards
天祥綜合服務(深圳)有限公司*@	PRC/ Mainland China	Registered paid-up capital HK$1,000,000	100	Provision of catering and cleaning services

15. Interests in Subsidiaries *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

*   Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

**   The non-voting deferred shares carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up unless a sum of HK$500,000,000,000,000 has been distributed to each holder of the ordinary shares.

@   Registered as wholly-foreign owned enterprises.

16. Interest in an Associate

	Group	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**100**	100
Due from an associate	**164**	194
	264	294

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associate are as follows:

Company	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group	Principal activities
Topsearch PCB Marketing (Thailand) Co., Ltd.*	Corporate	Thailand	49	Provision of marketing services

*   Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The operating results of the associate have not been equity accounted for by the Group because the amounts were not significant. Accordingly, the Group's interest in the associate is stated at cost at the balance sheet date.

17. Inventories

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**110,605**	69,376
Work in progress	**46,256**	36,632
Finished goods	**60,228**	36,876
	217,089	142,884
Less: Provision	**(10,952)**	(7,352)
	206,137	135,532

No inventory was carried at net realisable value as at 31 December 2004 (2003: Nil).

18. Trade Receivables

Credit is offered to customers following a financial assessment by the Group. Periodic reviews of credit limits are performed with regard to the customers' established payment record. The Group's credit period varies and depends on individual trade customers, ranging from 30 to 120 days. The Group closely monitors its outstanding accounts receivable. Overdue balances are reviewed regularly by the senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on the due date of the sale of goods, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current-30 days	**321,416**	261,843
31-60 days	**41,625**	30,396
61-90 days	**14,980**	4,926
Over 90 days	**18,042**	24,139
	396,063	321,304

19. Cash and Cash Equivalents

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**68,375**	58,195	**111**	441
Short term deposits	**22,772**	15,620	**—**	—
	91,147	73,815	**111**	441

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$14,865,000 (2003: HK$8,972,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

20. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on the date of the receipt of the respective goods and services, is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Current-30 days	**233,395**	170,757
31-60 days	**56,526**	56,560
61-90 days	**36,628**	33,034
Over 90 days	**12,577**	21,233
	339,126	281,584

21. Interest-Bearing Bank Loans

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trust receipt loans, secured	**39,978**	34,931	**—**	—
Bank loans, secured	**324,998**	262,418	**100,000**	—
	364,976	297,349	**100,000**	—
Trust receipt loans and short term bank loans repayable within one year or on demand	**134,978**	117,696	**—**	—
Trust receipt loans repayable in the second year	**—**	835	**—**	—
	134,978	118,531	**—**	—
Bank loans, secured and repayable:				
Within one year	**50,110**	74,814	**—**	—
In the second year	**79,628**	84,109	**33,333**	—
In the third to fifth years, inclusive	**100,260**	19,895	**66,667**	—
	229,998	178,818	**100,000**	—
	364,976	297,349	**100,000**	—
Portion classified as current liabilities	**(185,088)**	(192,510)	**—**	—
Long term portion	**179,888**	104,839	**100,000**	—

21. Interest-Bearing Bank Loans *(Continued)*

The bank loans and other banking facilities of the Group are secured by:

(i) the assignment of certain trade receivables of a subsidiary;

(ii) cross-corporate guarantees by the Company and certain subsidiaries of HK$118,180,000; and

(iii) the land and buildings held by the Group.

22. Shareholder's Loan

	Group and Company	
	2004	2003
	HK$'000	*HK$'000*
Loan from a controlling shareholder, unsecured and repayable:		
Within one year	**7,543**	—
In the second year	**22,500**	7,543
In the third to fifth years, inclusive	**—**	22,500
	30,043	30,043
Portion classified as current liabilities	**(7,543)**	—
Long term portion	**22,500**	30,043

The shareholder's loan is advanced by Mr. Cheok Ho Fung, Peter, a director and controlling shareholder of the Company pursuant to the loan agreement dated 17 September 2003. The loan is unsecured, bears interest at HIBOR, repayable by 12 monthly installments, together with interest thereon commencing on 18 October 2005 and is subordinated to all the bank borrowings.

23. Finance Lease Payables

The Group leases certain of its plant and machinery for its printed circuit board business. These leases are classified as finance leases and have remaining lease terms ranging from one month to four years.

At 31 December 2004, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2004	Minimum lease payments 2003	**Present value of minimum lease payments 2004**	Present value of minimum lease payments 2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**56,886**	59,354	**56,160**	58,611
In the second year	**41,139**	42,445	**40,139**	41,579
In the third to fifth years, inclusive	**19,033**	36,387	**18,532**	34,637
Total minimum finance lease payments	**117,058**	138,186	**114,831**	134,827
Future finance charges	**(2,227)**	(3,359)		
Total net finance lease payables	**114,831**	134,827		
Portion classified as current liabilities	**(56,772)**	(56,671)		
Long term portion	**58,059**	78,156		

24. Deferred Tax

The movements in deferred tax liabilities during the year are as follows:

Group

	Accelerated tax depreciation	**Revaluation of land and buildings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003	36,012	—	36,012
Deferred tax charged to the profit and loss account during the year *(note 10)*	5,000	—	5,000
Deferred tax debited to equity during the year *(note 27)*	—	4,200	4,200
At 31 December 2003 and 1 January 2004	41,012	4,200	45,212
Deferred tax credited to the profit and loss account during the year *(note 10)*	(2,650)	—	(2,650)
Deferred tax debited to equity during the year *(note 27)*	—	803	803
At 31 December 2004	38,362	5,003	43,365

At 31 December 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. Share Capital

Shares

	2004	2003
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
640,000,000 ordinary shares of HK$0.10 each	**64,000**	64,000

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26 to the financial statements.

26. 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 any employees, non-executive directors and customers of the Group, any of it subsidiaries, or any entity ("Invested Entity") in which the Group holds an equity interest, suppliers of goods or services and persons or entities that provide research, development or other technological support to the Group, its subsidiaries, or any Invested Entity, and any shareholder of the Group, its subsidiaries or Invested Entity. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. The Scheme was adopted on 30 May 2002 and became effective on 21 June 2002.

26. Share Option Scheme *(Continued)*

The following share options under the Scheme were granted during the year and remained outstanding at the end of the year:

Name or category of participant	Number of share options: At 1 January 2004	Granted during the year	At 31 December 2004	Date of grant of share options*	Exercise period of share options	Exercise price of share options **	Price of Company's shares *** at grant date of options
						HK$	HK$
Directors							
Mr. Ng Chi Shing	—	1,200,000	**1,200,000**	1 Sep 04	6 Jul 04 to 31 Dec 06	0.694	0.70
Mr. Wong Shui Hing	—	900,000	**900,000**	1 Sep 04	6 Jul 04 to 31 Dec 06	0.694	0.70
Mr. Ting Sui Ping	—	800,000	**800,000**	1 Sep 04	6 Jul 04 to 31 Dec 06	0.694	0.70
Mr. Tang Yok Lam, Andy	—	640,000	**640,000**	1 Sep 04	6 Jul 04 to 31 Dec 06	0.694	0.70
Other employees							
In aggregate	—	5,200,000	**5,200,000**	23 Dec 04	19 Oct 04 to 31 Dec 06	0.72	0.80
	—	8,740,000	**8,740,000**				

* The vesting period of the share option is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price as at the date of the grant of the options.

At the balance sheet date, the Company had 8,740,000 share options outstanding under the Scheme, which represented approximately 1.37% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,740,000 additional ordinary shares of the Company and additional share capital of HK$874,000 and share premium of HK$5,327,000 before issue expenses.

26. Share Option Scheme *(Continued)*

Subsequent to the balance sheet date on 12 January 2005, 1,860,000 share options were granted to a non-executive director of the Company with an exercise price of HK$0.792 per share and an exercise period from 20 December 2004 to 31 December 2006. The price of the Company's shares at the date of grant was HK$0.81 per share. Also, on 18 March 2005, a total of 700,000 share options granted to employees at the year end were exercised, resulting in the issue of 700,000 ordinary shares of the Company and new share capital of HK$70,000 and share premium of HK$434,000, before issue expenses.

27. Reserves

Group

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Statutory reserve fund HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		134,743	19,000	19,739	2	15,300	4,064	413,959	606,807
Surplus on revaluation	14	—	—	8,096	—	—	—	—	8,096
Exchange realignment on translation of the financial statements of foreign entities		—	—	—	(127)	—	—	—	(127)
Net profit for the year		—	—	—	—	—	—	32,503	32,503
Recognised as deferred tax	24	—	—	(4,200)	—	—	—	—	(4,200)
2003 final dividend proposed	12	—	—	—	—	—	—	(6,528)	(6,528)
Transfer to statutory reserve fund		—	—	—	—	1,730	—	(1,730)	—
At 31 December 2003 and 1 January 2004		134,743	19,000	23,635	(125)	17,030	4,064	438,204	636,551
Surplus on revaluation	14	—	—	5,519	—	—	—	—	5,519
Exchange realignment on translation of the financial statements of foreign entities		—	—	—	66	—	—	—	66
Net profit for the year		—	—	—	—	—	—	88,956	88,956
Recognised as deferred tax	24	—	—	(803)	—	—	—	—	(803)
2004 final dividend proposed	12	—	—	—	—	—	—	(19,900)	(19,900)
Transfer to statutory reserve fund		—	—	—	—	1,200	—	(1,200)	—
At 31 December 2004		**134,743**	**19,000**	**28,351**	**(59)**	**18,230**	**4,064**	**506,060**	**710,389**

27. Reserves *(Continued)*

Group *(Continued)*

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefore, net of HK$100,000 being 1,000,000 shares issued nil paid upon the incorporation of the Company.

In accordance with the relevant PRC regulations applicable to wholly foreign-owned enterprises, the Company's PRC subsidiary is required to appropriate an amount of not less than 10% of its profits after tax to the statutory reserve fund, which may be used to increase the paid-up capital of the PRC subsidiary.

The amount of negative goodwill arising from the acquisition of subsidiaries prior to 1 January 2002 amounting to HK$4,064,000 remains credited to the capital reserve.

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2003		134,743	466,769	876	602,388
Net profit for the year	*11*	—	—	8,465	8,465
2003 final dividend proposed	*12*	—	—	(6,528)	(6,528)
At 31 December 2003 and 1 January 2004		134,743	466,769	2,813	604,325
Net profit for the year	*11*	—	—	17,985	17,985
2004 final dividend proposed	*12*	—	—	(19,900)	(19,900)
At 31 December 2004		**134,743**	**466,769**	**898**	**602,410**

The contributed surplus of the Company represents the difference between the consolidated net asset value of Topsearch Industries (BVI) Limited on 30 April 2002 when its entire issued share capital was acquired by the Company pursuant to the Group reorganisation, and the nominal amount of the Company's shares issued in consideration for such acquisition, net of HK$100,000 being 1,000,000 shares issued nil paid upon the incorporation of the Company. Under the Companies Act 1981 (as amended) of Bermuda, the contributed surplus of the Company is distributable to shareholders under certain conditions. In addition, the share premium account of the Company can be distributed in the form of fully paid bonus shares.

28. Note to the Consolidated Cash Flow Statement

Major non-cash transaction

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$42,056,000 (2003: HK$87,837,000).

29. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors factored with recourse	**34,522**	22,688	**—**	—
Guarantees given to a bank for facilities granted to a subsidiary	**—**	—	**707,111**	660,671
Guarantees given to lessors for finance lease agreements entered into by a subsidiary	**—**	—	**145,774**	181,959
	34,522	22,688	**852,885**	842,630

At 31 December 2004, the banking facilities granted to and finance lease agreements entered into by a subsidiary subject to the above guarantees given by the Company were utilised to the extent of approximately HK$288,498,000 (2003: HK$312,889,000) and HK$113,697,000 (2003: HK$121,587,000), respectively.

30. Pledge of Assets

Details of the Group's bank loans and other banking facilities, which are secured by the assets of the Group, are included in note 21 to the financial statements.

31. Operating Lease Arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**6,639**	8,610
In the second to fifth years, inclusive	**738**	4,235
	7,377	12,845

32. Commitments

In addition to the operating lease commitments detailed in note 31 above, the Group had the following commitments at the balance sheet date:

	Group	
	2004	2003
	HK$'000	*HK$'000*
(a) Capital commitments		
Authorised, and contracted for:		
Commitments in respect of the construction of a factory building	**15,006**	18,095
Commitments in respect of the acquisition of fixed assets	**42,482**	—
	57,488	18,095

The capital commitments disclosed above have included those items under "Deposits for fixed assets" on the face of the consolidated balance sheet.

32. Commitments *(Continued)*

(b) Other commitments

At 31 December 2004, the Group had total commitments of HK$5,566,000 (2003: HK$6,509,000) to make payments in respect of a technology collaboration agreement with Tsinghua University, the PRC, entered into in April 2001.

At 31 December 2004, the Group's capital contribution payable to a wholly-owned subsidiary incorporated in the PRC amounted to HK$132,600,000 (2003: HK$156,000,000).

At 31 December 2004, the Group had commitments in respect of interest rate swaps to hedge its bank borrowings of HK$179,000,000 (2003: Nil).

33. Related Party Transactions

Other than disclosed elsewhere in these financial statements, the Group had the following significant transaction with a related company during the year:

	2004	2003
	HK$'000	*HK$'000*
Rental expenses paid to Keentop Investment Limited ("Keentop") *(Note)*	**1,380**	1,380

Note: The rental expenses paid to Keentop, which is beneficially owned by Mr. Cheok Ho Fung, a director of the Company, and his spouse, related to the property leased as his residence. The monthly rental of HK$115,000 was based on the tenancy agreement entered into between both parties. Pursuant to a further tenancy agreement entered on 22 May 2002, the monthly rental of HK$115,000 for the period from 22 May 2002 to 21 May 2005 (with an option to renew for a further term of three years) was based on a market rental valuation provided by an independent professionally qualified valuer in April 2002.

34. Post Balance Sheet Events

In addition to the events described in note 26 to the financial statements, pursuant to a share placing agreement dated 24 February 2005, Inni placed 70,000,000 ordinary shares of the Company to a placing agent at HK$0.9 per share. On the same date, the Company placed 70,000,000 new ordinary shares of the Company to Inni at HK$0.9 per share, resulting in a total cash consideration, before expenses, of approximately HK$63,000,000.

35. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 7 April 2005.