1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company is Regulator Holdings Limited, a company which is incorporated in the British Virgin Islands, and its ultimate holding company is Yugang International Limited ("Yugang"), a company which is also incorporated in Bermuda with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The financial statements are presented in Hong Kong dollars ("HKD") which is the functional currency of the Company.

The Company is an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries and associates are set out in notes 48 and 20 respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

Goodwill arising on an acquisition of a subsidiary and an associate for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary and associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses after initial recognition and will be tested for impairment at least annually.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice No. 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investment" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified its "other investments" with carrying amount of HK$84,226,000 which are held for trading purpose to "investments held for trading" and measured them in accordance with the requirements of HKAS 39. No adjustment has been made to the Group's retained profits at 1 January 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Convertible note receivables

By 31 December 2004, the convertible note receivables which are held for long-term purposes are stated at cost less any identified impairment loss that is other than temporary.

From 1 January 2005 onwards, the Group classified and measured its convertible note receivables in accordance with the requirements of HKAS 39. Under HKAS 39, convertible note receivables are separated into two components: (i) loan portion and (ii) conversion option derivative.

Loan portion is carried at amortised cost using the effective interest method at subsequent balance sheet date. Conversion option derivative is carried at fair value at each balance sheet date, with changes in fair value recognised in profit or loss.

As a result of the change in accounting policy, an adjustment of HK$399,000 has been made to the Group's opening retained profits on 1 January 2005 (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. Investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

The Group has not early applied 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 disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005 *HK$'000*	2004 *HK$'000*
Income statement items		
Increase in turnover in relation to effect of recognition of imputed interest income from convertible note receivable – loan portion	**418**	–
Decrease in net investment income in relation to		
– losses arising from changes in fair value of conversion option derivative	**(1,593)**	–
– gain arising from redemption of convertible note receivable	**240**	–
Decrease in amortisation of goodwill arising from acquisition of subsidiaries (as if the goodwill was amortised over 20 years)	**1,728**	–
Decrease in amortisation of goodwill arising from acquisition of associates (as if the goodwill was amortised over 20 years)	**1,572**	–
Increase in other income in relation to gain arising from change in fair value of investment property	**1**	–
Increase in profit for the year	**2,366**	–

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	31.12.2004 *HK$'000* (Originally stated)	**Retrospective adjustments** *HK$'000*	**31.12.2004** *HK$'000* (Restated)	**Opening adjustments** *HK$'000*	**1.1.2005** *HK$'000* (Restated)
Balance sheet items					
Property, plant and equipment	116,992	(16,956)	100,036	–	100,036
Interest in properties	6,448	(6,448)	–	–	–
Prepaid lease payments	–	22,832	22,832	–	22,832
Convertible note receivable	16,000	–	16,000	(16,000)	–
Convertible note receivable - loan portion	–	–	–	14,714	14,714
Prepaid lease payments	–	572	572	–	572
Other investments	84,226	–	84,226	(84,226)	–
Investments held for trading	–	–	–	84,226	84,226
Conversion option derivative	–	–	–	887	887
Total effects on assets and liabilities		–		(399)	
Retained profits and total effects on equity	224,650	–	224,650	(399)	224,251

There was no financial effect of the application of the new HKFRSs to the Group's equity at 1 January 2004.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 are recognised at their fair values at the acquisition date.

Goodwill

Goodwill arising on an acquisition of a subsidiary and an associate for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary and associate at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of an associate is included in the cost of the investment of the relevant associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary and an associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Revenue recognition

Sales of goods are recognised when the goods are delivered to customers and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Sales of investments are recognised on the execution of legally binding, unconditional and irrevocable contracts.

Service income is recognised when services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (if any), are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and amortisation and accumulated impairment losses.

Depreciation are provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives, using the straight line method.

Construction in progress represents assets in the course of construction for production, rental or administrative purposes. They are carried at cost, less any identified impairment loss. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Costs on completed construction works are transferred to other appropriate category of property, plant and equipment.

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Club membership

Costs incurred in the acquisition of club membership are capitalised and amortised on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. The Group's investments are classified as investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including trade and other receivables, convertible note receivable, deposits with brokerage companies, short-term bank deposits, bank balances and loan to an associate are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities other than financial liabilities at fair value through profit or loss ("Other financial liabilities"). The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank borrowings, trade and other payables, consideration payable on acquisition of subsidiaries/associates and loan from minority shareholders of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit scheme

Payments to defined contribution retirement benefit scheme are charged as expenses as they fall due.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, management had made the following estimates that have the most significant effect on the amounts recognised in the financial statements.

Inventories

The Group does not have a general provision policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. Procedurewise, the sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Trade receivables

In making the judgement, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the historical records of the Group and the circumstances of the industry of manufacture and trading of packaging products and travel bags as a whole.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is HK$34,553,000 arising from acquisition of subsidiaries. Details of the recoverable amount calculations of subsidiaries are disclosed in note 21.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, convertible note receivable, deposits with brokerage companies, short-term deposits, bank balances and cash, bank borrowings, trade and other receivables and trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk

The Group has currency exposure as majority of its sales are denominated in U.S. Dollars ("USD") which are linked up with Hong Kong Dollars. On the other hand, the expenditure including expenditures incurred in the operation of manufacturing plants and capital expenditures are denominated in Renminbi ("RMB"), which expose the Group to foreign currency risk.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against HKD may have impact on the results of operations of the Group.

On 21 July 2005, the People's Bank of China announced that RMB would no longer be pegged to USD and instead would be linked to a basket of currencies. The exchange rate of USD against RMB was adjusted from 8.2765 to 8.1100 yuan per USD immediately. The directors believe the appreciation of RMB against USD will have an impact on the Group.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Price risk

The Group's investments held for trading and conversion option derivative are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Interest rate risk

The Group's fair value interest rate risk relates to its fixed-rate borrowings. However, the management considered the risk is insignificant to the Group.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short-term bank deposits and the deposits with brokerage companies to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

7. TURNOVER

Turnover represents the amounts received and receivable in respect of sales of goods, less returns and discounts, to outside parties, net proceeds of trading in securities (Note 1), investment income (Note 2) and interest income from provision of financial services during the year.

An analysis of the Group's turnover is as follows:

	2005	2004
	HK$'000	*HK$'000*
Sales of goods	**447,432**	254,443
Net proceeds of trading in securities *(Note 1)*	**(4,041)**	36,192
Investment income *(Note 2)*	**1,857**	2,632
Interest income from provision of financial services	**–**	1,084
	445,248	294,351

Notes:

(1) The amount was derived from after taking into account of the gross proceeds from trading in securities amounted to HK$34,636,000 (2004: HK$60,686,000) for the year ended 31 December 2005.

(2) The amount included imputed interest income of HK$418,000 (2004: nil) from convertible note receivable.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions - sales of packaging products, sales of travel bags and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

The principal activities are as follows:

Sales of packaging products	–	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sales of travel bags	–	Manufacture and trading of soft luggages, travel bags, backpacks and brief cases
Treasury investment	–	Investments in securities and convertible notes, and provision of financial services

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

Year 2005

	Sales of packaging products HK$'000	Sales of travel bags HK$'000	Treasury investment HK$'000	Total HK$'000
(i) Income statement				
Turnover	277,442	169,990	(2,184)	445,248
Result				
Segment result	39,900	5,530	4,943	50,373
Unallocated corporate expenses				(8,730)
Unallocated corporate income				1,245
Share of results of associates				5,211
Finance costs				(704)
Profit before taxation				47,395
Taxation				(4,374)
Profit for the year				43,021
(ii) Balance sheet				
ASSETS				
Segment assets	391,993	134,862	99,008	625,863
Interests in associates				38,455
Taxation recoverable				294
Unallocated corporate assets				94,053
Consolidated total assets				758,665
LIABILITIES				
Segment liabilities	52,294	89,485	108	141,887
Taxation payable				11,310
Deferred taxation				2,750
Unallocated corporate liabilities				19,337
Consolidated total liabilities				175,284

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year 2005 (continued)

	Sales of packaging products *HK$'000*	Sales of travel bags *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
(iii) Other information				
Capital addition	**39,431**	**30,585**	**190**	**70,206**
Depreciation and amortisation of property, plant and equipment	**7,644**	**965**	**73**	**8,682**
Amortisation of prepaid lease payments	**572**	**65**	**–**	**637**
Amortisation of club membership	**35**	**–**	**–**	**35**
Losses arising from changes in fair value of conversion option derivative	**–**	**–**	**1,593**	**1,593**
Loss on disposals of property, plant and equipment	**–**	**84**	**–**	**84**

Year 2004

	Sales of packaging products *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
(i) Income statement			
Turnover	254,443	39,908	294,351
Result			
Segment result	16,596	50,715	67,311
Unallocated corporate expenses			(10,517)
Unallocated corporate income			595
Taxation			(15,277)
Profit for the year			42,112

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year 2004 (continued)

	Sales of packaging products *HK$'000*	Treasury investment *HK$'000*	Total *HK$'000*
(ii) Balance sheet			
ASSETS			
Segment assets	444,389	110,936	555,325
Taxation recoverable			11
Unallocated corporate assets			56,571
Consolidated total assets			611,907
LIABILITIES			
Segment liabilities	38,244	3,264	41,508
Taxation payable			9,982
Deferred taxation			2,845
Unallocated corporate liabilities			3,072
Consolidated total liabilities			57,407
(iii) Other information			
Allowance for bad and doubtful debts	9,681	–	9,681
Depreciation and amortisation of property, plant and equipment	7,178	63	7,241
Capital addition	5,702	182	5,884
Allowance for obsolete inventories	3,339	–	3,339
Amortisation of prepaid lease payments	572	–	572
Amortisation of club membership	207	–	207

Note: No business segment of sales of travel bags was presented in 2004 as that business was only acquired in 2005.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods:

	Turnover	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong	**73,071**	117,713
Europe	**127,678**	81,162
North and South America	**207,138**	79,884
Others	**37,361**	15,592
	445,248	294,351

Analysis of carrying amounts of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located has not been presented as more than 90% of the Group's assets are situated in the People's Republic of China (the "PRC"), including Hong Kong.

9. NET INVESTMENT INCOME

	2005	2004
	HK$'000	*HK$'000*
Bank interest income	**5,729**	2,280
Unrealised holding gain arising on fair value changes of investments held for trading	**3,953**	–
Losses arising from changes in fair value of conversion option derivative	**(1,592)**	–
Gain arising from redemption of convertible note receivable	**240**	–
Unrealised holding gain on other investments	**–**	14,886
	8,330	17,166

10. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 11)*	**6,341**	11,971
Other staff costs	**14,261**	9,925
Total staff costs	**20,602**	21,896
Allowance for obsolete inventories (included in cost of sales)	**–**	3,339
Amortisation of club membership	**35**	207
Auditors' remuneration	**764**	475
Depreciation and amortisation		
– property, plant and equipment	**8,682**	7,241
– prepaid lease payments	**637**	572
	9,319	7,813
Loss on disposals of property, plant and equipment	**84**	–
Minimum lease payments under operating lease in respect of land and buildings	**2,434**	2,621
Shipping and handling expenses (included in distribution expenses)	**7,546**	6,699
and after crediting:		
Bank interest income	**5,729**	2,280
Dividend income from listed equity investments	**1,439**	906
Gain arising from change in fair value of investment property	**1**	–
Gain on disposals of property, plant and equipment	**–**	150
Gross rental income from investment properties	**527**	–
Less: Direct operating expenses from investment property that generated rental income during the year	**(50)**	–
	477	–

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the nine (2004: nine) directors were as follows:

Year 2005

	Lam How Mun Peter HK$'000	Cheung Chung Kiu HK$'000	Lam Hiu Lo HK$'000	Leung Chun Cheong HK$'000	Leung Wai Fai HK$'000	Poon Ho Yee Agnes HK$'000	Lam Kin Fung Jeffrey HK$'000	Lam Ping Cheung HK$'000	Wong Wai Kwong David HK$'000	Total 2005 HK$'000
Fees	–	–	–	–	–	–	200	200	200	600
Other emoluments										
Salaries and other benefits	3,200	–	–	1,079	130	1,105	–	–	–	5,514
Retirement benefits schemes contribution	120	–	–	50	6	51	–	–	–	227
Total emoluments	3,320	–	–	1,129	136	1,156	200	200	200	6,341

Year 2004

	Lam How Mun Peter HK$'000	Cheung Chung Kiu HK$'000	Lam Hiu Lo HK$'000	Leung Chun Cheong HK$'000	Leung Wai Fai HK$'000	Poon Ho Yee Agnes HK$'000	Lam Kin Fung Jeffrey HK$'000	Lam Ping Cheung HK$'000	Wong Wai Kwong David HK$'000	Total 2004 HK$'000
Fees	–	–	–	–	–	–	200	200	52	452
Other emoluments										
Salaries and other benefits	2,940	–	–	962	130	988	–	–	–	5,020
Performance related incentive payment *(Note)*	6,000	–	–	120	–	175	–	–	–	6,295
Retirement benefits schemes contribution	108	–	–	44	6	46	–	–	–	204
Total emoluments	9,048	–	–	1,126	136	1,209	200	200	52	11,971

During the year, the Group also provided one of its leasehold properties in Hong Kong as quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, is HK$600,000 (2004: HK$600,000).

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 during the year. No directors have waived any emoluments during the year.

Note: The performance related incentive payment is determined with reference to the operating results, individual performance and comparable market statistics during the year ended 31 December 2004.

12. EMPLOYEES' REMUNERATION

The five highest paid individuals in the Group for the year ended 31 December 2005 included three (2004: three) executive directors of the Company, whose emoluments are included in note 11. The details of the emoluments paid to the other two (2004: two) highest paid individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other benefits	**1,199**	1,092
Performance related incentive payments	**–**	85
Retirement benefit scheme contributions	**54**	50
	1,253	1,227

Their emoluments were within the following bands:

	Number of individuals	
	2005	2004
Nil to HK$1,000,000	**2**	2

13. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**404**	–
Imputed interest expense from consideration payable on acquisition of subsidiaries	**205**	–
Imputed interest expense from consideration payable on acquisition of associates	**95**	–
	704	–

14. TAXATION

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– current year	**(3,564)**	(8,577)
– (under)overprovision in prior years	**(1,553)**	56
– additional tax assessments for the years of assessment from 1993/94 to 2002/03	**–**	(4,694)
	(5,117)	(13,215)
Deferred taxation credit (charge) *(Note 37)*	**743**	(2,062)
Taxation for the year	**(4,374)**	(15,277)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

In prior years, certain subsidiaries of the Company were in discussion with the Hong Kong Inland Revenue Department (the "IRD") regarding their prior year tax computations. During the year ended 31 December 2004, these subsidiaries and the IRD reached a compromised settlement of HK$4,694,000 in respect of additional tax liabilities for the years of assessment from 1993/94 to 2002/03.

Pursuant to the Deed of Indemnity dated 14 April 1999 made between Chuang Hing Limited ("CHL"), Willie International Holdings Limited ("WIL") (formerly known as China United Holdings Limited) and the Company as set out in the paragraph headed "Other Information" in Appendix 5 to the prospectus dated 15 April 1999 issued by the Company, CHL and WIL agreed with the Company and its subsidiaries (together the "Companies") that CHL and WIL would jointly and severally indemnify each of the Companies against taxation falling on any of the Companies resulting from profits or gains earned or accrued on or before 27 April 1999.

Thereafter the composition of the management of CHL and WIL had been changed. The directors of the Company are of the opinion that the recovery of tax indemnity involves lengthy and costly litigation procedures, the outcome of which cannot be determined with reasonable certainty and being beneficial to the Group in consideration of the time and expenditure required. Hence, the Company has no intention to pursue recovery of the tax indemnity.

14. TAXATION (continued)

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2005 *HK$'000*	2004 *HK$'000*
Profit before taxation	**47,395**	57,389
Less: Share of results of associates	**(5,211)**	–
Profit before taxation attributable to the Company and its subsidiaries	**42,184**	57,389
Tax at the domestic income tax rate of 17.5% (2004: 17.5%) *(Note)*	**(7,382)**	(10,043)
Tax effect of income not taxable for tax purpose	**1,430**	504
Tax effect of expenses not deductible for tax purpose	**(73)**	(1,300)
Tax effect of Hong Kong Profits Tax on concessionary rate	**2,794**	863
Additional tax assessments for the years of assessment from 1993/94 to 2002/03	**–**	(4,694)
(Under)over provision in prior years	**(1,553)**	56
Others	**410**	(663)
Taxation for the year	**(4,374)**	(15,277)

Note: The domestic income tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

15. DIVIDENDS

	2005 *HK$'000*	2004 *HK$'000*
Proposed final dividend of HK$0.0060 (2004: HK$0.0040) per share	**23,637**	15,758

The final dividend of HK$0.0060 (2004: HK$0.0040) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the parent for the purposes of calculating basic earnings per share	**41,203**	42,112

	2005	2004
Number of shares		
Number of shares for the purposes of basic earnings per share	**3,939,536,870**	3,939,536,870

Impact of changes in accounting policies

The following table summaries the impact on basic earnings per share as a result of changes in the Group's accounting policies during the year as described in notes 2 and 3.

	Basic	
	2005	2004
	HK cents	*HK cents*
Reported figures before adjustments	**0.99**	1.07
Adjustments arising from changes in accounting policies	**0.06**	–
As restated	**1.05**	1.07

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Electricity supply system HK$'000	Furniture, fixtures and equipment HK$'000	Moulds HK$'000	Construction in progress HK$'000	Motor vehicles HK$'000	Total HK$'000
COST									
At 1 January 2004	82,728	3,856	22,805	2,729	14,338	7,707	–	2,652	136,815
Additions	700	378	1,922	–	944	1,322	–	618	5,884
Disposals	–	–	–	–	–	–	–	(474)	(474)
At 31 December 2004	83,428	4,234	24,727	2,729	15,282	9,029	–	2,796	142,225
Currency realignment	352	–	106	–	25	–	–	10	493
Additions	36,363	318	1,666	–	1,975	957	190	559	42,028
Acquired on acquisition of subsidiaries	20,240	–	5,518	–	1,406	–	–	1,014	28,178
Disposals	–	–	(33)	–	(119)	–	–	(1,121)	(1,273)
At 31 December 2005	**140,383**	**4,552**	**31,984**	**2,729**	**18,569**	**9,986**	**190**	**3,258**	**211,651**
DEPRECIATION AND AMORTISATION									
At 1 January 2004	3,703	2,717	15,141	657	7,000	4,261	–	1,943	35,422
Provided for the year	1,787	372	1,939	273	1,327	1,001	–	542	7,241
Eliminated on disposals	–	–	–	–	–	–	–	(474)	(474)
At 31 December 2004	5,490	3,089	17,080	930	8,327	5,262	–	2,011	42,189
Provided for the year	2,428	440	2,398	273	1,512	1,088	–	543	8,682
Eliminated on disposals	–	–	(14)	–	(78)	–	–	(1,062)	(1,154)
At 31 December 2005	**7,918**	**3,529**	**19,464**	**1,203**	**9,761**	**6,350**	**–**	**1,492**	**49,717**
CARRYING VALUES									
At 31 December 2005	**132,465**	**1,023**	**12,520**	**1,526**	**8,808**	**3,636**	**190**	**1,766**	**161,934**
At 31 December 2004	77,938	1,145	7,647	1,799	6,955	3,767	–	785	100,036

Note: Owner-occupied leasehold land situated in Hong Kong is included in property, plant and equipment as the allocation between the land and buildings elements cannot be made reliably.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Items of property, plant and equipment are depreciated and amortised on a straight-line basis at the following rates per annum:

Leasehold properties	2% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Plant and machinery	10%
Electricity supply system	10%
Furniture, fixtures and equipment	10%
Moulds	15%
Motor vehicles	25%

The carrying value of leasehold properties shown above comprises:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Properties held on long lease in Hong Kong	**53,879**	18,320
Properties held on medium-term lease in Hong Kong	**6,380**	6,538
	60,259	24,858
Properties held on medium-term lease in the PRC	**72,206**	53,080
	132,465	77,938

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold interest in lands and property outside Hong Kong under medium-term leases.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Analysed for reporting purposes as:		
Current asset	**636**	572
Non-current asset	**25,213**	22,832
	25,849	23,404

Leasehold interest in lands and property are amortised over the unexpired terms of the leases on a straight-line basis.

19. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
Additions during the year ended 31 December 2005	44,669
Increase in fair value recognised in income statement	1
At 31 December 2005	44,670

The carrying amount of investment property as at 31 December 2005 comprises property held on long lease in Hong Kong.

The fair value of the Group's investment property at 31 December 2005 has been arrived at on the basis of a valuation carried out on that date by Savills Valuation and Professional Services Limited, independent qualified professional surveyors not connected with the Group. Messrs. Savills Valuation and Professional Services Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to The Valuation Standards on Properties issued by the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of transaction prices for similar properties. The increase in fair value of investment property of HK$1,000 has been recognised in the consolidated income statement.

All of the Group's leasehold interest in land held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

20. INTERESTS IN ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Cost of investment in associates - unlisted	**33,244**	–
Share of post-acquisition profits	**5,211**	–
	38,455	–

On 3 June 2005, the Group acquired 30% of the issued share capital of Technical International Holdings Limited ("Technical International"), a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK$33,000,000, subject to adjustment, as described in the circular of the Company dated 27 June 2005. Technical International and its subsidiaries ("Technical Group") are principally engaged in the business of design, trading and marketing of knives, corkscrews and kitchenware.

The total consideration of HK$33,000,000 shall be satisfied in cash, of which HK$30,000,000 was paid during the year ended 31 December 2005, and the remaining balance of HK$3,000,000 shall be paid after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 3 June 2005) in 2007. Details of the carrying amount of the consideration payable are set out in note 35.

20. INTERESTS IN ASSOCIATES (continued)

The vendor, Technical Group Holdings Limited, and the guarantors, Mr. Brian Sun and Ms. Chan Pui Ling Stella, (hereinafter collectively referred to as the "Warrantors") have jointly and severally guaranteed to the Group that the audited consolidated net profits derived from the activities of Technical Group in its normal and ordinary course of business after tax and minority interests (the "Audited Net Profits") as shown in its audited financial statements for each of the two years ending 31 December 2005 and 2006 (the "Guaranteed Year") shall not be less than HK$20,000,000. If the Audited Net Profits in respect of the Guaranteed Year is less than HK$20,000,000, an amount equal to 30% of 5.5 times of the difference between HK$20,000,000 and the Audited Net Profits of that Guaranteed Year shall become payable by the Warrantors to the Group.

Included in the cost of investment in associates is goodwill of HK$31,438,000 arising on acquisition of associates during the year. The movement of goodwill is set out below.

	Goodwill *HK$'000*
GOODWILL OF ASSOCIATES	
COST	
Arising on acquisition of associates in 2005 and balance at 31 December 2005	31,438

The summarised financial information in respect of the Group's associates is set out below:

	2005 ***HK$'000***	2004 *HK$'000*
Total assets	**48,485**	–
Total liabilities	**(25,095)**	–
Net assets	**23,390**	–
Group's share of net assets of associates	**7,017**	–
Turnover	**141,303**	–
Profit for the period from date of acquisition to 31 December 2005	**17,370**	–
Group's share of result of associates for the period from date of acquisition to 31 December 2005	**5,211**	–

The retained profits of the Group as at 31 December 2005 included HK$5,211,000 (2004: nil) retained by associates of the Group.

20. INTERESTS IN ASSOCIATES (continued)

At 31 December 2005, the Group had interests in the following associates:

Name of associate	Place of incorporation/ operation	Issued and fully paid share capital	Attributable equity interest held by the Group	Principal activities
Technical International	British Virgin Islands *	US$10,000	30%	Investment holding
Technical (HK) Manufacturing Limited *(Note a)*	Hong Kong	HK$10	30%	Design, trading and marketing of knives and kitchenware
Technical Development (HK) Limited *(Note a)*	Hong Kong	HK$10	30%	Design, trading and marketing of corkscrew and kitchenware

* It is an investment holding company which has no specific principal place of operation.

Note:

(a) Technical International directly holds the entire interests in Technical (HK) Manufacturing Limited and Technical Development (HK) Limited.

21. GOODWILL

	HK$'000
GROSS VALUE	
Arising on acquisition of subsidiaries in 2005 and balance at 31 December 2005	34,553

Particulars regarding impairment testing on goodwill arising from acquisition of subsidiaries are disclosed as follows:

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the cash-generating unit ("CGU") of trading of travel bags business segment. The carrying amount of goodwill as at 31 December 2005 allocated to the CGU of trading of travel bags business segment is HK$34,553,000.

During the year ended 31 December 2005, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period and discount rate of 5.98%. No growth rate is assumed in the calculation. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectation for the market development.

22. CONVERTIBLE NOTE RECEIVABLE

	2005	2004
	HK$'000	*HK$'000*
Unlisted debt security, at cost	**–**	16,000

At 31 December 2004, the Group held a convertible note of HK$16,000,000 which was issued by a company with its shares listed on the Stock Exchange. The convertible note bore interest rate at 6.8% per annum and conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the company at a conversion price of HK$0.15 per share in the defined period.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until a date seven days prior to (and excluding) the maturity date of the convertible note and can only be redeemed by the Group at its face value upon maturity in April 2007 to the extent of the amount not previously converted.

In the opinion of the directors, the above convertible note was worth at least its carrying value at 31 December 2004.

From 1 January 2005 onwards, the Group classified and measured its convertible note receivable in accordance with the requirements of HKAS 39. Under HKAS 39, the convertible note receivable of HK$16,000,000 at 31 December 2004 has been separated into two components at 1 January 2005, of which the loan portion of the convertible note receivable amounted to HK$14,714,000 and the conversion option derivative of the convertible note receivable amounted to HK$887,000 (see note 3).

During the year ended 31 December 2005, this convertible note receivable (including loan portion and call option portion) was redeemed by the issuer at cost of HK$16,000,000 and a gain arising from the redemption of the convertible note receivable amounted to HK$240,000.

23. CONVERTIBLE NOTE RECEIVABLE

	2005	2004
	HK$'000	*HK$'000*
Unlisted convertible note		
– loan portion	**14,441**	–
– conversion option derivative - fair value	**226**	–
	14,667	–

At 31 December 2005, the Group held a convertible note with a principal amount of HK$16,000,000 which was issued by a company with its shares listed on the Stock Exchange. The convertible note is interest-free and conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the company at a conversion price of HK$0.05 per share in the defined period.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until a date seven days prior to (and excluding) the maturity date of the convertible note, and can only be redeemed by the Group at its face value upon maturity in April 2010 to the extent of the amount not previously converted.

23. CONVERTIBLE NOTE RECEIVABLE (continued)

On application of HKAS 39, the fair value of the convertible note receivable - loan portion is determined based on an effective interest rate of 2.41% on initial recognition.

The fair value of the conversion option derivative is determined by using the Black-Scholes Model.

The fair value of the Group's convertible note receivable - loan portion at 31 December 2005 was approximate to the corresponding carrying amount.

Subsequent to 31 December 2005, the Group's convertible note receivable was redeemed by the issuer at cost of HK$16,000,000 on 7 March 2006.

24. CLUB MEMBERSHIP

	HK$'000
COST	
At 1 January 2004, 31 December 2004 and 31 December 2005	780
AMORTISATION	
At 1 January 2004	538
Provided for the year	207
At 31 December 2004	745
Provided for the year	35
At 31 December 2005	780
CARRYING VALUE	
At 31 December 2005	–
At 31 December 2004	35

Club membership is amortised over its expected useful live of five years on a straight line method.

25. INVENTORIES

	2005 *HK$'000*	2004 *HK$'000*
Raw materials	**30,939**	20,268
Work in progress	**38,700**	12,679
Finished goods	**16,375**	10,919
	86,014	43,866

All inventories were carried at cost at the balance sheet date.

26. TRADE AND OTHER RECEIVABLES

	2005 *HK$'000*	2004 *HK$'000*
Trade receivables *(Note)*	**94,538**	28,501
Other receivables	**8,795**	4,870
Loan receivable	**–**	1,000
	103,333	34,371

The Group allows an average credit period of 60 days to its trade customers.

The ageing analysis of trade receivables at the balance sheet date is as follows:

	2005 *HK$'000*	2004 *HK$'000*
0 to 30 days	**65,204**	13,987
31 to 60 days	**19,844**	10,453
Over 60 days	**9,490**	4,061
	94,538	28,501

The loan receivable of HK$1,000,000 at 31 December 2004 was unsecured but was guaranteed by directors of the borrowers and repaid during the year ended 31 December 2005. The loan was interest bearing at 2% per annum over and above the prime lending rate per annum.

The fair value of the Group's trade and other receivables at 31 December 2005 was approximate to the corresponding carrying amounts.

Note: Trade receivables included discounted bills with recourse of HK$12,916,000 (2004: nil) at 31 December 2005. The maturity date of the discounted bills with recourse is within three months from inception date of the discounted bills.

27. INVESTMENTS HELD FOR TRADING

	2005 HK$'000	2004 HK$'000
Equity securities listed in Hong Kong	**50,211**	–

As 31 December 2005, all investments held for trading are stated at fair value and the fair value of the investments have been determined by reference to bid prices quoted in active markets.

28. OTHER INVESTMENTS

	2005 HK$'000	2004 HK$'000
Listed equity securities	–	76,203
Listed debt security	–	8,023
Total:		
Listed in Hong Kong	–	65,731
Listed in overseas	–	18,495
	–	84,226
Market value of listed securities	–	84,226

29. LOAN TO AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable within one year. The directors consider the carrying amount of loan to an associate approximated its fair value.

30. DEPOSITS WITH BROKERAGE COMPANIES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Deposits with brokerage companies and short-term bank deposits are carried at an average fixed interest rate of 2.71% and 2.68% respectively. The fair values of the deposits with brokerage companies and short-term bank deposits at 31 December 2005 were approximate to the corresponding carrying amounts.

The fair value of bank balances and cash at 31 December 2005 was approximate to the corresponding carrying amount.

31. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The pledged bank deposits are carried at an average fixed interest rate of 3.38% and the fair value of the pledged bank deposits at 31 December 2005 was approximate to the corresponding carrying amount.

32. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$100,079,000 (2004: HK$23,157,000). The ageing analysis of trade payables at the balance sheet date is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	**47,242**	9,456
31 to 60 days	**30,347**	7,183
Over 60 days	**22,490**	6,518
	100,079	23,157

The fair value of the Group's trade and other payables at 31 December 2005 was approximate to the corresponding carrying amounts.

33. LOAN FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The directors consider the carrying amounts of loan from minority shareholders of a subsidiary approximated their fair value. The amounts are unsecured, non-interest bearing and repayable on demand.

34. BANK BORROWINGS

	2005 HK$'000	2004 HK$'000
Discounted bills with recourse	**12,916**	–
Secured bank loan	**2,404**	–
Unsecured bank loan	**128**	–
	15,448	–

The above bank borrowings are supported by:

	2005 HK$'000	2004 HK$'000
Guarantees provided by the Company and minority shareholders of a subsidiary	**12,916**	–
Pledge of assets	**2,404**	–
No guarantee required	**128**	–
	15,448	–

At 31 December 2005, the Group's bank borrowings of HK$15,448,000 (2004: nil) are repayable within one year and carry fixed interest at a range from 5.26% to 7.75% per annum.

The maturity date of the discounted bills with recourse is within three months from inception date of the discounted bills.

The fair value of the Group's bank borrowings approximates to the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2005 HK$'000	2004 HK$'000
Hong Kong dollars	**128**	–
US dollars	**12,916**	–
Renminbi	**2,404**	–
	15,448	–

35. CONSIDERATION PAYABLE ON ACQUISITION OF ASSOCIATES

The amount represents the consideration payable on acquisition of 30% issued share capital of Technical International (see also note 20) and the amount is interest bearing at 1% per annum.

On application of HKAS 39, the fair value of the consideration payable on acquisition of associates is determined based on an effective interest rate of 5.98% on initial recognition.

The fair value of the consideration payable on acquisition of associates at 31 December 2005 was approximate to the corresponding carrying amount.

36. CONSIDERATION PAYABLE ON ACQUISITION OF SUBSIDIARIES

The amount represents the consideration payable on acquisition of 60% issued share capital of Hoi Tin Universal Limited (see also note 39).

On application of HKAS 39, the fair value of the consideration payable on acquisition of subsidiaries is determined based on an effective interest rate of 5.98% on initial recognition.

The fair value of the consideration payable on acquisition of subsidiaries at 31 December 2005 was approximate to the corresponding carrying amount.

37. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2004	783	–	783
Charge (credit) for the year	2,226	(164)	2,062
At 31 December 2004	3,009	(164)	2,845
Acquisition of subsidiaries	648	–	648
Credit for the year	(715)	(28)	(743)
At 31 December 2005	**2,942**	**(192)**	**2,750**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset.

The Group did not have any significant unprovided deferred taxation during the year or at the balance sheet date.

38. SHARE CAPITAL

	Number of shares *'000*	Amount *HK$'000*
Shares of HK$0.01 each		
Authorised share capital:		
At 1 January 2004, 31 December 2004 and 31 December 2005	10,000,000	100,000
Issued and fully paid:		
At 1 January 2004, 31 December 2004 and 31 December 2005	3,939,537	39,395

39. ACQUISITION OF SUBSIDIARIES

On 23 March 2005, the Group entered into a sale and purchase agreement to acquire 60% of the issued share capital of Hoi Tin Universal Limited ("Hoi Tin"), a company incorporated in Hong Kong, at a cash consideration of HK$36,000,000, subject to adjustment, as described in the circular of the Company dated 30 April 2005. Hoi Tin and its subsidiaries ("Hoi Tin Group") are engaged in the business of the design, manufacture and sale of soft luggages, travel bags, backpacks and brief cases.

The total consideration of HK$36,000,000 shall be satisfied in cash, of which HK$31,000,000 was paid during the year ended 31 December 2005, and the remaining balance of HK$5,000,000 shall be paid after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 23 March 2005) in 2007.

This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$34,553,000.

The vendors, Messrs. Chau Tin Ping, Tse On Kuen, Wong Kam Hoi and Wong Kong, have jointly and severally guaranteed to the Group that the audited consolidated net profits after tax and minority interests of Hoi Tin Group (the "Audited Net Profits") as shown in its audited financial statements for each of the twelve months period ending 31 March 2006 and 31 March 2007 (the "Guaranteed Period") shall not be less than HK$10,000,000. If the Audited Net Profits in respect of the Guaranteed Period is less than HK$10,000,000, an amount equal to 60% of six times of the difference between HK$10,000,000 and the Audited Net Profit of that Guaranteed Period shall become payable by the vendors to the Group.

39. ACQUISITION OF SUBSIDIARIES (continued)

The net assets acquired in the acquisition, and the goodwill arising, are as follows:

	Acquirees' carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	26,221	1,957	28,178
Prepaid lease payments	2,992	–	2,992
Inventories	29,969	–	29,969
Trade and other receivables	46,494	–	46,494
Bank balances and cash	1,308	–	1,308
Trade and other payables	(83,033)	–	(83,033)
Taxation payable	(602)	–	(602)
Bank borrowings	(15,990)	–	(15,990)
Deferred taxation	(2)	(646)	(648)
Loans from minority shareholders of a subsidiary	(4,606)	–	(4,606)
	2,751	1,311	4,062
Minority interests			(1,711)
Goodwill on acquisition			34,553
Total consideration			36,904
Satisfied by:			
Cash paid			31,000
Consideration payable on acquisition of subsidiaries			4,452
Direct expenses paid in connection with acquisition of subsidiaries			1,452
			36,904
Net cash outflow arising on acquisition:			
Cash consideration paid			(31,000)
Bank balances and cash acquired			1,308
Direct expenses incurred in connection with the acquisition			(1,452)
Net cash outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(31,144)

The goodwill arising from the acquisition of Hoi Tin is attributable to the anticipated profitability of the distribution of the Group's products from the combination.

39. ACQUISITION OF SUBSIDIARIES (continued)

Hoi Tin contributed turnover of approximately HK$169,990,000 and profit before taxation of approximately HK$5,163,000 to the Group during the period from 4 July 2005 (date of acquisition) to 31 December 2005.

If the acquisition had been completed on 1 January 2005, total unaudited turnover and profit for the year of the Group would be approximately HK$584,363,000 and HK$40,683,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and result of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

40. SHARE OPTION SCHEME

The share option scheme adopted at the special general meeting held on 9 April 1999 (the "Old Scheme") was terminated and a new share option scheme (the "Existing Scheme") was adopted at the special general meeting of the Company held on 29 April 2005. During the year, no share options have been granted or exercised under the Old Scheme and no share options have been granted or exercised under the Existing Scheme since its adoption.

Under the Existing Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within 10 years after its adoption at the discretion of the board of directors of the Company (the "Board"). The following is a summary of the Existing Scheme. For the purpose of this section, reference to "Eligible Group" means (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly controlled entity of any of the Company or of a substantial shareholder referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly controlled entity of any of the foregoing entities referred to in (ii) above; (iv) each associate or substantial shareholder or direct or indirect associated company or jointly controlled entity of any of the foregoing entities referred to in (iii) above; and (v) each associate or substantial shareholder or direct or indirect associated company or jointly controlled entity of any of the foregoing entities referred to in (iv) above; and reference to "Employee" means any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of any member of the Eligible Group.

Purpose

The purpose of the Existing Scheme is to recognise and motivate the contribution of Employees and other person(s) who may make a contribution to the Group and to provide incentives and help the Group in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long time business objectives of the Group.

Participants

The participants include any director, officer and Employee of any member of the Eligible Group; and any executive, officer or employee of any business, consultant, professional and other advisers to any member of the Eligible Group or any person proposed to be appointed to any of the aforesaid positions who in the sole opinion of the board of directors of the Company has contributed or is expected to contribute to the Group.

40. SHARE OPTION SCHEME (continued)

Maximum number of shares available for subscription

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Existing Scheme and any other schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Maximum entitlement of each participant

Unless approved by the shareholders of the Company at a general meeting, the total number of shares issued and to be issued upon the exercise of options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the issued share capital of the Company.

Maximum period for exercising an option

An option may be exercised in accordance with the terms of the Existing Scheme at any time during a period to be notified by the Board to each grantee, such period of time not exceeding 10 years from the date of grant of the option.

Basis of determining the exercise price

The exercise price per share shall be determined by the Board and shall be at least the higher of:

(i) the closing price of the shares as stated in daily quotation sheets of the Stock Exchange on the date on which the option is offered, which must be a trading day;

(ii) the average closing price of the shares as stated in daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date as mentioned in (i) above; and

(iii) the nominal value of the shares.

A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

Life of the Existing Scheme

The Existing Scheme shall remain in force for a period of 10 years commencing on 29 April 2005 to 28 April 2015.

No options were granted by the Company during both years and there were no options outstanding at 31 December 2005 and 2004.

41. PLEDGE OF ASSETS

At 31 December 2005, the Group pledged its leasehold interest in land and properties with an aggregate carrying value of approximately HK$8,779,000 (2004: HK$6,537,000) and bank deposits of HK$2,000,000 (2004: nil) as securities for general banking facilities granted to the Group.

42. OPERATING LEASE COMMITMENTS

The Group as leasee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,718**	322
In the second to fifth years inclusive	**59**	–
	1,777	322

Operating lease payments represent rental payable by the Group for certain of its manufacturing plants, office properties and quarters. These leases are negotiated for terms of one to two years and rentals are fixed throughout the lease period.

43. CAPITAL COMMITMENTS

	2005	2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements for the acquisition of property, plant and equipment	**1,092**	–

44. CONTINGENT LIABILITIES

At 31 December 2005, the Group executed a guarantee amounting to HK$6,000,000 (2004: nil) to a bank as securities for banking facilities granted to its associates, Technical Group.

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2004, the Group's convertible note receivable of HK$32,000,000 was converted into 26.67 million shares of a company listed on the Stock Exchange at a conversion price of HK$1.20 per share.

46. RETIREMENT BENEFIT SCHEME

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefit scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

In light of the introduction of the Mandatory Provident Fund ("MPF") Scheme, the Group has restructured its retirement arrangements to comply with the MPF legislation. The Group has secured MPF exemption status for the retirement benefit scheme and participated in an approved MPF scheme with HSBC Life (International) Limited effective 1 December 2000 to provide scheme choice to existing employees. All new employees after 1 December 2000 are required to participate in the MPF Scheme. Mandatory and voluntary benefits are being provided under the MPF Scheme.

The employees employed in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The details of retirement benefit scheme contributions for the Company's directors and the Group's employees, net of forfeited contributions, which have been dealt with in the income statement of the Group, are as follows:

	2005 ***HK$'000***	2004 *HK$'000*
Gross retirement benefit scheme contributions	**868**	719
Less: Forfeited contributions utilised to offset contributions	**(46)**	(17)
Net retirement benefit scheme contributions	**822**	702

At 31 December 2005 and 2004, there were no forfeited contributions outstanding in the forfeiture accounts which were available to offset future employers' contributions to the scheme.

47. RELATED PARTY TRANSACTIONS

During the year, the Group entered into transactions with related parties as follows:

Name of related company	**Relationship**	**Nature of transactions**	**2005** ***HK$'000***	2004 *HK$'000*
Technical Development (HK) Limited	Associate	Sales of goods by the Group	**170**	–

47. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
	HK$'000	*HK$'000*
Short-term benefits	**6,341**	11,971

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

48. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Ablelink Investments Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Empire New Assets Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Ensure Success Holdings Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Gainwin Packaging Limited	Hong Kong	Ordinary HK$2	100	Inactive
Global Palace Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100	Property holding
Hoi Tin	Hong Kong	Ordinary HK$1,000,000	60	Sale of soft luggages, travel bags, backpacks and brief cases
Magic Hands International Limited	British Virgin Islands	Ordinary US$100	100	Inactive

48. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Onestep Enterprises Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Permate Production Inc.	British Virgin Islands	Ordinary US$20	100	Inactive
Qualipak Development Limited *(Note a)*	British Virgin Islands #	Ordinary US$10,000	100	Investment holding
Qualipak Finance Limited	Hong Kong	Ordinary HK$2	100	Provision of financial services
Qualipak Fortune Inc.	British Virgin Islands	Ordinary US$10,000	100	Inactive
Qualipak Manufacturing (China) Limited	British Virgin Islands #	Ordinary US$1	100	Investment holding
Qualipak Manufacturing Limited *(Note b)*	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857	100	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Qualipak Manufacturing Packaging (Zhongshan) Co., Ltd.	PRC (wholly-owned Foreign Enterprise)	Registered HK$16,000,000	100	Inactive
Qualipak Nominees Limited	British Virgin Islands	Ordinary US$1	100	Inactive
Qualipak Production Inc.	British Virgin Islands	Ordinary US$10,000	100	Inactive
Qualipak Vision Inc.	British Virgin Islands	Ordinary US$10,000	100	Inactive

48. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Qualipak Wonder Inc.	British Virgin Islands	Ordinary US$10,000	100	Inactive
Winning Hand Management Limited	British Virgin Islands/PRC	Ordinary US$1	100	Property holding
Wiseteam Assets Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	100	Property holding
Worthwell Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	100	Investment holding
Young Comfort Development Limited *(Note c)*	Hong Kong	Ordinary HK$10,000	45	Manufacture and sale of soft luggages, travel bags, backpacks and brief cases
海天環球旅游用品(蘇州)有限公司 *(Note d)*	PRC (wholly-owned Foreign Enterprise)	Registered US$5,000,000	60	Manufacture and sale of soft luggages, travel bags, backpacks and brief cases

\# These are investment holding companies which have no specific principal place of operations.

Notes:

(a) The Company directly holds the entire interest in Qualipak Development Limited. The equity interests of all other companies are indirectly held by the Company.

(b) The non-voting deferred shares have restricted rights on distribution of profits, capital and voting.

(c) Hoi Tin directly holds 75% equity interest in Young Comfort Development Limited.

(d) Hoi Tin directly holds the entire interest in 海天環球旅游用品(蘇州)有限公司.

None of the subsidiaries had issued any debt securities at 31 December 2005 or at any time during the year.

49. BALANCE SHEET INFORMATION OF THE COMPANY

Balance sheet information of the Company at the balance sheet date includes:

	2005	2004
	HK$'000	*HK$'000*
Non-current assets		
Interests in subsidiaries	**159,531**	159,531
Current assets		
Other receivables	**472**	457
Amounts due from subsidiaries	**398,950**	364,886
Tax recoverable	**93**	–
Bank balances	**25**	37
	399,540	365,380
Current liabilities		
Other payables and accrued charges	**1,309**	1,072
Amounts due to subsidiaries	**26,402**	26,932
Taxation payable	**–**	78
	27,711	28,082
Net current assets	**371,829**	337,298
Net assets	**531,360**	496,829
Capital and reserves		
Share capital *(Note 38)*	**39,395**	39,395
Share premium	**199,901**	199,901
Contributed surplus	**158,331**	158,331
Retained profits	**133,733**	99,202
Total equity	**531,360**	496,829

Profit of the Company for the year ended 31 December 2005 amounted to approximately HK$34,531,000 (2004: HK$21,522,000).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

49. BALANCE SHEET INFORMATION OF THE COMPANY (continued)

The Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

	2005	2004
	HK$'000	*HK$'000*
Retained profits	**133,733**	99,202
Contributed surplus	**158,331**	158,331
	292,064	257,533

50. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2005:

(a) The Group's convertible note receivable was redeemed by the issuer at cost of HK$16,000,000 on 7 March 2006.

(b) As announced by the Company on 31 March 2006, the Group entered into a conditional sale and purchase agreement on 30 March 2006 with an independent third party to dispose of the entire issued capital of its subsidiary, Wiseteam Assets Limited, which has as its only asset of an investment property with carrying amount of HK$44,670,000 at 31 December 2005, at a cash consideration of HK$49,000,000.

The Group also agreed to assign the shareholder's loan to Wiseteam Assets Limited to the independent third party.

(c) The Company has given guarantee to the extent of HK$6,000,000 in favour of a bank in respect of banking facilities granted to its associates, Technical Group.