1. CORPORATE INFORMATION

Yugang International Limited is a company incorporated in Bermuda with limited liability. The principal place of business of the Company is located at Rooms 3301 — 3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was involved in the following principal activities:

(i) trading of metal commodities and other materials;

(ii) treasury investment;

(iii) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units. The operation was discontinued upon deemed disposal of C C Land Holdings Limited ("C C Land") as detailed in note 37(a);

(iv) manufacture and sale of soft luggage, travel bags, backpacks and brief cases. The operation was discontinued upon deemed disposal of C C Land as detailed in note 37(a); and

(v) property and other investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(b) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangement

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standards sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

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

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

A joint venture is treated as:

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

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

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

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, goodwill and non-current assets/disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles and yachts	20% — 25%
Plant and machinery	10%
Moulds	15%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost *(Continued)*

In relation to trade debtors, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and in selling and distribution.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) rental income from properties, in the period in which the properties are let and on the straight-line basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholder's right to receive payment has been established; and

(e) income from the sale of listed securities, on the trade date.

Dividends

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

Employee benefits

Retirement benefits schemes

The Group, other than C C Land and its subsidiaries (details of whose retirement benefits scheme are included below), operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

C C Land, a former subsidiary of the Company, together with its subsidiaries (collectively, the "C C Land Group"), operates a defined contribution retirement benefits scheme for those employees who are eligible and who have elected to participate in the scheme. The assets of the scheme are held separately from those of the C C Land Group in an independently administered fund. Contributions are made at specified rates and are charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the C C Land Group's employer contributions vesting fully, the ongoing contributions payable by the C C Land Group may be reduced by the relevant amount of forfeited contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits schemes *(Continued)*

Following the introduction of the MPF Scheme, the C C Land Group has restructured its retirement arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The C C Land Group has secured Mandatory Provident Fund exemption status for its retirement benefits scheme and, in addition, has participated in an approved MPF Scheme with effect from 1 December 2000 to provide a choice of schemes to its existing employees. All of its new employees are required to participate in the MPF Scheme.

Employment Ordinance long service payments

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

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

Paid leave carried forward

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties *(Continued)*

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of fair value of investment properties

The fair value of the Company's investment properties are assessed by management based on the property valuation performed by independent qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each balance sheet date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

Estimation of provision against obsolete and slow-moving inventories

The Group does not have a general provision policy on inventories based on aging 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 the majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of the carrying value of the aged inventory items with the respective net relisable value. The purpose is to ascertain whether allowance is required to be made in the financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether the allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade debtors

In determining whether the allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discuss with the relevant customers and report to management on the recoverability. Specific allowance is only made for receivables that are unlikely to be collected.

4. SEGMENT INFORMATION

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

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

(a) the trading of automobile parts and other materials segment consists of the trading of automobile parts mainly for use in the manufacture of automobiles, and the trading of other materials including metal commodities;

(b) the treasury investment segment includes the trading of securities, interest and dividend income from securities investment and interest income from the provision of financing services;

(c) the manufacture and sale of packaging products segment comprises the production and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(d) the manufacture and sale of luggage products segment comprises the production and sale of soft luggage, travel bags, backpacks and brief cases; and

(e) the property and other investments segment comprises rental income from investment properties.

Particulars in respect of discontinued operations relating to package and luggage business segments are set out in note 13.

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

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2006.

Year ended 31 December 2006

	Continuing operations					Discontinued operations			
	Trading of automobile parts and other materials HK$'000	Treasury investment HK$'000	Property and other investments HK$'000	Unallocated HK$'000	Total HK$'000	Manufacture and sale of packaging products HK$'000	Manufacture and sale of luggage products HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:									
Revenue from external customers	52,395	70,452	–	–	122,847	265,154	383,754	648,908	771,755
Other revenue	–	–	1,842	–	1,842	–	–	–	1,842
Total revenue	52,395	70,452	1,842	–	124,689	265,154	383,754	648,908	773,597
Segment results	(3,714)	170,305	39,884	–	206,475	31,125	6,994	38,119	244,594
Unallocated expenses, net					(25,537)			(10,725)	(36,262)
Gain on deemed disposal of subsidiaries					–			508,885	508,885
Interest income on bank deposits					7,219			7,278	14,497
Finance costs					(8,740)			(1,944)	(10,684)
Share of profits and losses of:									
A jointly-controlled entity	–	–	(359)	–	(359)	–	–	–	(359)
Associates	–	–	110,918	–	110,918	–	–	–	110,918
Profit before tax					289,976			541,613	831,589
Tax					(20,172)			(2,273)	(22,445)
Profit for the year					269,804			539,340	809,144

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Year ended 31 December 2006

	Continuing operations					Discontinued operations			
	Trading of automobile parts and other materials HK$'000	Treasury investment HK$'000	Property and other investments HK$'000	Unallocated HK$'000	Total HK$'000	Manufacture and sale of packaging products HK$'000	Manufacture and sale of luggage products HK$'000	Total HK$'000	Consolidated HK$'000
Assets and liabilities:									
Segment assets	15,774	1,019,592	1,295,312	–	2,330,678	–	–	–	2,330,678
Interests in associates	–	–	899,310	–	899,310	–	–	–	899,310
Unallocated assets	–	–	–	157,016	157,016	–	–	–	157,016
Total assets									3,387,004
Segment liabilities	4,056	39	–	–	4,095	–	–	–	4,095
Unallocated liabilities	–	–	–	165,661	165,661	–	–	–	165,661
Total liabilities									169,756
Other segment information:									
Capital expenditure	–	–	–	(4,285)	(4,285)	(38,013)	(3,005)	(41,018)	(45,303)
Depreciation	–	(297)	–	(2,394)	(2,691)	(5,699)	(1,804)	(7,503)	(10,194)
Amortisation on prepaid land lease payments	–	–	–	(1,443)	(1,443)	(1,390)	(53)	(1,443)	(2,886)
Allowance for doubtful debts, net	–	(150)	–	–	(150)	(1,204)	(1,627)	(2,831)	(2,981)
Provision against obsolete inventories	–	–	–	–	–	–	(1,039)	(1,039)	(1,039)
Fair value gains on investments at fair value through profit or loss	–	136,601	–	–	136,601	–	–	–	136,601
Gain on disposal of listed investments at fair value through profit or loss	–	34,485	–	–	34,485	–	–	–	34,485
Gain on derecognition of investment at fair value through profit or loss	–	17,229	–	–	17,229	–	–	–	17,229

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

The following table presents revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 December 2005.

Year ended 31 December 2005
(Restated)

	Continuing operations					Discontinued operations				
	Trading of automobile parts and other materials	Treasury investment	Property and other investments	Unallocated	Total	Manufacture and sale of packaging products	Manufacture and sale of luggage products	Unallocated	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
Revenue from external customers	590	(11,688)	–	–	(11,098)	277,442	169,990	–	447,432	436,334
Other revenue	–	–	696	–	696	–	–	–	–	696
Total revenue	590	(11,688)	696	–	(10,402)	277,442	169,990	–	447,432	437,030
Segment results	(4,077)	(69,342)	(38,369)	–	(111,788)	39,499	5,530	–	45,029	(66,759)
Unallocated expenses, net					(28,226)				(8,731)	(36,957)
Interest income on bank deposits					8,175				5,727	13,902
Finance costs					(4,045)				(404)	(4,449)
Share of profits and losses of:										
A jointly-controlled entity	–	–	(910)	–	(910)	–	–	–	–	(910)
Associates	–	–	90,145	–	90,145	–	–	–	–	90,145
Profit/(loss) before tax					(46,649)				41,621	(5,028)
Tax					(741)				(4,374)	(5,115)
Profit/(loss) for the year					(47,390)				37,247	(10,143)

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Year ended 31 December 2005

(Restated)

	Continuing operations					Discontinued operations				
	Trading of automobile parts and other materials	Treasury investment	Property and other investments	Unallocated	Total	Manufacture and sale of packaging products	Manufacture and sale of luggage products	Unallocated	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities:										
Segment assets	8,200	836,374	48,870	—	893,444	380,293	134,862	—	515,155	1,408,599
Investment in a jointly-controlled entity	—	—	3,669	—	3,669	—	—	—	—	3,669
Interests in associates	—	—	839,451	—	839,451	—	—	—	—	839,451
Unallocated assets	—	—	—	345,778	345,778	—	—	—	—	345,778
Total assets										2,597,497
Segment liabilities	4,428	2,165	—	—	6,593	48,651	110,262	—	158,913	165,506
Unallocated liabilities	—	—	—	109,159	109,159	—	—	29,508	29,508	138,667
Total liabilities										304,173
Other segment information:										
Capital expenditure	—	—	—	(1,775)	(1,775)	(84,291)	(2,407)	—	(86,698)	(88,473)
Depreciation	—	(320)	—	(1,879)	(2,199)	(6,855)	(948)	—	(7,803)	(10,002)
Amortisation on prepaid land lease payments	—	—	—	(1,442)	(1,442)	(1,289)	(64)	—	(1,353)	(2,795)
Write-back of allowance/(allowance) for doubtful debts, net	—	(411)	—	—	(411)	4,463	—	—	4,463	4,052
Fair value losses on investments at fair value through profit or loss	—	(27,329)	—	—	(27,329)	—	—	—	—	(27,329)
Loss on disposal of listed investments at fair value through profit or loss	—	(35,767)	—	—	(35,767)	—	—	—	—	(35,767)
Impairment losses on items of property, plant and equipment	—	—	—	(751)	(751)	—	—	—	—	(751)
Impairment losses on prepaid land lease payments	—	—	—	(6,319)	(6,319)	—	—	—	—	(6,319)

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006

	Hong Kong	Elsewhere in the PRC	North and South Americas	European Union	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	149,273	50,135	359,330	172,235	40,782	771,755
Other revenue	1,842	—	—	—	—	1,842
	151,115	50,135	359,330	172,235	40,782	773,597
Attributable to discontinued operations	(80,784)	—	(359,330)	(172,235)	(36,559)	(648,908)
Revenue from continuing operations	70,331	50,135	—	—	4,223	124,689
Other segment information:						
Segment assets	3,174,492	7,575	—	—	204,937	3,387,004
Capital expenditure	40,536	4,767	—	—	—	45,303

Year ended 31 December 2005 (Restated)

	Hong Kong	Elsewhere in the PRC	North and South Americas	European Union	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Revenue from external customers	65,906	590	207,539	127,678	34,621	436,334
Other revenue	696	—	—	—	—	696
	66,602	590	207,539	127,678	34,621	437,030
Attributable to discontinued operations	(75,254)	—	(207,139)	(127,678)	(37,361)	(447,432)
Revenue from continuing operations	(8,652)	590	400	—	(2,740)	(10,402)
Other segment information:						
Segment assets	2,363,328	233,701	468	—	—	2,597,497
Capital expenditure	88,473	—	—	—	—	88,473

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after the allowances for returns and trade discounts, gain/(loss) on disposal of trading securities, dividend income from listed investments and interest income from convertible notes and loans receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

		2006			2005		
	Note	**Continuing operations *HK$'000***	**Discontinued operations *HK$'000***	**Total *HK$'000***	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Revenue							
Sale of goods		**52,395**	**648,908**	**701,303**	590	447,432	448,022
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss		**34,485**	**—**	**34,485**	(35,767)	—	(35,767)
Dividend income from listed investments		**17,287**	**—**	**17,287**	5,800	—	5,800
Interest income from convertible notes and loans receivable		**18,680**	**—**	**18,680**	17,986	—	17,986
Others		**—**	**—**	**—**	293	—	293
		122,847	**648,908**	**771,755**	(11,098)	447,432	436,334
Other income and gains							
Gross rental income		**1,842**	**—**	**1,842**	696	—	696
Interest income on bank deposits		**7,219**	**7,278**	**14,497**	8,175	5,727	13,902
Excess over the cost of acquisitions of an additional interest in a subsidiary		**—**	**—**	**—**	9,525	—	9,525
Fair value gains, net:							
Investments at fair value through profit or loss		**136,601**	**—**	**136,601**	—	—	—
Convertible debentures and notes		**—**	**—**	**—**	2,415	—	2,415
Gain on disposal of subsidiaries	*38*	**36,144**	**—**	**36,144**	—	—	—
Write-back of allowance/(allowance) for doubtful debts, net		**—**	**—**	**—**	(411)	4,463	4,052
Gain on derecognition of investments at fair value through profit or loss		**17,229**	**—**	**17,229**	—	—	—
Gain arising from redemption of convertible notes		**3,066**	**—**	**3,066**	—	—	—
Write-back of impairment loss on a convertible note		**—**	**—**	**—**	3,907	—	3,907
Fair value gains on investment properties		**2,530**	**—**	**2,530**	3,800	—	3,800
Others		**906**	**2,692**	**3,598**	370	2,767	3,137
		205,537	**9,970**	**215,507**	28,477	12,957	41,434

6. OTHER EXPENSES

	2006			2005		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange losses/(gains), net	**(342)**	**815**	**473**	348	6	354
Fair value losses, net						
Investments at fair value through profit or loss	**—**	**—**	**—**	27,329	—	27,329
Convertible debentures and notes	**3,682**	**—**	**3,682**	—	—	—
Allowance for doubtful debts, net	**150**	**2,831**	**2,981**	—	—	—
Loss on deemed disposal of interests in associates	**—**	**—**	**—**	1,801	—	1,801
Impairment loss on an available-for-sale investment	**—**	**—**	**—**	50,000	—	50,000
Impairment losses on items of property, plant and equipment	**—**	**—**	**—**	751	—	751
Impairment losses on prepaid land lease payments	**—**	**—**	**—**	6,319	—	6,319
	3,490	**3,646**	**7,136**	86,548	6	86,554

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting) the following:#

	2006 HK$'000	2005 HK$'000
Cost of inventories sold	615,565	374,129
Provision against obsolete inventories	1,039	—
Depreciation	10,194	10,002
Amortisation on prepaid land lease payments	2,886	2,795
Loss/(gain) on disposal of items of property, plant and equipment	(82)	116
Minimum lease payments under operating leases		
Land and buildings	2,875	3,398
Others	11,256	2,004
	14,131	5,402
Auditors' remuneration	1,808	1,964
Staff costs (including those of directors *(note 9)*):		
Wages and salaries	54,004	45,133
Pension scheme contributions	1,421	1,230
Less: Forfeited contributions	(62)	(46)
Net pension scheme contributions*	1,359	1,184
	55,363	46,317
Net rental income	(1,842)	(696)
Exchange losses, net	473	354
Impairment of goodwill arising from acquisition of associates	1,900	—

* At 31 December 2006, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2005: Nil).

\# The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

8. FINANCE COSTS

	Group 2006 HK$'000	2005 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within one year	**8,019**	476
Interest on a convertible note *(notes 15 and 32)*	**2,665**	3,973
	10,684	4,449
Attributable to discontinued operations *(note 13)*	**1,944**	404
Attributable to continuing operations reported in the consolidated income statement	**8,740**	4,045
	10,684	4,449

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2006 HK$'000	2005 HK$'000
Fees	**2,137**	1,900
Other emoluments:		
Salaries, allowances and benefits in kind	**8,406**	8,060
Bonuses	**8,300**	7,200
Pension scheme contributions	**48**	48
	18,891	17,208

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Mr. Wong Wai Kwong, David	**708**	700
Mr. Ng Kwok Fu	**200**	100
Mr. Wong Yat Fai	**229**	100
	1,137	900

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors and non-executive director

	Fees	**Salaries, allowances and benefits in kind**	**Bonuses**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2006					
Executive directors:					
Mr. Cheung Chung Kiu	—	3,190	4,500	12	7,702
Mr. Yuen Wing Shing	—	2,330	1,200	12	3,542
Mr. Zhang Qing Xin	—	840	1,000	—	1,840
Mr. Lam Hiu Lo	—	1,165	1,000	12	2,177
Mr. Liang Kang	—	881	600	12	1,493
	—	8,406	8,300	48	16,754
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	8,406	8,300	48	17,754

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive director *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005					
Executive directors:					
Mr. Cheung Chung Kiu	—	3,160	4,000	12	7,172
Mr. Yuen Wing Shing	—	2,190	1,000	12	3,202
Mr. Zhang Qing Xin	—	770	600	—	1,370
Mr. Lam Hiu Lo	—	1,100	1,000	12	2,112
Mr. Liang Kang	—	840	600	12	1,452
	—	8,060	7,200	48	15,308
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	8,060	7,200	48	16,308

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2005: two) non-director, highest paid employees for the year are as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,390	4,425
Bonuses	4,400	800
Pension scheme contributions	139	132
	9,929	5,357

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2006	2005
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**2**	—
HK$3,000,001 to HK$3,500,000	**—**	1
HK$4,500,001 to HK$5,000,000	**1**	—
	3	2

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current — Hong Kong		
Charge for the year	**31,694**	3,564
Underprovision/(overprovision) in prior years	**(7,488)**	1,553
	24,206	5,117
Deferred *(note 33)*	**(1,761)**	(2)
Total tax charge for the year	**22,445**	5,115

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group	**2006**		2005	
	HK$'000	**%**	*HK$'000*	%
Profit/(loss) before tax (including profit from discontinued operations)	**831,589**		(5,028)	
Tax at the statutory tax rate	**145,528**	**17.5**	(880)	17.5
Underprovision/(overprovision) of tax in prior years	**(7,488)**	**(0.9)**	1,553	(30.9)
Profits and losses attributable to a jointly-controlled entity and associates	**(19,347)**	**(2.3)**	(15,616)	310.6
Income not subject to tax	**(102,722)**	**(12.4)**	(8,884)	176.7
Expenses not deductible for tax	**5,288**	**0.6**	12,138	(241.4)
Utilisation of tax losses brought forward from previous years	**(1,017)**	**(0.1)**	(10)	0.2
Tax losses not recognised	**2,281**	**0.3**	17,241	(342.9)
Others	**(78)**	**—**	(427)	8.5
Tax charge at the Group's effective rate	**22,445**	**2.7**	5,115	(101.7)
Represented by:				
Tax charge attributable to discontinued operations *(note 13)*	**2,273**		4,374	
Tax charge attributable to continuing operations reported in the consolidated income statement	**20,172**		741	
	22,445		5,115	

The share of tax attributable to associates amounting to HK$13,692,000 (2005: HK$13,505,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of HK$26,297,000 (2005: HK$26,567,000) which has been dealt with in the financial statements of the Company *(note 35)*.

13. DISCONTINUED OPERATIONS

On 22 September 2006, Marvel Leader Investments Limited ("Marvel") and Thrivetrade Limited ("Thrivetrade") entered into an agreement pursuant to which Marvel agreed to purchase and Thrivetrade agreed to sell the entire issued share capital of Starthigh International Limited ("Starthigh"). Marvel is a wholly-owned subsidiary of C C Land and Starthigh was a wholly-owned subsidiary of Thrivetrade, which was 100% owned by Mr. Cheung Chung Kiu, a Director of the Company. The aggregate value of the consideration for the transaction was approximately HK$3,317,553,000 which was principally satisfied by the issue of C C Land's shares ("Consideration Shares") and the issue of convertible notes by C C Land. As a result of the issue of the Consideration Shares upon the completion of the transaction and the subsequent full conversion of the convertible notes issued by C C Land, the Company's interest in C C Land was passively diluted from 64.54% to 14.08%, resulting in a deemed disposal in the interest of C C Land. Consequently, C C Land ceased to be a subsidiary of the Group. This constituted a deemed disposal of subsidiaries as detailed in note 37(a).

Upon completion of deemed disposal, the manufacturing and sale of packaging and luggage business of C C Land were discontinued and the results of the discontinued operations of C C Land for the year are as follows:

	Notes	**2006** **HK$'000**	2005 HK$'000
Revenue	5	**648,908**	447,432
Cost of sales		**(565,217)**	(373,550)
Gross profit		**83,691**	73,882
Other income and gains	5	**9,970**	12,957
Expenses		**(58,989)**	(44,814)
Finance costs	8	**(1,944)**	(404)
Profit before tax from the discontinued operations		**32,728**	41,621
Tax	11	**(2,273)**	(4,374)
Profit for the year from the discontinued operations		**30,455**	37,247
Gain on deemed disposal of subsidiaries	37(a)	**508,885**	—
		539,340	37,247
Attributable to:			
Equity holders of the Company		**511,119**	20,811
Minority interests		**28,221**	16,436
		539,340	37,247

13. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by the discontinued operations of C C Land are as follows:

	2006	2005
	HK$'000	HK$'000
Operating activities	20,323	9,024
Investing activities	18,005	(147,626)
Financing activities	1,710	(12,906)
Net cash inflow/(outflow)	40,038	(151,508)
Earnings per share:		
Basic, from the discontinued operations	5.78 HK cents	0.24 HK cent
Diluted, from the discontinued operations	5.49 HK cents	0.22 HK cent

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2006	2005
Profit attributable to ordinary equity holders of the Company from the discontinued operations	HK$511,119,000	HK$20,811,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	8,845,883,344	8,569,146,358
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	9,319,702,994	9,364,284,458

14. DIVIDEND

	2006	2005
	HK$'000	HK$'000
Proposed final — HK$0.003 (2005: HK$0.003) per ordinary share	27,043	26,173

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of both of the years.

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2006 ***HK$'000***	2005 *HK$'000* (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation		
From continuing operations	**269,804**	(47,390)
From discontinued operations	**511,119**	20,811
	780,923	(26,579)
Interest on a convertible note *(note 8)*	**2,665**	3,973
Profit/(loss) attributable to ordinary equity holders of the Company before interest on a convertible note	**783,588**	(22,606)
Attributable to:		
Continuing operations	**272,469**	(43,417)
Discontinued operations	**511,119**	20,811
	783,588	(22,606)

15. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(Continued)*

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**8,845,883,344**	8,569,146,358
Effect of dilution — weighted average number of ordinary shares:		
Convertible note	**473,819,650**	795,138,100
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**9,319,702,994**	9,364,284,458

The diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the convertible note outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

16. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles and yachts	Plant and machinery	Moulds	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2006									
At 31 December 2005 and at 1 January 2006:									
Cost	109,603	4,773	23,962	2,614	18,225	34,713	9,986	190	204,066
Accumulated depreciation	(8,330)	(3,559)	(14,150)	(2,349)	(14,604)	(20,668)	(6,352)	—	(70,012)
Net carrying amount	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054
At 1 January 2006, net of accumulated depreciation	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054
Transfer from construction in progress	190	—	—	—	—	—	—	(190)	—
Additions	37,235	—	1,536	273	4,110	1,721	428	—	45,303
Disposal	—	—	(14)	—	—	—	—	—	(14)
Deemed disposal of subsidiaries *(note 37(a))*	(122,513)	—	(8,730)	—	(1,423)	(13,175)	(3,161)	—	(149,002)
Disposal of subsidiaries *(note 38)*	(3,758)	—	—	—	—	—	—	—	(3,758)
Depreciation provided during the year	(2,302)	(476)	(1,909)	(102)	(1,913)	(2,591)	(901)	—	(10,194)
At 31 December 2006, net of accumulated depreciation	10,125	738	695	436	4,395	—	—	—	16,389
At 31 December 2006:									
Cost	12,828	4,773	5,509	2,887	18,863	—	—	—	44,860
Accumulated depreciation and impairment	(2,703)	(4,035)	(4,814)	(2,451)	(14,468)	—	—	—	(28,471)
Net carrying amount	10,125	738	695	436	4,395	—	—	—	16,389

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and yachts HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2005									
At 1 January 2005:									
Cost	78,883	4,256	20,298	2,450	17,532	27,456	9,029	—	159,904
Accumulated depreciation	(5,170)	(3,136)	(12,324)	(2,227)	(14,738)	(18,010)	(5,263)	—	(60,868)
Net carrying amount	73,713	1,120	7,974	223	2,794	9,446	3,766	—	99,036
At 1 January 2005, net of accumulated Depreciation	73,713	1,120	7,974	223	2,794	9,446	3,766	—	99,036
Additions	10,128	517	2,352	164	1,277	1,666	957	190	17,251
Disposal	—	—	(41)	—	(91)	(19)	—	—	(151)
Acquisition of subsidiaries *(note 36)*	20,240	—	1,406	—	1,014	5,518	—	—	28,178
Impairment	(751)	—	—	—	—	—	—	—	(751)
Exchange realignment	352	—	25	—	10	106	—	—	493
Depreciation provided during the year	(2,409)	(423)	(1,904)	(122)	(1,383)	(2,672)	(1,089)	—	(10,002)
At 31 December 2005, net of accumulated depreciation	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054
At 31 December 2005:									
Cost	109,603	4,773	23,962	2,614	18,225	34,713	9,986	190	204,066
Accumulated depreciation and impairment	(8,330)	(3,559)	(14,150)	(2,349)	(14,604)	(20,668)	(6,352)	—	(70,012)
Net carrying amount	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054

Certain of the Group's buildings were pledged to banks to secure banking facilities granted to the Group *(note 41)*.

17. INVESTMENT PROPERTIES

	Group 2006 HK$'000	Group 2005 HK$'000
Carrying amount at 1 January	**55,169**	6,700
Additions	**—**	44,669
Disposal of subsidiaries *(note 38)*	**(45,999)**	—
Net gain from a fair value adjustment	**2,530**	3,800
Carrying amount at 31 December	**11,700**	55,169

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis as at 31 December 2006. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a).

At 31 December 2006, the Group's investment properties with a carrying value of HK$11,700,000 (2005: HK$10,500,000) were pledged to banks to secure banking facilities granted to the Group *(note 41)*.

18. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2006 HK$'000	Group 2005 HK$'000
Carrying amount at 1 January		**146,470**	125,949
Additions		**—**	26,553
Impairment		**—**	(6,319)
Acquisition of subsidiaries	*36*	**—**	2,992
Deemed disposal of subsidiaries	*37(a)*	**(69,303)**	—
Recognised during the year		**(2,886)**	(2,795)
Exchange realignment		**—**	90
Carrying amount at 31 December		**74,281**	146,470
Current portion		**(1,347)**	(2,906)
Non-current portion		**72,934**	143,564

18. PREPAID LAND LEASE PAYMENTS *(Continued)*

The Group's leasehold land is held under the following lease terms in Hong Kong:

	HK$'000
Long term leases	59,178
Medium term leases	15,103
	74,281

Certain of the Group's leasehold land was pledged to banks to secure banking facilities granted to the Group *(note 41)*.

19. GOODWILL

Group

	Notes	**Total** *HK$'000*
Cost at 1 January 2005		—
Acquisition of subsidiaries	*36*	35,297
Cost and carrying amount at 31 December 2005 and 1 January 2006		35,297
Acquisitions of additional interests in subsidiaries		587
Deemed disposal of subsidiaries	*37(a)*	(35,884)
Cost and carrying amount at 31 December 2006		—

Impairment testing of goodwill

In the prior year, goodwill acquired through a business combination was allocated to the cash-generating unit of the manufacture and sale of luggage products, which was a reportable segment, for impairment testing:

The recoverable amount of the cash-generating unit of the manufacture and sale of luggage products was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections was 6%, while it was assumed that the unit would not have any growth in business.

Key assumptions were used in the value-in-use calculation of the cash-generating unit of the manufacture and sale of luggage products for the year ended 31 December 2005.

20. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	105,759	105,759
Due from subsidiaries	1,764,754	1,762,231
	1,870,513	1,867,990

Except for an amount due from a subsidiary amounting to HK$3,900,000 in the prior year which bore interest at the best lending rate of the Hongkong and Shanghai Banking Corporation Limited plus 2% per annum, the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Big Brother Resources Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Property holding
Bonco Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Property holding
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK$2	100	100	Property holding
Dynamic Award International Limited	British Virgin Islands	US$1	100	100	Investment holding
Eastern Bloom Limited	British Virgin Islands/ Hong Kong	US$1	100	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Faircom Limited#	British Virgin Islands	US$1	—	100	Investment holding
Ferrex Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
First River Investments Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Funrise Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Grand Island Development Limited#	British Virgin Islands	US$1	—	100	Investment holding
iChoice Limited#	British Virgin Islands	US$10	—	60	Investment holding
iFortune Limited#	British Virgin Islands	US$1	—	60	Investment holding
iNoble Inc.#	British Virgin Islands	US$1	—	60	Investment holding
Joystar Limited#	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Kent Smart Investments Limited	Hong Kong	HK$2	**100**	100	Property holding
Maxking Industries Limited	Hong Kong	HK$2	**100**	100	Motor leasing
Maxlord Enterprises Limited	Hong Kong	HK$2	**100**	100	Money lending
Megaspace Asia Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
New Wealth Limited	Hong Kong	HK$2	**100**	100	Property investment
Regulator Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Senico Investments Limited	British Virgin Islands	US$1	**100**	100	Trading of metal commodities and other materials
Time Lander Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Vigorous Assets Limited#	British Virgin Islands	US$1	**—**	100	Investment holding
Yugang Enterprises Limited#	Hong Kong	HK$2	**—**	100	Investment holding
Yugang Finance Limited	Hong Kong	HK$2	**100**	100	Treasury investment
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	**100**	100	Investment holding
Yugang Management Limited	Hong Kong	HK$2	**100**	100	Corporate Management
C C Land Holdings Limited*	Bermuda	HK$180,538,225	**—**	64.54	Investment holding
Ablelink Investments Limited*	British Virgin Islands	US$100	**—**	64.54	Investment holding
Empire New Assets Limited*	British Virgin Islands/ Hong Kong	US$100	**—**	64.54	Property holding
Ensure Success Holdings Limited*	British Virgin Islands	US$100	**—**	64.54	Investment holding
Global Palace Investments Limited*	British Virgin Islands/ Hong Kong	US$1,000	**—**	64.54	Property holding
Onestep Enterprises Limited*	British Virgin Islands	US$100	**—**	64.54	Investment holding
Qualipak Development Limited*	British Virgin Islands	US$10,000	**—**	64.54	Investment holding
Qualipak Finance Limited*	Hong Kong	HK$2	**—**	64.54	Provision of financial services

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Qualipak Fortune Inc.*	British Virgin Islands/ PRC	US$10,000	—	64.54	Manufacture and sale of watch boxes, gift boxes, spectacles cases and bags and pouches
Qualipak Manufacturing Limited*	Hong Kong	Ordinary HK$100 non-voting deferred HK$22,303,857	—	64.54	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Qualipak Manufacturing (China) Limited*	British Virgin Islands	US$1	—	64.54	Investment holding
Qualipak Production Inc.*	British Virgin Islands/ PRC	US$10,000	—	64.54	Manufacture and sale of watch boxes, gift boxes and display units
Winning Hand Management Limited*	British Virgin Islands/ PRC	US$1	—	64.54	Property holding
Wisdom Way Limited*	Hong Kong	HK$2	—	64.54	Property holding
Wiseteam Assets Limited#	British Virgin Islands	US$100	—	64.54	Property holding
Worthwell Investments Limited*	British Virgin Islands/ Hong Kong	US$50,000	—	64.54	Investment holding
Hoi Tin Universal Limited*	Hong Kong	HK$1,000,000	—	38.72	Sale of soft luggage, travel bags, backpacks and brief cases

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company **2006**	2005	Principal activities
Young Comfort Development Limited*	Hong Kong	HK$10,000	—	29.04	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases
海天環球旅遊用品（蘇州）有限公司*	PRC	US$5,000,000	—	38.72	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases

Except for Yugang International (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

* These subsidiaries were deemed disposed of during the year. Further details of this disposal are included in note 37(a).

These subsidiaries were disposed of during the year. Further details of this disposal are included in note 38.

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

In 2005, the Group acquired Hoi Tin Universal Limited. Further details of this acquisition are included in note 36.

21. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group **2006**	2005
	HK$'000	*HK$'000*
Share of net assets	—	3,669

The jointly-controlled entity was disposed of in 2006 *(note 38)*.

21. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
青島海信網絡科技股份有限公司	Corporate	PRC	35	40	35	Trading and manufacturing of software products

The above jointly-controlled entity was not audited by Ernst & Young and is held through a subsidiary.

22. INTERESTS IN ASSOCIATES

	Group 2006 HK$'000	Group 2005 HK$'000
Share of net assets:		
— listed shares	899,310	797,645
— unlisted shares	—	7,017
Goodwill on acquisition	—	31,789
	899,310	836,451
Loan to an associate	—	3,000
	899,310	839,451
Market value of listed shares	363,090	283,920

In the prior year, the loan to an associate was unsecured, interest-free and had no fixed terms of repayment.

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

The total consideration of HK$33,000,000 for the acquisition was in the form of cash, of which HK$30,000,000 was paid during the prior year, and the remaining balance of HK$3,000,000 (subject to adjustment as stipulated in the sale and purchase agreement entered into with the vendor) is payable within seven business days from the issue of the audited consolidated financial statements of the Technical Group for the year ended 31 December 2006. Goodwill arising from this acquisition amounted to HK$31,789,000 in the prior year.

22. INTERESTS IN ASSOCIATES *(Continued)*

The interest in Technical International was held by C C Land Group, which was disposed of together with the deemed disposal of C C Land Group during the year. Further details of the disposal are set out in note 37(a) to these financial statements.

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued share held	Percentage of equity attributable to the Group 2006	2005	Principal activities
Y.T. Realty Group Limited	Bermuda	Ordinary shares of HK$0.1 each	**34.14**	34.14	Investment holding
Apex Rich Group Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Benefit Plus Company Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Best View Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Property holding
E-Tech Services Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property technical consultant services
Harson Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Honway Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Mainland Sun Ltd.	British Virgin Islands/ PRC	Ordinary shares of US$1 each	**34.14**	34.14	Property investment
New Island Development Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	—	Investment holding
Score Goal Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property investment
Y.T. (China) Limited	Hong Kong/ PRC	Ordinary shares of HK$1 each	**34.14**	34.14	Investment holding

22. INTERESTS IN ASSOCIATES *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued share held	Percentage of equity attributable to the Group 2006	2005	Principal activities
Y.T. Finance Limited	Hong Kong	Ordinary shares of HK$500 each	**34.14**	34.14	Finance vehicle
Y. T. Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Y.T. Investment Management Limited	British Virgin Islands/ PRC	Ordinary shares of US$1 each	**34.14**	34.14	Securities investment
Y. T. Properties International Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Y.T. Property Services Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Property management
Y.T. Group Management Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.14	Provision of business management services
Winwide Excel Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.14	Investment holding
Technical International Holdings Limited#	British Virgin Islands	Ordinary shares of US$1 each	—	19.36	Investment holding
Technical Development (HK) Limited#	Hong Kong	Ordinary shares of HK$1 each	—	19.36	Design, trading and marketing of corkscrews, and kitchenware
Technical (HK) Manufacturing Limited#	Hong Kong	Ordinary shares of HK$1 each	—	19.36	Design, trading and marketing of corkscrews, and kitchenware

These associates are held by non-wholly-owned subsidiaries of the Company, and were not audited by Ernst & Young. They were deemed disposed of by the Company during the year *(note 37(a))*.

22. INTERESTS IN ASSOCIATES *(Continued)*

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

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2006	2005
	HK$'000	*HK$'000*
Assets	**3,478,201**	3,058,474
Liabilities	**844,050**	698,725
Revenues	**99,473**	235,245
Profit	**288,088**	268,058

23. CONVERTIBLE DEBENTURES AND NOTES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Unsecured and non-interest-bearing	**—**	14,666
Unsecured and interest-bearing	**47,416**	38,145
	47,416	52,811

At 31 December 2006, the Group held an unlisted convertible note which was issued by a listed company in Hong Kong. This convertible note conferred rights to the bearers to convert the whole or part of the outstanding principal amounts into shares of this listed company at a conversion price of HK$0.305 per share in the defined periods. It can only be redeemed at their face values upon maturity to the extent of the amounts not previously converted. The convertible note bears an interest of 4% per annum and it states at fair value as at the balance sheet date.

24. LOANS RECEIVABLE

	Group 2006 HK$'000	2005 HK$'000
Non-current:		
Unsecured	1,000	2,000
Current:		
Secured	—	42,000
Unsecured	159,991	131,237
	159,991	173,237
	160,991	175,237

The Group's loans receivable represents receivables arising from its money lending business and are stated at amortised cost at effective interest rates ranging from Hong Kong dollar prime rate (the "Prime Rate") to 2% above the Prime Rate (2005: Prime Rate to 5% above the Prime Rate) per annum. The credit terms are normally less than one year. As the Group's loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no significant concentration of credit risk over these loans.

25. AVAILABLE-FOR-SALE INVESTMENT

	Group 2006 HK$'000	2005 HK$'000
Unlisted equity investment in Hong Kong, at cost	—	100,000
Less: Impairment	—	(80,000)
	—	20,000
Listed equity investment in Hong Kong, at fair value	1,271,198	—
	1,271,198	20,000

25. AVAILABLE-FOR-SALE INVESTMENT *(Continued)*

Available-for-sale investment represented 14.08% equity investments in ordinary shares of C C Land. Particulars of C C Land at the balance sheet date are as follows:

Name	Place of incorporation	Nominal value of issued and paid-up share capital	Percentage of ownership interest attributable to the Group
C C Land Holdings Limited	Bermuda	HK$180,538,225	14.08

During the year, the fair value gain of the Group's available-for-sale investment recognised directly in equity amounted to HK$356,258,000 (2005: Nil).

The fair value of the Group's listed equity investment is based on a quoted market price. This investment has no maturity date or coupon rate.

In the prior year, directors considered that the fair value of the unlisted available-for-sale investment could not be reliably measured. Accordingly, the investment was stated at cost less any impairment loss. The impairment loss was measured as the difference between the investment's carrying amount and the recoverable amount. The recoverable amount was determined with reference to the proceeds received from the disposal of the investment subsequent to the prior year end.

26. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**586,429**	395,447
Overseas	**144,937**	—
	731,366	395,447
Unlisted debt security:		
Hong Kong	**—**	1,249
	731,366	396,696

The above investments at 31 December 2006 were classified as held for trading.

The fair values of the above investments were determined based on quoted prices in the market or obtained from financial institutions at the balance sheet date.

The market value of the Group's investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$864,903,000.

27. INVENTORIES

	Group 2006 HK$'000	2005 HK$'000
Raw materials	—	30,939
Work in progress	—	38,700
Finished goods	—	16,375
	—	86,014

28. TRADE DEBTORS

The Group allows an average credit period of 30 days to its customers.

An aged analysis of the trade debtors at the balance sheet date is as follows:

	Group 2006 HK$'000	2005 HK$'000
0 to 30 days	6,606	77,019
31 to 60 days	968	3,822
More than 60 days	—	6,972
	7,574	87,813

29. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date is as follows:

	Group 2006 HK$'000	2005 HK$'000
0 to 30 days	—	69,044
31 to 60 days	—	16,393
More than 60 days	977	14,967
	977	100,404

The trade creditors are non-interest-bearing and are normally settled on 60 day terms.

30. INTEREST-BEARING BANK BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current		
Discounted bills with recourse	**—**	12,916
Bank loan — secured	**95,000**	2,404
Bank loan — unsecured	**—**	128
	95,000	15,448

The Group's bank borrowings are secured by leasehold land and buildings and investment properties amounting to HK$46,657,000 and HK$11,700,000 respectively.

The carrying amounts of the Group's bank borrowings approximate to their fair values.

The Group's bank borrowings are denominated in Hong Kong dollars and carry effective interest rates ranging from 5.6% to 5.8% per annum.

31. LOANS FROM MINORITY SHAREHOLDERS

In the prior year, the loans were unsecured, interest-free and had no fixed terms of repayment.

The carrying amounts of these loans approximated to their fair values.

They are deemed disposed of during 2006 *(note 37(a))*.

32. CONVERTIBLE NOTE

On 25 May 2004, the Company entered into an agreement with Timmex Investment Limited ("Timmex") in relation to the subscription by Timmex for an interest-bearing convertible note amounting to HK$70,000,000 (the "Note"). Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu, a director of the Company. The Note conferred the right on the note holder to convert the whole or part of the principal amount of the Note into ordinary shares of the Company at any time from 31 July 2004 (the date of issuance) for a period of three years, at conversion prices of HK$0.075 per share in the first year, HK$0.082 per share in the second year and HK$0.089 per share in the third year (subject to adjustment). The Note will mature for principal repayment on 31 July 2007. Interest on the Note is accrued from the date of issuance on a day-to-day basis at a rate of 3% per annum on the principal amount of the Note and is payable annually in arrears.

On 29 July 2005, Timmex exercised the conversion right of the Note in an aggregate amount of HK$20,325,000, resulting in the issue of 271,000,000 new ordinary shares of the Company *(note 34)*.

On 31 July 2006, Timmex exercised the conversion right of the Note in an aggregate amount of HK$23,780,000 resulting in the issue of 290,000,000 new ordinary shares of the Company *(note 34)*.

32. CONVERTIBLE NOTE *(Continued)*

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option amounting to HK$62,380,000. The residual amount is assigned as the equity component and is included in shareholders' equity amounting to HK$7,620,000.

	Liability component of the convertible note *HK$'000*	**Equity component of the convertible note** *HK$'000*
At 1 January 2005	63,345	7,620
Conversion of part of the Note	(18,799)	(2,213)
	44,546	5,407
Interest expense *(note 8)*	3,973	—
Interest paid	(1,839)	—
At 31 December 2005 and at 1 January 2006	46,680	5,407
Conversion of part of the Note	(22,857)	(2,588)
	23,823	2,819
Interest expense *(note 8)*	2,665	—
Interest paid	(1,189)	—
At 31 December 2006	25,299	2,819

The effective interest rate on the liability component of the Note is 7%.

33. DEFERRED TAX

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

Deferred tax liabilities

Group	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Loss available for offsetting against future taxable profit HK$'000	Total HK$'000
	2006			
At 1 January 2006	**682**	**3,152**	**(343)**	**3,491**
Disposal of subsidiaries *(note 38)*	**—**	**(87)**	**—**	**(87)**
Deemed disposal of subsidiaries *(note 37(a))*		**(2,663)**	**1,997**	**(666)**
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	**210**	**223**	**(2,194)**	**(1,761)**
Deferred tax liabilities at 31 December 2006	**892**	**625**	**(540)**	**977**

Group	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Loss available for offsetting against future taxable profit HK$'000	Total HK$'000
	2005			
At 1 January 2005	—	3,202	(357)	2,845
Acquisition of subsidiaries *(note 36)*	—	648	—	648
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	682	(698)	14	(2)
Deferred tax liabilities at 31 December 2005	682	3,152	(343)	3,491

The Group has tax losses arising in Hong Kong of HK$33,540,000 (2005: HK$44,351,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

33. DEFERRED TAX *(Continued)*

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or the jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

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

34. SHARE CAPITAL

Shares	**2006**	2005
	HK$'000	*HK$'000*
Authorised:		
50,000,000,000 (2005: 50,000,000,000) ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
9,014,321,700 (2005: 8,724,321,700) ordinary shares of HK$0.01 each	**90,143**	87,243

A summary of the transactions involving the Company's issued ordinary share capital during the year is as follows:

	Notes	**Number of shares in issue**	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 January 2005		8,453,321,700	84,533	840,629	925,162
Conversion of part of the convertible note	*(a)*	271,000,000	2,710	18,302	21,012
At 31 December 2005 and 1 January 2006		8,724,321,700	87,243	858,931	946,174
Conversion of part of the convertible note	*(b)*	290,000,000	2,900	22,545	25,445
At 31 December 2006		9,014,321,700	90,143	881,476	971,619

34. SHARE CAPITAL *(Continued)*

Notes:

(a) On 29 July 2005, part of the convertible note amounting to HK$20,325,000 was converted into 271,000,000 shares of the Company at a conversion price of HK$0.075 per share. Further details relating to the convertible note are set out in note 32.

(b) On 31 July 2006, part of the convertible note amounting to HK$23,780,000 was converted into 290,000,000 shares of the Company at a conversion price of HK$0.082 per share. Further details relating to the convertible note are set out in note 32.

Share options

At the special general meeting held on 29 April 2005, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 872,432,170 shares will be available for issue under the Scheme, which represents 9.68% of the Company's issued share capital at the balance sheet date. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The option shall end in any event not later than 10 years from the date of grant of option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 28 April 2015. No option was granted under the Scheme during the year.

35. RESERVES

Group

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

Company	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005		840,629	839,108	4,504	1,684,241
Issue of shares upon conversion of part of the convertible note	34	18,302	—	—	18,302
Profit for the year		—	—	26,567	26,567
Proposed final dividend	14	—	—	(26,173)	(26,173)
At 31 December 2005 and at 1 January 2006		858,931	839,108	4,898	1,702,937
Issue of shares upon conversion of part of the convertible note	34	22,545	—	—	22,545
Profit for the year		—	—	26,297	26,297
Proposed final dividend	14	—	—	(27,043)	(27,043)
At 31 December 2006		881,476	839,108	4,152	1,724,736

35. RESERVES *(Continued)*

Company *(Continued)*

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus may be distributed to shareholders under certain circumstances.

36. BUSINESS COMBINATION

In the prior year, the Group acquired a 60% equity interest in Hoi Tin Universal Limited ("Hoi Tin") and its subsidiaries ("Hoi Tin Group") from certain independent third parties. The purchase consideration of the acquisition was in the form of cash, among which HK$31,000,000 was paid on the completion date of the acquisition and the remaining HK$5,000,000 was payable within three business days from the issue of the audited consolidated financial statements of Hoi Tin for the year ending 31 March 2007.

The fair values of the identifiable assets and liabilities of Hoi Tin Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	*16*	28,178	26,221
Prepaid land lease payments	*18*	2,992	2,992
Trade debtors		39,395	39,395
Other debtors, deposits and prepayments		7,099	7,099
Inventories		29,969	29,969
Cash and bank balances		1,308	1,308
Trade creditors and other payables		(63,116)	(63,116)
Accruals and other payables		(19,917)	(19,917)
Tax payable		(602)	(602)
Bank borrowings		(15,990)	(15,990)
Deferred tax	*33*	(648)	(2)
Loans from shareholders		(4,606)	(4,606)
Minority interests		(1,711)	(1,711)
		2,351	1,040
Goodwill on acquisition	*19*	35,297	
		37,648	
Satisfied by:			
Cash		31,000	
Consideration payable		5,000	
Direct expenses paid in connection with the acquisition		1,648	
		37,648	

36. BUSINESS COMBINATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	2005 *HK$'000*
Cash consideration paid	(31,000)
Direct expenses paid in connection with the acquisition	(1,648)
Cash and bank balances acquired	1,308
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(31,340)

Since its acquisition, Hoi Tin Group contributed HK$169,990,000 to the Group's turnover and HK$4,544,000 to the consolidated profit for the year ended 31 December 2005.

Had the combination taken place at the beginning of 2005, the Group's turnover and loss for the year ended 31 December 2005 would have been HK$575,449,000 and HK$12,481,000, respectively.

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Deemed disposal of subsidiaries

	Notes	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment	16	149,002
Prepaid land lease payments	18	69,303
Goodwill	19	35,884
Interests in associates		38,921
Convertible debentures and notes		32,903
Other assets		781
Investments at fair value through profit or loss		37,647
Inventories		84,067
Tax recoverable		431
Trade debtors		156,209
Other debtors, deposits and prepayments		12,464
Bills receivable		7,152
Pledged time deposits		3,073
Time deposits		181,252
Cash and bank balances		55,168
Trade creditors		(130,473)
Loans from minority shareholders	31	(8,000)
Accrued expenses		(16,492)
Customers' deposits received		(12,047)
Tax payable		(12,872)
Interest-bearing bank borrowings		(40,795)
Deferred tax liabilities	33	(666)
Consideration payable on acquisition of associates		(3,000)
Consideration payable on acquisition of subsidiaries		(5,000)
Exchange fluctuation reserve		(117)
Minority interests		(228,740)
		406,055
Gain on deemed disposal of subsidiaries		508,885
Reclassified to available-for-sale investment		914,940

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Deemed disposal of subsidiaries *(Continued)*

An analysis of the net decrease in cash and cash equivalents in respect of the deemed disposal of subsidiaries is as follows:

	2006 *HK$'000*
Time deposits	181,252
Cash and bank balances	55,168
	236,420

(b) Major non-cash transactions

(i) In 2005, part of the convertible note amounting to HK$20,325,000 was converted into 271,000,000 shares of the Company at a conversion price of HK$0.075 per share.

(ii) In 2005, the Group's convertible debentures and notes amounting to HK$17,000,000 were converted into 68,000,000 shares of a company listed on the Stock Exchange at a conversion price of HK$0.25 per share.

(iii) During the year, part of the convertible note amounting to HK$23,780,000 was converted into 290,000,000 shares of the Company at a conversion price of HK$0.082 per share.

(iv) During the year, the Group's convertible note amounting to HK$35,000,000 were converted into 51,470,588 shares of a company listed on the Stock Exchange at a conversion price of HK$0.68 per share.

(v) During the year, the Group's investments at fair value through profit or loss with a carrying value of HK$21,250,000 were exchanged for cash amounting to HK$4,825,000 and a convertible note issued by a company listed on the Stock Exchange with an initial fair value of approximately HK$33,654,000.

(c) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to a bank to secure the banking facilities granted to the Group, as further explained in note 41.

38. DISPOSAL OF SUBSIDIARIES

	Notes	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment	*16*	3,758
Investment properties	*17*	45,999
Investment in a jointly-controlled entity		3,310
Available-for-sale equity investment		20,000
Other assets		5,960
Other debtors, deposits and prepayments		16
Tax payable		(59,100)
Due to group companies, net		(43,689)
Deferred tax liabilities	*33*	(87)
		(23,833)
Assignment of amounts due to group companies, net		43,689
		19,856
Gain on disposal of subsidiaries	*5*	36,144
		56,000
Satisfied by:		
Cash		56,000

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties *(note 17)* under operating lease arrangements, with leases negotiated for terms of two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Within one year	763	497
In the second to fifth years, inclusive	465	276
	1,228	773

39. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group lease certain of its office properties under operating lease arrangements. The lease for the office properties is negotiated for terms of three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**996**	2,714
In the second to fifth years, inclusive	**581**	1,636
	1,577	4,350

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following commitments in respect of the purchases of property, plant and equipment at the balance sheet date:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted, but not provided for	**—**	3,714

At the balance sheet date, the Company did not have any significant commitments.

41. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by:

(a) a pledge of the Group's time deposits of HK$8,754,000 (2005: HK$10,345,000);

(b) the Group's investment properties and certain leasehold land and buildings with an aggregate carrying value of HK$58,357,000 (2005: HK$66,955,000); and

(c) corporate guarantees issued by the Company.

42. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries*	—	—	**518,080**	518,080
An associate	—	6,000	—	—
	—	6,000	**518,080**	518,080

* The banking facilities were utilised to the extent of HK$95,000,000 at the balance sheet date (2005: Nil).

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

		Group	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Rental expenses for office premises paid to a substantial shareholder	*(i)*	**996**	963
Interest expense paid to a related company	*(ii)*	**1,189**	1,839
Sales of goods to a minority shareholder of a subsidiary	*(iii)*	**13,431**	—
Purchase of additional interest in a subsidiary from a minority shareholder of a subsidiary	*(iv)*	**990**	—

Notes:

(i) The rental expenses were charged at cost, based on the floor area occupied by the Group in respect of the office premises rented by Chongqing Industrial Limited from an independent third party. Mr. Cheung Chung Kiu, a director of the Company, has a beneficial interest in Chongqing Industrial Limited, which is a substantial shareholder of the Company. This transaction also constituted a connected transaction of the Company under the Listing Rules.

(ii) The interest expense paid to a related company was in respect of the convertible note issued by the Company to Timmex Investment Limited as detailed in note 32. The transaction constituted a connected transaction of the Company under the Listing Rules.

(iii) The sales of goods were made between Hoi Tin Universal Limited and a minority shareholder owning 25% of Young Comfort Development Limited, a then indirectly-held subsidiary. The transaction also constituted connected transactions of the Company under the Listing Rules. Details of the transactions were set out under the section headed "Connected transactions" in the Report of the Directors.

(iv) On 27 September 2006, the Group entered into an agreement with Thomas Wagner GmbH to acquire a 25% equity interest in Young Comfort for a cash consideration of approximately HK$990,000. The transaction was completed on 29 September 2006. It also constituted a connected transaction of the Company under the Listing Rules. Details of the transactions were set out under the section headed "Connected transactions" in the Report of the Directors.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) (i) Details of the Group's loan to an associate as at the balance sheet date of the prior year are included in note 22.

(ii) During the year, the Group had a deemed disposal of subsidiaries as detailed in note 37(a). The transaction constituted connected transactions of the Company under the Listing Rules. Details of the transactions were set out in the section headed "Connected transactions" in the Report of the Directors.

(c) Compensation of key management personnel of the Group:

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**20,238**	19,185
Post-employment benefits	**72**	60
Long term employee benefits	**97**	90
Total compensation paid to key management personnel	**20,407**	19,335

Further details of directors' emoluments are included in note 9.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible note investments, loans receivable, trade debtors, trade creditors, bank borrowings and short-term deposits. Details of the major financial instruments and the Group accounting policies in relation to them are disclosed in note 2.4.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The Group has currency exposure as the majority of its sales were denominated in U.S. dollars, which are pegged to Hong Kong dollars.

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtor and other receivable balances are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loans receivable of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk. In this regard, the directors consider that the credit risk is significantly reduced and controlled.

Price risk

The Group's investments held for trading and portion of the call option embedded in investments in convertible notes 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 well-diversified portfolio with different risk profiles.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible notes and other interest-bearing loans. The Group's policy is that all of the bank borrowings should mature in any 12-month period.

45. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period *(note 13)*.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2007.