Notes to the Financial Statements

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 November 2003 under the Companies Law of Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The address of its principal place of business is Room 1803, 18th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

Pursuant to an extraordinary general meeting of shareholders of the Company held on 22 September 2006 a special resolution was passed to change the name of the Company from Vision Grande Group Holdings Limited to AMVIG Holdings Limited.

The Group was engaged in printing of cigarette packages and manufacturing of laminated paper.

2. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

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

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary are initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

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

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currency translation *(continued)*

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

(h) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(i) Taxation

Income tax represents the sum of current tax and deferred tax.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation *(continued)*

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(j) Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	20 years
Leasehold improvements	2 - 20 years
Plant and machinery	5 - 10 years
Office equipment	5 years
Motor vehicles	5 years

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Trade and other receivables

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

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Trade and other payables

Trade and other payables are stated initially at their fair value and 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.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(q) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as obligation under finance leases. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Provisions and contingent liabilities

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

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

(t) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

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

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Segment reporting *(continued)*

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(v) Event after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi ("RMB"). The exchange rates between RMB and Hong Kong dollars remain relatively stable. The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

As at 31 December 2006, the three largest trade receivables represent approximately 61% (2005: 44%) of the total trade receivables. The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to trade and other receivables, deposits paid and bank and cash balances is the carrying amount of those assets as stated in the consolidated balance sheet.

4. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

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

The Group's interest rate risk arises from short term interest-bearing borrowings and obligations under finance leases. At 31 December 2006, 24% of the Group's borrowings were at fixed rates which expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Directors are of the opinion that the aforesaid risks are not material to the Group.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of 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.

(a) Property, plant and equipment and depreciation

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

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was HK$1,224,675,000.

6. TURNOVER AND OTHER INCOME

The Group is principally engaged in printing of cigarette packages and manufacturing of laminated paper. An analysis of the Group's turnover and other income is as follows:

	2006 HK$'000	2005 HK$'000
Turnover		
Cigarette packages	**885,339**	132,302
Laminated paper	**237,235**	251,211
	1,122,574	383,513
Other income		
Interest income	**4,909**	434
Commission income	**325**	1,586
Compensation received	**5,023**	54
Exchange gain, net	**687**	552
Sundry income	**18,596**	4,519
	29,540	7,145

7. PROFIT FROM OPERATIONS

The Group's profit from operations is stated after charging/(crediting) the following:

	2006 HK$'000	2005 HK$'000
Auditors' remuneration	**2,600**	1,600
Allowance for receivables	**2,404**	–
Bad debts written off	**3,645**	–
Cost of inventories sold (Note a)	**758,408**	221,842
Depreciation	**48,450**	18,889
Loss/(gain) on disposals of property, plant and equipment	**1,598**	(414)
Exchange gain, net (included in other income)	**687**	(522)
Operating lease rentals in respect of land and buildings	**10,389**	5,266
Staff costs including directors' emoluments		
Salaries and other costs	**94,196**	23,588
Retirement benefit scheme contributions	**1,344**	835
	95,540	24,423
Research and development costs (Note b)	**7,921**	2,396

7. PROFIT FROM OPERATIONS *(continued)*

Notes:

(a) Cost of inventories sold includes operating lease rentals, staff costs, depreciation and research and development costs of approximately HK$7,342,000, HK$53,720,000, HK$38,905,000 and HK$7,703,000 (2005: HK$3,923,000, HK$11,788,000, HK$15,478,000 and HK$2,042,000) respectively which are included in the respective amounts disclosed separately above for the year.

(b) Research and development costs include staff costs of approximately HK$188,000 (2005: HK$592,000) which is included in the amount disclosed separately above for the year.

8. FINANCE COSTS

	2006 **HK$'000**	2005 HK$'000
Interest on bank loans and overdrafts	**12,350**	10,028
Finance lease charges	**2,492**	1,603
	14,842	11,631

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2006 **HK$'000**	2005 HK$'000
Fees		
Executive directors	**339**	121
Non-executive directors	**598**	132
Independent non-executive directors	**1,533**	396
Other emoluments		
Executive directors		
Basic salaries, allowances and benefits in kind	**8,328**	3,353
Retirement benefit scheme contributions	**115**	114
	10,913	4,116

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(continued)*

The emoluments of every Director for the years ended 31 December 2006 and 2005 are set out below:

	Fees HK$'000	**Salaries and other benefit** HK$'000	**Retirement benefit scheme contributions** HK$'000	**Total** HK$'000
Name of Director				
Mr. Chan Chew Keak, Billy	339	–	–	339
Mr. Chan Sai Wai (Note c)	–	2,710	7	2,717
Mr. Ng Sai Kit (Note c)	–	1,980	7	1,987
Mr. Li Wei Bo	–	1,834	80	1,914
Mr. Li Shui Dang (Note b)	–	467	–	467
Mr. Lee Cheuk Yin, Dannis	–	1,150	12	1,162
Mr. David John Cleveland Hodge (Note b)	255	–	–	255
Mr. Peter Roderick Downing (Note b)	255	–	–	255
Mr. Tay Ah Kee, Keith (Note a)	440	–	–	440
Mr. Au Yeung Tin Wah, Ellis (Note b)	425	–	–	425
Mr. Oh Choon Gan, Eric (Note b)	424	–	–	424
Mr. Cheung Chun Ming (Note d)	–	187	9	196
Mr. Sik Siu Kwan (Note e)	88	–	–	88
Mr. Ng Pui Cheung, Joseph (Note d)	88	–	–	88
Mr. Ng Kwai Sang (Note d)	88	–	–	88
Mr. Chung Kwok Mo, John (Note d)	68	–	–	68
Total for 2006	2,470	8,328	115	10,913

	Fees HK$'000	**Salaries and other benefit** HK$'000	**Retirement benefit scheme contributions** HK$'000	**Total** HK$'000
Name of Director				
Mr. Chan Chew Keak, Billy	121	–	–	121
Mr. Li Wei Bo	–	1,714	80	1,794
Mr. Lee Cheuk Yin, Dannis	–	1,150	12	1,162
Mr. Cheung Chun Ming	–	450	22	472
Ms. Zhu Wei Li	–	39	–	39
Mr. Sik Siu Kwan	132	–	–	132
Mr. Ng Pui Cheung, Joseph	132	–	–	132
Mr. Ng Kwai Sang	132	–	–	132
Mr. Chung Kwok Mo, John	132	–	–	132
Total for 2005	649	3,353	114	4,116

Notes:
(a) Appointed on 27 April 2006
(b) Appointed on 26 May 2006
(c) Appointed on 19 June 2006
(d) Resigned on 26 May 2006
(e) Resigned on 30 May 2006

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(continued)*

The five highest paid individuals in the Group during the year include five (2005: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining none (2005: two) individuals during the year are set out below:

	2006 HK$'000	2005 HK$'000
Basic salaries, allowances and benefits in kind	**–**	542
Discretionary bonus	**–**	–
Retirement benefit scheme contributions	**–**	13
	–	555

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Nil to HK$1,000,000	**–**	2

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year. In addition, no emoluments were paid by the Group to the Directors or any of the highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

10. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into MPF Scheme.

The employees of he Group's subsidiaries established in the People's Republic of China ("PRC") are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contribution under the scheme.

11. INCOME TAX EXPENSES

	2006 HK$'000	2005 HK$'000
PRC enterprise income tax		
– current	**29,569**	7,710
– under provision in prior year	**854**	—
– refund of tax for previous year	**—**	(5,575)
	30,423	2,135

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong.

Pursuant to relevant income tax laws of the PRC, the subsidiaries of the Company are subject to income tax rates of 15% to 30%, mainly depending on the places of incorporation/establishment.

According to relevant tax laws and regulations, the subsidiaries of the Company, Mattie Hologram Technology (Huizhou) Co., Ltd ("Mattie Hologram") and Xi'an Great Sky Laser Hologram Co. Ltd ("Xi'an Hologram") are entitled to a full exemption from the PRC enterprise income tax for the first two years and 50% reduction for the following three years commencing from the profitable year of operation after fully set off against the accumulated losses brought forward.

Victory Honest Industries (Shenzhen) Co., Ltd, ("Victory Honest Shenzhen") was accredited as a Technologically Advanced Enterprise by the Shenzhen Bureau of Trade and Industry (深圳市貿易工業局). Pursuant to relevant tax laws and regulations in the PRC, Victory Honest Shenzhen is entitled to prolonged 50% reduction of the PRC enterprise income tax (effective income tax rate of 7.5%) for three years commenced from year 2005.

According to the certificate issued by the Yunnan Provincial Science and Technology Bureau (雲南省科技廳), Kunming World Grand Colour Printing Co., Ltd. ("Kunming World Grand") is accredited as a High-Tech Enterprise. Pursuant to Articles 7 and 8 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprises", Kunming World Grand, being a High-Tech Enterprise, is entitled to a reduced PRC enterprise income tax rate of 15%. In addition, the State Tax Bureau of Kunming High Technology Industrial Development Zone (昆明市高新技術產業開發區國家稅務局) has approved Kunming World Grand for a full exemption of PRC enterprise income tax for two years starting from the first year of profitable operation in 2003, followed by a 50% reduction for the next three years.

Since Beijing Leigh-Mardon Pacific Packaging Co. Ltd. ("Beijing LMPP") is a manufacturing foreign investment enterprise located in a PRC coastal economic open zone, pursuant to Article 7 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprise", it was approved by the Beijing State Tax Bureau on 17 June 1998 for a reduced PRC enterprise income tax rate of 24% commenced from year 1995. In addition, the Beijing State Tax Bureau also approved for a 50% reduction in local enterprise income tax rate (original tax rate: 3%) for the years 2002 to 2006.

Since Qingdao Leigh-Mardon Packaging Co., Ltd. ("Qingdao LMPP") is a manufacturing foreign investment enterprise located in a PRC coastal economic open zone, pursuant to Article 7 of the "Enterprise Income Tax Law for Foreign Investment Enterprise and Foreign Enterprise", it is entitled for a reduced PRC enterprise income tax rate of 24%. In addition, the Qingdao State Tax Bureau also exempts Qingdao LMPP from local enterprise income tax, which is at a rate of 3%.

11. INCOME TAX EXPENSES *(continued)*

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the applicable tax rate is as follows:

	2006 **HK$'000**	2005 HK$'000
Profit before tax	**297,762**	186,974
Tax at applicable tax rate of 15%	**44,664**	28,046
Tax effect of share of results of associates	**(10,441)**	(11,373)
Tax effect of non-taxable income	**(1,448)**	(3,131)
Tax effect of non-deductible expenses	**8,977**	618
Tax effect of unrecognised temporary difference	**607**	(73)
Tax effect of unused tax loss not recognised	**3,402**	1,200
Tax effect of tax concession and tax refund	**(28,304)**	(16,029)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**12,966**	2,877
Income tax expenses	**30,423**	2,135

12. EARNINGS PER SHARE

(a) Basic earnings per share is calculated based on the Group's profit attributable to the equity holders of the Company for the year of approximately HK$250,347,000 (2005: HK$ 181,353,000) and the weighted average number of shares of approximately 718,463,000 ordinary shares in issue during the year (2005: 476,493,000 shares).

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of potentially dilutive ordinary shares. There were no potentially dilutive ordinary shares as at 31 December 2006 and 2005.

13. DIVIDENDS

The dividends paid during the year ended 2006 were HK$60,679,000, being HK$0.085 per share for year 2005. The dividends paid during the year ended 2005 were HK$87,960,000 being HK$0.08325 per share for year 2004 and HK$0.1 per share for year 2005. A final dividend of HK$0.128 per share in respect of 2006, amounting to dividends of HK$100,310,000 is to be proposed at the Annual General Meeting on 30 April 2007. The proposed final dividends are not recognised as liabilities at 31 December 2006.

	2006 **HK$'000**	2005 HK$'000
Interim dividend paid of HK$Nil (2005: HK$0.072) per ordinary share	**–**	34,560
Special dividend paid of HK$Nil (2005: HK$0.028) per ordinary share	**–**	13,440
	–	48,000
Proposed final dividend of HK$0.128 (2005: HK$0.085) per ordinary share	**100,310**	60,679
	100,310	108,679

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and equipment HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2005	690	4,842	145,580	8,389	12,069	171,570
Additions	–	916	69,359	4,480	3,985	78,740
Transfer	–	–	(11)	137	(126)	–
Disposals	–	–	(8,929)	(135)	(621)	(9,685)
Exchange difference	13	90	2,291	156	165	2,715
At 31 December 2005	703	5,848	208,290	13,027	15,472	243,340
Additions	–	2,693	25,139	1,562	1,684	31,078
Acquisition of subsidiaries (Note 16)	29,339	127	271,945	1,693	3,522	306,626
Disposals/write off	(8,063)	–	(15,336)	(488)	(7,598)	(31,485)
Exchange difference	961	208	10,777	395	554	12,895
At 31 December 2006	22,940	8,876	500,815	16,189	13,634	562,454
Accumulated depreciation						
At 1 January 2005	301	447	17,345	3,671	6,353	28,117
Charge for the year	32	710	14,575	1,643	1,929	18,889
Transfer	–	–	(16)	43	(27)	–
Disposals	–	–	(475)	(48)	(161)	(684)
Exchange difference	6	7	331	67	62	473
At 31 December 2005	339	1,164	31,760	5,376	8,156	46,795
Charge for the year	1,147	1,299	40,233	2,394	3,377	48,450
Disposals	(389)	(70)	(5,871)	(398)	(4,270)	(10,998)
Exchange difference	23	61	1,915	210	267	2,476
At 31 December 2006	1,120	2,454	68,037	7,582	7,530	86,723
Carrying amount						
At 31 December 2006	**21,820**	**6,422**	**432,778**	**8,607**	**6,104**	**475,731**
At 31 December 2005	**364**	**4,684**	**176,530**	**7,651**	**7,316**	**196,545**

The Group's buildings are situated in the PRC.

At 31 December 2006, the carrying amounts of the Group's property, plant and equipment included approximately HK$49,022,000 (2005: HK$52,691,000) in respect of assets held under finance leases (Note 23).

15. LEASEHOLD LAND PAYMENTS

	2006 HK$'000	2005 HK$'000
At 1 January	**936**	998
Acquisition of subsidiaries	**11,315**	–
Additions	**9,106**	–
Amortisation of leasehold land payments	**(285)**	(82)
Disposal	**(8,164)**	–
Exchange difference	**209**	20
At 31 December	**13,117**	936
Current portion	**(404)**	(82)
Non-current portion	**12,713**	854

The Group's leasehold land payments represent payments for land use rights outside Hong Kong under medium term leases.

16. GOODWILL

	HK$'000
Additions and at 1 January 2005	1,096
Adjustment for HKFRS 3	(15)
At 31 December 2005	1,081
Transfer from an associate	180,117
Acquisition of subsidiaries	1,043,477
At 31 December 2006	1,224,675

On 27 February 2006, the Group acquired the entire issued share capital of Bellgate International Limited ("Bellgate"), an investment holding company, which indirectly owned 83% equity interest in Beijing LMPP and 60% equity interest in Qingdao LMPP with net assets fair valued at approximately HK$307,410,000. The consideration, before expenses, of HK$509,040,000 was satisfied by the allotment and issue of 121,200,000 new shares of HK$0.01 each of the Company, at HK$4.20 per share (note 25 (d)).

On 31 May 2006, the Group acquired the remaining 68.5% equity interest in World Grand Holdings Limited ("World Grand"), an investment holding company, which owned 100% equity interests in Kunming World Grand with net assets fair valued at approximately HK$131,019,000. The consideration, before expenses, of HK$928,100,000, was satisfied by HK$439,500,000 cash and HK$488,600,000 by allotment and issue of 69,800,000 new shares of HK$0.01 each of the Company, at HK$7.00 per share (note 25 (e)).

16. GOODWILL *(continued)*

In the interim report for the period ended 30 June 2006 issued on 14 August 2006, the Group used the published prices at the date of exchange of the shares issued for the above acquisitions for the calculation of goodwill which amounted to HK$1,604,477,000.

The board of directors considered the published prices at the date of exchange of the shares issued for the above acquisitions are not a suitable indicator of fair value of these acquisitions due to the thinness of the trading volume of the Company's issued shares. After further review, the directors concluded that the issue prices of HK$4.20 and HK$7.00 for the acquisition of Bellgate and World Grand respectively, which are based on the sale and purchase agreements negotiated on an arms length basis, should be the fair value in accounting for the purchase consideration of these acquisitions. As a result, the goodwill was restated at HK$1,043,477,000 as at 31 December 2006 to reflect such change.

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

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Property, plant and equipment	218,754	87,872	306,626
Leasehold land payments	11,315	–	11,315
Inventories	124,365	(1,522)	122,843
Trade and other receivables	266,715	(363)	266,352
Prepayments and deposits	17,892	(428)	17,464
Bank and cash balances	128,531	–	128,531
Trade and other payables	(207,406)	–	(207,406)
Provision for taxation	(10,578)	–	(10,578)
Short-term borrowings	(50,000)	–	(50,000)
Deferred tax liabilities	–	(17,726)	(17,726)
Net assets	499,588	67,833	567,421
Minority interests			(128,992)
Transfer from interest in associate			(25,620)
Goodwill on acquisition			1,043,477
Total consideration			1,456,286
Total consideration, satisfied by			
Share consideration, at fair value			997,640
Direct cost relating to the acquisition			19,146
Cash consideration			439,500
			1,456,286
Net cash outflow arising on acquisition			
Cash consideration paid			(439,500)
Direct cost relating to the acquisition			(19,146)
Bank and cash balances acquired			128,531
			(330,115)

16. GOODWILL *(continued)*

The new subsidiaries contributed approximately HK$776,333,000 to the Group's revenue and approximately HK$188,684,000 to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisitions had been completed on 1 January 2006, total Group turnover would have been increased by approximately HK$1,081,500,000 and profit before taxation for the year would have been approximately HK$283,490,000. The proforma information is for illustrative purposes only and is not necessarily an indicative turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

17. INTERESTS IN ASSOCIATES

	2006 HK$'000	2005 HK$'000
The year end balance comprises of the followings:		
Share of net assets other than goodwill	**60,381**	80,047
Goodwill on acquisition	**–**	180,117
	60,381	260,164
Amount due from an associate	**–**	14,227

(a) As at 31 December 2006, the Group has interests in an unlisted associated company as follows:

Name	**Place of incorporation/ operation**	**Particulars of registered capital/issued shares held**	**Percentage of interest held**	**Principal activities**
Nanjing Sanlong Packaging Co., Ltd ("Nanjing Sanlong")	PRC	US$2,100,000	48%	Printing of cigarette packages

(b) On 31 May 2006, the Group acquired the remaining 68.5% equity interest in World Grand, previously an associate of the Group (note 16).

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

17. INTERESTS IN ASSOCIATES *(continued)*

(d) Summarised financial information in respect of the Group's associates is set out below:

	Assets HK$'000	**Liabilities** HK$'000	**Equity** HK$'000	**Revenues** HK$'000	**Profit** HK$'000
2006					
100 per cent	276,390	(145,623)	130,767	597,491	168,462
Group's effective interest	130,280	(69,899)	60,381	250,220	69,608
2005					
100 per cent	598,743	(306,406)	292,337	652,612	192,713
Group's effective interest	252,510	(141,766)	110,744	260,386	76,018

18. INVENTORIES

	2006 **HK$'000**	2005 HK$'000
Raw materials	**98,047**	28,767
Work in progress	**29,831**	8,719
Finished goods	**83,503**	10,146
	211,381	47,632

19. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Group mainly included trade receivables and bills receivables of approximately HK$284,748,000 and HK$79,696,000 (2005: HK$205,355,000 and HK$20,782,000) respectively. The general credit terms of the Group granted to its trade customers range from one month to three months. The aging analysis of trade receivables is as follows:

	2006 **HK$'000**	2005 HK$'000
Current to 30 days	**172,158**	115,495
31 to 90 days	**96,975**	58,398
Over 90 days	**15,615**	31,462
	284,748	205,355

20. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (Note 28).

Included in the pledged bank deposits and bank and cash balances of the Group is an amount of approximately HK$301,631,000 as at 31 December 2006 (2005: HK$43,943,000) denominated in Renminbi ("RMB"). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

21. TRADE AND OTHER PAYABLES

Trade and other payables of the Group mainly included trade payables of approximately HK$177,944,000 (2005: HK$49,004,000). The aging analysis of trade payables is as follows:

	2006 **HK$'000**	2005 HK$'000
Current to 30 days	**115,517**	36,475
31 to 90 days	**48,813**	6,335
Over 90 days	**13,614**	6,194
	177,944	49,004

22. SHORT TERM INTEREST-BEARING BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Bank loans - secured (Note 28)	**74,390**	112,066

Approximately HK$24,390,000 (2005: HK$107,066,000) of the Company's bank loans are denominated in RMB and bear interest at 5.58% (2005: 5.595%) per annum. The remaining bank loan amounted HK$50,000,000 (2005: HK$5,000,000) of the Company's are denominated in Hong Kong dollars and bear interest at rates at 6.44% (2005: 8.25%) per annum.

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Within one year	**16,900**	16,862	**15,456**	14,465
In the second year	**8,260**	16,861	**7,608**	15,670
In the third to fifth year	**5,911**	14,116	**5,753**	13,110
	31,071	47,839	**28,817**	43,245
Less: future finance charges	**(2,254)**	(4,594)	**N/A**	N/A
Present value of lease obligations	**28,817**	43,245	**28,817**	43,245
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(15,456)**	(14,465)
Amount due for settlement after 12 months			**13,361**	28,780

At 31 December 2006, the average effective borrowing rate was 6.831% (2005: 6.155%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are effectively secured as the rights to the leased assets (Note 14) revert to the lessor in the event of default. All finance lease obligations are denominated in Hong Kong dollars.

24. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Revaluation of property, plant and equipment HK$000
At 1 January 2005 and 31 December 2005	—
Acquisition of subsidiaries	17,726
At 31 December 2006	17,726

At the balance sheet date the Group had unused tax losses of approximately HK$82 million (2005: HK$39 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Note	Number of Shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 31 December 2005 and 2006		1,000,000	10,000
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
At 1 January 2005		400,000	4,000
Issue of new shares	(a)	80,000	800
At 31 December 2005		480,000	4,800
Issue of new shares	(b)	96,000	960
	(c)	16,670	167
	(d)	121,200	1,212
	(e)	69,800	698
At 31 December 2006		783,670	7,837

Notes:

(a) Pursuant to a share subscription and option agreement dated 9 December 2004 (the "Subscription Agreement"), the subscriber, AMB Packaging Pte Limited, subscribed for 80,000,000 new shares of HK$0.01 each at a subscription price of HK$2.5 per share on 24 January 2005.

(b) Pursuant to a further share subscription agreement dated 23 December 2005, the subscriber, AMB Packaging Pte Limited, subscribed for 96,000,000 new shares of HK$0.01 each at a subscription price of HK$2.50 per share on 27 February 2006.

(c) Pursuant to a share subscription agreement dated 23 December 2005, the subscriber, Amcor Fibre Packaging-Asia Pte Limited, subscribed for 16,670,000 new shares of HK$0.01 each at a subscription price of HK$4.20 per share on 27 February 2006.

(d) On 27 February 2006, 121,200,000 new ordinary shares of HK$0.01 each was issued at HK$4.20 per share as consideration for acquisition of 100% shareholding of Bellgate (note 16).

(e) On 31 May 2006, 69,800,000 new ordinary shares of HK$0.01 each was issued at HK$7.00 per share as consideration for acquisition of the remaining 68.5% shareholding of World Grand (note 16).

(f) The excess of the issued price over the par value of the shares issued during the year in (a) to (e) has been credited to share premium account of the Company.

(g) All shares, both issued and unissued, rank pari passu in all respects at 31 December 2006.

26. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associates. The Share Option Scheme became effective for a period of ten years commencing on 10 March 2004.

The subscription price for shares under the Share Option Scheme will be determined by the Directors, and will not be less than highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of an option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive business days immediately preceding the date of grant of an option; and (iii) the nominal value of a share per HK$1 is payable as consideration on acceptance of the grant of an option.

The total number of the shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% to the shares in issue. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes must not exceed 30% of the issued share capital of the Company from time to time. Further details of the Share Option Scheme are set out in the prospectus of the Company dated 16 March 2004.

No share options under the Share Option Scheme have been granted during the year ended 31 December 2006 and 2005.

27. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material related party transactions:

	2006 HK$'000	2005 HK$'000
Sales to associates (note)		
Nanjing Sanlong	**177,081**	126,502
Kunming World Grand	**28,411**	43,075
Purchases from an associate (note)		
Nanjing Sanlong	**86**	–

Note: The sales to and purchases from associates were made under normal commercial terms and conditions that would also be available to unrelated third parties.

At balance sheet date, the following balances with related parties included in:

	2006 HK$'000	2005 HK$'000
Trade and other receivables:		
Nanjing Sanlong	**56,569**	13,680
Kunming World Grand	**–**	17,457
Trade and other payables:		
Nanjing Sanlong	**280**	10,982

The above amounts are of trade in nature, unsecured, interest free and repayable within 90 days.

28. BANKING FACILITIES

As at 31 December 2006, banking facilities of the Group are mainly secured by the charge over certain bank deposits of the Group (Note 20) and corporate guarantees of the Company.

29. COMMITMENTS

As at 31 December 2006, the Group had the following commitments:

(a) Operating lease commitments

The Group leases certain of its office and factory premises under operating lease arrangements and entered into a license agreement for the use of holograms. The original lease terms for the office and factory premises range from one year to six years and the term of the licence agreement is two years.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2006 **HK$'000**	2005 HK$'000
Within one year	**7,075**	3,291
In the second to fifth years	**12,096**	3,270
After five years	**2,087**	–
	21,258	6,561

(b) Capital commitments

	2006 **HK$'000**	2005 HK$'000
Contracted but not provided for:		
Acquisition of plant and machinery	**55,550**	11,342

Save as disclosed above, the Group did not have any other significant capital and operating lease commitments as at 31 December 2006 (2005: HK$Nil).

30. CONTINGENT LIABILITIES

At 31 December 2006, the Group did not have any significant contingent liabilities (2005: HK$Nil).

31. SEGMENT INFORMATION

Turnover represents revenue arising from printing of cigarette packages and manufacturing of laminated papers. The Group's primary format for reporting segment information is business segment.

	Printing of cigarette packages		Manufacturing of laminated paper		Corporate and unallocated		Elimination		Consolidated	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
REVENUE										
External revenue	885,339	132,302	237,235	251,211	–	–	–	–	1,122,574	383,513
Inter-segment revenue	6,885	–	100,047	14,547	–	–	(106,932)	(14,547)	–	–
Total revenue	892,224	132,302	337,282	265,758	–	–	(106,932)	(14,547)	1,122,574	383,513
RESULTS										
Segment results	288,952	52,497	80,203	88,610	–	–	–	–	369,155	141,107
Unallocated corporate expenses									(155,699)	(25,665)
Other revenue									24,631	6,711
Operating profit excluding interest income									238,087	122,153
Finance costs									(14,842)	(11,631)
Interest income									4,909	434
Share of net profit of associates	69.608	76,018	–	–	–	–	–	–	69,608	76,018
Income tax expenses									(30,423)	(2,135)
Profit for the year									267,339	184,839
ASSETS										
Segment assets	1,103,640	252,545	210,078	284,618	–	–	–	–	1,313,718	537,163
Interests in associates	60,381	260,164	–	–	–	–	–	–	60,381	260,164
Unallocated corporate assets									1,397,798	141,389
Consolidated total assets									2,771,897	938,716
LIABILITIES										
Segment liabilities	254,413	68,585	35,376	78,023	–	–	–	–	289,789	146,608
Unallocated corporate liabilities									184,861	137,542
Consolidated total liabilities									474,650	284,150
OTHER INFORMATION										
Capital expenditure	11,425	24,603	16,604	46,967	3,049	7,170	–	–	31,078	78,740
Depreciation and amortization	36,264	9,345	7,382	6,928	4,804	2,698	–	–	48,450	18,971

32. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ registration and operation	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Company Direct	Attributable equity interest held by the Company Indirect	Principal activities
Victory Honest Group Limited	British Virgin Islands ("BVI")	Ordinary HK$1,000	100%	–	Investment holding
Mega Vision Enterprises Limited	BVI	Ordinary US$1	–	100%	Investment holding
Victory Honest (Holdings) Limited	Hong Kong	Ordinary HK$6,060,100	–	100%	Investment holding
Glory Express International Limited	Hong Kong	Ordinary HK$2	–	100%	Investment holding
Charm Profit Holdings Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding
Victory Honest Shenzhen (note a)	PRC	Registered capital US$15,000,000	–	100%	Printing of cigarette packages and manufacturing of laminated paper
Mattie Hologram (note b)	PRC	Registered Capital EUR2,000,000	–	100%	Manufacturing of laser films
Xi'an Hologram (note c)	PRC	Registered Capital RMB7,140,000	–	51%	Manufacturing of laser films
World Grand	Hong Kong	Ordinary HK$13,333,333	–	100%	Investment holding
Kunming World Grand (note d)	PRC	Registered Capital US$7,500,000	–	100%	Printing of cigarette packages
Bellgate	BVI	Ordinary HK$509,040,001	–	100%	Investment holding
Leigh-Mardon Pacific Packaging	Singapore	Ordinary SG$85,495,870	–	100%	Investment holding
Beijing LMPP (note e)	PRC	Registered Capital US$13,000,000	–	83%	Printing of cigarette packages
Qingdao LMPP (note f)	PRC	Registered Capital US$15,515,000	–	60%	Printing of cigarette packages
Famous Plus Group Limited	Hong Kong	Ordinary HK$1	–	100%	Investment holding

32. PRINCIPAL SUBSIDIARIES *(continued)*

Notes:

(a) Victory Honest Shenzhen is a wholly foreign-owned enterprise with an operating period of 50 years commencing from 23 February 1993.

(b) Mattie Hologram is a wholly foreign-owned enterprise with an operating period of 50 years commencing from 21 June 2004.

(c) Xi'an Hologram is a sino-foreign equity joint venture enterprise with an operating period of 10 years commencing from 12 April 2000.

(d) Kunming World Grand is a wholly-foreign-owned enterprise with an operating period of 20 years commencing from 7 March 2002.

(e) Beijing LMPP is a sino-foreign equity joint venture enterprise with an operating period of 50 years commencing from 12 May 1995.

(f) Qingdao LMPP is a sino-foreign equity joint venture enterprise with an operating period of 30 years commencing from 28 June 1995.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2007.