NOTES TO FINANCIAL STATEMENTS

31 December 2006

1. CORPORATE INFORMATION

C C Land Holdings Limited is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The address of the principal place of business of the Company is 7th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

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

(i) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(ii) manufacture and sale of soft luggage, travel bags, backpacks and brief cases;

(iii) treasury investment; and

(iv) property development and investment.

In the opinion of the directors, the ultimate holding company of the Company is Thrivetrade Limited ("Thrivetrade"), which is incorporated in the British Virgin Islands.

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 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 *Amendment regarding a net investment in a foreign operation*, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) 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.

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 Arrangements

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.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard 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, HKFRS 7 and HKFRS 8 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 operations

The arrangements entered into by the Group with other parties for property development without establishing separate entities are considered to be jointly-controlled operations pursuant to HKAS 31 "Interests in Joint Ventures". In respect of its interests in such operations, the Group recognises the land costs and other expenses incurred by the Group as properties under development. The Group's profit earned from the sale of properties under the operations is recognised upon the registration of property certificates by the purchasers, after netting off any related balance in properties under development at that time.

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 and associates 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 arising on acquisition is initially recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently 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), 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.

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 or its parent;

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Construction in progress represents assets in the course of construction for production or administrative purposes. They are stated at cost, less any impairment losses, and are not depreciated. Cost includes all construction expenditure and other direct costs, including borrowing costs, attributable to such projects. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees, prepaid land lease payments and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the balance sheet date are classified under current assets. On completion, the properties are transferred to completed properties for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from purchasers in respect of pre-sale of properties under development prior to completion of the development are included in current liabilities.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

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 and financial assets designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. 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 receivables, 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 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 loans and 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 *Provision, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue.*

Convertible note

The component of convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible note, 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 note based on the allocation of proceeds to the liability and equity components when the instrument is 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 6.71% has been applied to the expenditure on the individual assets.

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 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 a separate component of equity as 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)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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) from the sale of properties, when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectibility of related receivables is reasonably assured;

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

(d) 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;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) 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

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 46 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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 also discussed below.

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

Provision against obsolete and slow-moving inventories

The Group does not have a general provision policy on inventories based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory ageing 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 realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical 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 receivables

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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2006, the carrying amount of goodwill arising from the acquisitions of subsidiaries was HK$35,139,000 (2005: HK$34,553,000). Details of the recoverable amount calculations of goodwill are disclosed in note 18.

4. SEGMENT INFORMATION

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:

Sales of packaging products segment	—	Manufacture and trading of watch boxes, gift boxes, spectacles cases, bags and pouches, and display units
Sales of travel bags segment	—	Manufacture and trading of soft luggage, travel bags, backpacks and brief cases
Treasury investment segment	—	Investments in securities and convertible notes, and provision of financial services
Property development and investment segment	—	Development and investment of properties located in the Mainland China

4. SEGMENT INFORMATION *(Continued)*

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006

		Sales of packaging products HK$'000	Sales of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(i)	Income statement					
	Segment revenue	316,324	446,517	31,860	283	794,984
	Segment results	32,159	10,189	47,042	(716)	88,674
	Unallocated corporate expenses					(62,458)
	Unallocated corporate income					11,354
	Excess over the cost of acquisition of subsidiaries	—	—	—	605,038	605,038
	Share of profits and losses of associates					4,299
	Finance costs					(13,554)
	Profit before tax					633,353
	Tax					(2,436)
	Profit for the year					630,917

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006 *(Continued)*

	Sales of packaging products HK$'000	Sales of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(ii) Balance sheet					
ASSETS					
Segment assets	1,124,472	194,959	100,895	7,225,291	8,645,617
Interests in associates					33,300
Tax recoverable					2,486
Unallocated corporate assets					89,208
Consolidated total assets					8,770,611
LIABILITIES					
Segment liabilities	49,773	143,883	252	1,084,373	1,278,281
Tax payable					22,015
Deferred tax liabilities, net					2,029,474
Unallocated corporate liabilities					7,406
Consolidated total liabilities					3,337,176

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006 *(Continued)*

	Sales of packaging products HK$'000	Sales of travel bags HK$'000	Treasury investment HK$'000	Property development and investment HK$'000	Total HK$'000
(iii) Other segment information					
Capital expenditure	38,823	3,418	—	147	42,388
Depreciation of property, plant and equipment	7,869	2,237	73	490	10,669
Amortisation of prepaid lease payment	573	63	—	3	639
Fair value loss on conversion option derivative	1,383	—	—	—	1,383
Fair value gains on investments at fair value through profit or loss, net	—	—	10,013	—	10,013
Impairment of trade receivables	2,288	—	—	—	2,288

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2005

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

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2005 *(Continued)*

	Sales of packaging products HK$'000	Sales of travel bags HK$'000	Treasury investment HK$'000	Total HK$'000
(iii) Other segment information				
Capital expenditure	39,431	30,585	190	70,206
Depreciation of property, plant and equipment	7,644	965	73	8,682
Amortisation of prepaid lease payments	572	65	—	637
Amortisation of club membership	35	—	—	35
Fair value loss on conversion option derivative	—	—	1,593	1,593
Loss on disposals of items in property, plant and equipment	—	84	—	84

Geographical segments

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

	Segment revenue	
	2006 HK$'000	2005 HK$'000
Hong Kong	**97,254**	73,071
Europe	**201,106**	127,678
North and South America	**420,805**	207,138
Others	**75,819**	37,361
	794,984	445,248

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2006 HK$'000	2005 HK$'000
Revenue		
Sales of goods	**762,841**	447,432
Sales of properties	**283**	—
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss	**11,860**	(4,041)
Gain on derecognition of a listed equity investment at fair value through profit or loss	**17,229**	—
Dividend income from listed investments	**2,317**	1,439
Imputed interest income from convertible note receivable	**454**	418
	794,984	445,248
Other income and gains		
Gross rental income	**2,934**	527
Interest income on bank deposits	**14,647**	5,729
Excess over the cost of acquisition of subsidiaries	**605,038**	—
Fair value gain on investments at fair value through profit or loss, net	**10,013**	3,953
Gain on disposal of a subsidiary	**3,082**	—
Gain arising from redemption of convertible note receivable	**1,334**	240
Write-back of impairment of trade receivables	**—**	4,463
Fair value gains on investment properties	**4,861**	1
Others	**5,213**	3,723
	647,122	18,636

6. OTHER EXPENSES

	Group	
	2006 HK$'000	2005 HK$'000
Exchange losses, net	**2,099**	—
Fair value loss on conversion option derivative	**1,383**	1,592
Impairment of trade receivables	**2,288**	—
Impairment of other receivables	**46,492**	—
Loss on disposal of items of property, plant and equipment	**69**	—
Equity-settled share option expense	**1,972**	—
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	**395**	50
Others	**83**	—
	54,781	1,642

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**12,463**	404
Interest on convertible note (note 39)	**5,147**	—
Imputed interest expense from consideration payable on acquisition of subsidiaries	**343**	205
Imputed interest expense from consideration payable on acquisition of associates	**255**	95
Total interest	**18,208**	704
Less: Interest capitalised	**(4,654)**	—
	13,554	704

8. PROFIT BEFORE TAX

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

	2006	2005
	HK$'000	HK$'000
Cost of inventories sold	**533,498**	253,401
Allowance for obsolete inventories	**334**	—
Depreciation	**10,669**	8,682
Amortisation on prepaid lease payments	**639**	637
Minimum lease payments under operating leases in respect of land and buildings	**2,320**	2,434
Shipping and handling costs (included in selling and distribution costs)	**11,258**	7,546
Auditors' remuneration	**2,608**	764
Employee benefits expense (including directors' remuneration (note 9)):		
Wages and salaries	**31,258**	19,780
Equity-settled share option expense	**1,972**	—
Net retirement benefits scheme contributions (note 50)	**1,011**	822
	34,241	20,602
Foreign exchange differences, net	**2,099**	—
Impairment of goodwill arising from acquisition of associates*	**1,900**	—
Net rental income	**(2,539)**	(477)

* The impairment of goodwill arising from acquisition of associates is included in share of profits and losses of associates on the face of the consolidated income statement.

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	2005
	HK$'000	HK$'000
Fees	**739**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**6,397**	5,514
Performance related bonuses*	**7,970**	—
Employee share option benefits	**1,069**	—
Retirement benefits scheme contributions	**267**	227
	16,442	6,341

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the Company's operating results, individual performance of the directors and comparable market statistics during the year.

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 46 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

During the year, the Group also provided one of the leasehold properties in Hong Kong as quarters for one of the executive directors of the Company. The estimated monetary value of such accommodation, included in the amount disclosed above, using the rateable value as an approximation, is HK$600,000 (2005: HK$600,000).

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

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2006 HK$'000	2005 HK$'000
Mr. Lam Kin Fung Jeffrey	**300**	200
Mr. Lam Ping Cheung	**118**	200
Mr. Wong Wai Kwong David	**250**	200
Mr. Wong Yat Fai	**71**	—
	739	600

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

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Employee share option benefits HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006						
Executive directors:						
Mr. Cheung Chung Kiu	**—**	**—**	**—**	**—**	**—**	**—**
Dr. Lam How Mun Peter	**—**	**3,460**	**6,000**	**483**	**132**	**10,075**
Mr. Lam Hiu Lo	**—**	**—**	**—**	**—**	**—**	**—**
Mr. Leung Chun Cheong	**—**	**1,170**	**600**	**122**	**54**	**1,946**
Mr. Leung Wai Fai	**—**	**130**	**800**	**244**	**6**	**1,180**
Ms. Poon Ho Yee Agnes	**—**	**1,196**	**370**	**122**	**55**	**1,743**
Mr. Wu Hong Cho	**—**	**441**	**200**	**98**	**20**	**759**
	—	**6,397**	**7,970**	**1,069**	**267**	**15,703**
2005						
Executive directors:						
Mr. Cheung Chung Kiu	—	—	—	—	—	—
Dr. Lam How Mun Peter	—	3,200	—	—	120	3,320
Mr. Lam Hiu Lo	—	—	—	—	—	—
Mr. Leung Chun Cheong	—	1,079	—	—	50	1,129
Mr. Leung Wai Fai	—	130	—	—	6	136
Ms. Poon Ho Yee Agnes	—	1,105	—	—	51	1,156
	—	5,514	—	—	227	5,741

10. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances, and benefits in kind	**650**	1,199
Performance related incentive payments	**90**	—
Employee share option benefits	**12**	—
Retirement benefits scheme contributions	**30**	54
	782	1,253

During the year, the non-director, highest paid employee was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 46 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above remuneration disclosures.

The remuneration of the non-director, highest paid employees all fell within the band of nil to HK$1,000,000 for both of the years.

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	**9,880**	3,564
Underprovision/(overprovision) in prior years	**(7,136)**	1,553
	2,744	5,117
Deferred (note 40)	**(308)**	(743)
Total tax charge for the year	**2,436**	4,374

NOTES TO FINANCIAL STATEMENTS

31 December 2006

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Profit before tax	**633,353**	47,395
Tax at the statutory tax rate of 17.5% (2005: 17.5%)	**110,837**	8,294
Higher tax rate for specific provinces or local authority	**(11,481)**	(2,794)
Underprovision/(overprovision) of tax in prior years	**(7,136)**	1,553
Profits and losses attributable to associates	**(752)**	(912)
Income not subject to tax	**(108,320)**	(1,430)
Expenses not deductible for tax	**17,107**	73
Utilisation of tax losses brought forward from previous years	**(206)**	—
Tax losses not recognised	**1,780**	—
Others	**607**	(410)
Tax charge at the Group's effective rate of 0.38% (2005: 9.2%)	**2,436**	4,374

The share of tax attributable to associates amounting to HK$1,374,000 (2005: HK$1,217,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a profit of HK$22,552,000 (2005: HK$50,289,000) which has been dealt with in the financial statements of the Company (note 42(b)).

13. DIVIDEND

	2006	2005
	HK$'000	HK$'000
Proposed final — HK$0.05 (2005: HK$0.06) per ordinary share (as adjusted to reflect the consolidation of the Company's shares after the balance sheet date)	**90,269**	23,637

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.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the consolidation of the Company's shares after the balance sheet date (note 53(b)).

The calculation of diluted earnings per share amounts is based on the profit 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, as adjusted to reflect the consolidation of the Company's shares after the balance sheet date (note 53(b)).

The comparative amounts have been restated to reflect the consolidation of the Company's shares after the balance sheet date. A diluted earnings per share amount for the year ended 31 December 2005 has not been disclosed as no diluting events existed during that year.

The calculations of basic and diluted earnings per share are based on:

	2006	2005
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**627,871**	41,203
Interest on convertible note (note 7)	**5,147**	—
Profit attributable to ordinary equity holders of the parent before interest on convertible note	**633,018**	41,203

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (as adjusted to reflect the consolidation of the Company's shares after the balance sheet date)	**558,409,969**	393,953,687
Effect of dilution — weighted average number of ordinary shares: Convertible note	**39,841,174**	—
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**598,251,143**	393,953,687

The share options outstanding during the year had no diluting effect on the earnings per share for the year ended 31 December 2006.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture fixture and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2006									
At 31 December 2005 and at 1 January 2006:									
Cost	140,383	4,552	2,729	18,569	3,258	31,984	9,986	190	211,651
Accumulated depreciation	(7,918)	(3,529)	(1,203)	(9,761)	(1,492)	(19,464)	(6,350)	—	(49,717)
Net carrying amount	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934
At 1 January 2006, net of accumulated depreciation	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934
Additions	37,029	744	—	1,680	672	1,774	489	—	42,388
Disposal	—	—	—	(37)	(243)	—	—	—	(280)
Acquisition of subsidiaries (note 43)	71,371	—	—	752	1,058	—	—	—	73,181
Depreciation provided during the year	(3,550)	(543)	(273)	(1,806)	(706)	(2,757)	(1,034)	—	(10,669)
Exchange realignment	859	—	—	51	27	163	—	—	1,100
Transfers	190	—	—	—	—	—	—	(190)	—
At 31 December 2006, net of accumulated depreciation	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654
At 31 December 2006:									
Cost	250,009	5,296	2,729	21,015	4,772	33,921	10,475	—	328,217
Accumulated depreciation and impairment	(11,645)	(4,072)	(1,476)	(11,567)	(2,198)	(22,221)	(7,384)	—	(60,563)
Net carrying amount	238,364	1,224	1,253	9,448	2,574	11,700	3,091	—	267,654

Certain of the Group's leasehold buildings were pledged to banks to secure banking facilities granted to the Group (note 36).

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

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Electricity supply system HK$'000	Furniture fixture and equipment HK$'000	Motor vehicles 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	83,428	4,234	2,729	15,282	2,796	24,727	9,029	—	142,225
Accumulated depreciation	(5,490)	(3,089)	(930)	(8,327)	(2,011)	(17,080)	(5,262)	—	(42,189)
Net carrying amount	77,938	1,145	1,799	6,955	785	7,647	3,767	—	100,036
At 1 January 2005, net of accumulated depreciation	77,938	1,145	1,799	6,955	785	7,647	3,767	—	100,036
Additions	36,363	318	—	1,975	559	1,666	957	190	42,028
Disposal	—	—	—	(41)	(59)	(19)	—	—	(119)
Acquisition of subsidiaries (note 43)	20,240	—	—	1,406	1,014	5,518	—	—	28,178
Exchange realignment	352	—	—	25	10	106	—	—	493
Depreciation provided during the year	(2,428)	(440)	(273)	(1,512)	(543)	(2,398)	(1,088)	—	(8,682)
At 31 December 2005, net of accumulated depreciation	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934
At 31 December 2005:									
Cost	140,383	4,552	2,729	18,569	3,258	31,984	9,986	190	211,651
Accumulated depreciation and impairment	(7,918)	(3,529)	(1,203)	(9,761)	(1,492)	(19,464)	(6,350)	—	(49,717)
Net carrying amount	132,465	1,023	1,526	8,808	1,766	12,520	3,636	190	161,934

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

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

The carrying value of buildings shown above comprises:

	2006 HK$'000	2005 HK$'000
Buildings in Hong Kong:		
— held on long term leases	**87,902**	53,879
— held on medium term leases	**6,222**	6,380
	94,124	60,259
Buildings in Mainland China:		
— held on long term leases	**71,318**	—
— held on medium term leases	**72,922**	72,206
	144,240	72,206
	238,364	132,465

16. INVESTMENT PROPERTIES

	Group	
	2006 HK$'000	2005 HK$'000
Carrying amount at 1 January	**44,670**	—
Additions	**—**	44,669
Acquisition of subsidiaries (note 43)	**124,597**	—
Disposal of a subsidiary (note 45)	**(46,000)**	—
Net gain from a fair value adjustment	**4,861**	1
Exchange realignment	**134**	—
Carrying amount at 31 December	**128,262**	44,670

At 31 December 2006, the Group's investment properties were situated in Mainland China and were 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 47.

At the balance sheet date, the Group's investment properties with an aggregate carrying amount of HK$13,924,000 (2005: Nil) were pledged to secure banking facilities granted to the Group (note 36).

17. PREPAID LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**25,849**	23,404
Acquisition of subsidiaries (note 43)	**827**	2,992
Recognised during the year	**(639)**	(637)
Exchange realignment	**112**	90
Carrying amount at 31 December	**26,149**	25,849
Current portion	**(639)**	(636)
Non-current portion	**25,510**	25,213

The Group's leasehold interests in lands and a property in Mainland China are held under the following lease terms:

	Group	
	2006	2005
	HK$'000	HK$'000
Long term leases	**829**	—
Medium term leases	**25,320**	25,849
	26,149	25,849

Certain of the Group's leasehold interests in lands and a property amounting to HK$2,839,000 (2005: HK$2,404,000) were pledged to banks to secure banking facilities granted to the Group (note 36).

18. GOODWILL

	Group
	HK$'000
Cost and carrying amount:	
Acquisition of subsidiaries during the year and at 31 December 2005	34,553
At 1 January 2006	34,553
Acquisition of minority interest in a subsidiary during the year	586
At 31 December 2006	35,139

Impairment testing of goodwill

Goodwill arising from acquisitions of subsidiaries has been allocated to the cash-generating unit of the manufacture and sale of luggage products, which is a reportable segment, for impairment testing:

The recoverable amount of the cash-generating unit of the manufacture and sale of luggage products has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the management. The discount rate applied to cash flow projections is 5.53% (2005: 5.98%), while it is assumed that the unit will not have any growth in business.

18. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions were used in the value-in-use calculation of the cash-generating unit of the manufacture and sale of luggage products as at 31 December 2006 and 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is with reference to the average gross margins achieved in the year immediately before the budgeted year.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the cash-generating unit.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**159,921**	159,531

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts approximate to their fair values.

Particulars of the Company's principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Ablelink Investments Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Big Focus Limited	British Virgin Islands #	Ordinary US$1	100	Investment holding
Charm Best Investment Limited	Hong Kong	Ordinary HK$1	100	Investment holding
Chongqing Zhongyu Property Development Company Limited (重慶中渝物業發展有限公司)	PRC/Mainland China (wholly-owned foreign enterprise)	Registered US$51,000,000	100	Property development and investment

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Empire New Assets Limited	British Virgin Islands/ Hong Kong	Ordinary US$100	100	Property holding
Ensure Success Holdings Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Global Palace Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$1,000	100	Property holding
Hoi Tin Universal Limited	Hong Kong	Ordinary HK$1,000,000	60	Sale of soft luggage, travel bags, backpacks and brief cases
King Place Investments Limited	British Virgin Islands	Ordinary US$100	100	Property holding
Marvel Leader Investments Limited (note a)	British Virgin Islands#	Ordinary US$50,000	100	Investment holding
Onestep Enterprises Limited	British Virgin Islands #	Ordinary US$100	100	Investment holding
Qualipak Development Limited (note a)	British Virgin Islands #	Ordinary US$10,000	100	Investment holding
Qualipak Finance Limited	Hong Kong	Ordinary HK$2	100	Provision of financial services
Qualipak Manufacturing (China) Limited	British Virgin Islands #	Ordinary US$1	100	Investment holding
Qualipak Manufacturing Limited (note b)	Hong Kong	Ordinary HK$100 Non-voting deferred HK$22,303,857	100	Manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Starthigh International Limited	British Virgin Islands #	Ordinary US$1	100	Investment holding

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Winning Hand Management Limited	British Virgin Islands/Mainland China	Ordinary US$1	100	Property holding
Wisdom Way Limited	Hong Kong	Ordinary HK$2	100	Property holding
Worthwell Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US$50,000	100	Investment holding
Young Comfort Development Limited (Note c)	Hong Kong	Ordinary HK$10,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases
Hoi Tin Universal Travel Goods (Suzhou) Limited (海天環球旅游用品(蘇州)有限公司) (note d)	PRC/Mainland China (wholly-owned foreign enterprise)	Registered US$5,000,000	60	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases

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

Notes:

(a) Except for Qualipak Development Limited and Marvel Leader Investments Limited, the equity interests of all subsidiaries are indirectly held by the Company.

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

(c) Hoi Tin Universal Limited directly holds a 100% (2005: 75%) equity interest in Young Comfort Development Limited.

(d) Hoi Tin Universal Limited directly holds the entire interest in Hoi Tin Universal Travel Goods (Suzhou) Limited.

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.

20. INTEREST IN A JOINTLY-CONTROLLED OPERATION

The Group entered into an agreement with Chongqing Tongya Real Estate Co., Ltd. (重慶通亞房地產開發有限公司) (the "joint venture partner") for the development of a property in Mainland China. Pursuant to the terms of the agreement, the Group contributes the subject development site and the joint venture partner bears all the other development costs. At the balance sheet date, the aggregate amounts of assets and results recognised in the Group's financial statements in relation to the interest in the jointly-controlled operation are as follows:

	2006 **HK$'000**	2005 HK$'000
Assets		
Property under development	**69,343**	—
Due from a joint venture partner (note 30)	**39,676**	—
	109,019	—
Turnover	**283**	—
Profit before tax	**28**	—

21. INTERESTS IN ASSOCIATES

	Group	
	2006 **HK$'000**	2005 HK$'000
Share of net assets:		
— unlisted shares	**3,762**	7,017
Goodwill on acquisition	**29,538**	31,438
	33,300	38,455

The loans to associates are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

On 3 June 2005, the Group acquired 30% of the issued share capital of Technical International Holdings Limited ("Technical International"), a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK$33,000,000, subject to adjustment, as described in the circular of the Company dated 27 June 2005. Technical International and its subsidiaries (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 shall be satisfied in cash, of which HK$30,000,000 was paid during the year ended 31 December 2005, and the remaining balance of HK$3,000,000 shall be paid after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 3 June 2005) in 2007. Details of the carrying amount of the consideration payable are set out in note 37.

21. INTERESTS IN ASSOCIATES *(Continued)*

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

The movement of goodwill arising from acquisition of associates is set out below.

	HK$'000
Cost:	
Arising on acquisition of associates during the year ended 31 December 2005 and balance at 31 December 2005 and 2006	31,438
Impairment:	
At 31 December 2005 and 1 January 2006	—
Provided for during the year	(1,900)
At 31 December 2006	(1,900)
Carrying value:	
At 31 December 2006	29,538
At 31 December 2005	31,438

Impairment testing on goodwill arising from acquisition of associates

Due to the change in demand of knives, corkscrews and kitchenware in the current market, the Group has taken the best estimate to revise its cash flow forecast for its associates. An impairment loss of HK$1,900,000 was recognised by the Group during the year as the recoverable amount of the interests in associates determined from the value in use calculation was lower than the carrying amount of the interests in associates at 31 December 2006.

21. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Place of incorporation/ registration	Particulars of issued shares held	Percentage of ownership interest attributable to the Group	Principal activities
Technical International Holdings Limited#	British Virgin Islands	Ordinary shares of US$1 each	30%	Investment holding
Technical Development (HK) Limited#	Hong Kong	Ordinary shares of HK$1 each	30%	Design, trading and marketing of corkscrew, and kitchenware
Technical (HK) Manufacturing Limited#	Hong Kong	Ordinary shares of HK$1 each	30%	Design, trading and marketing of corkscrew, and kitchenware
Chongqing Technological City Stock Company Limited (重慶科技城有限責任公司)#	PRC	Registered RMB100,000,000	30%	Property development

\# These associates are held by wholly-owned subsidiaries of the Company, and were not audited by Ernst & Young.

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 HK$'000	2005 HK$'000
Assets	**234,556**	48,485
Liabilities	**(222,015)**	(25,095)
Revenue	**178,878**	141,303
Profit	**20,675**	17,370

22. CONVERTIBLE NOTE RECEIVABLE

	Group	
	2006	2005
	HK$'000	HK$'000
Unlisted convertible note		
— loan portion	**30,983**	14,441
— conversion option derivative — fair value	**1,743**	226
	32,726	14,667

During the year, on 7 March 2006, the Group's convertible note with a principal amount of HK$16 million was redeemed by the issuer at HK$16 million.

At 31 December 2006, the Group held an unlisted convertible note with a principal amount of HK$37,500,000, which was issued by a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The convertible note conferred rights to the bearer to convert the whole or part of the outstanding principal amount into shares of the listed company at a conversion price of HK$9.00 per share in the defined period. The interest-bearing convertible note bears interest at a rate of 2% per annum.

The convertible note can be redeemed by the issuer at its face value at any time from the date of issue until the maturity date of the convertible note, and can only be redeemed by the Group at its face value upon maturity in June 2011 to the extent of the amount not previously converted.

The fair value of the loan portion of the convertible note is determined based on an effective interest rate of 6.47% on initial recognition and the fair value of the conversion option derivative is determined using the Black-Scholes Model.

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The unlisted equity investments include the unlisted equity shares in Bank of Communication Co. Ltd. and Chongqing Commercial Bank Limited, which are entities established in Mainland China.

The unlisted equity investments of the Group were stated at cost less any impairment losses and not at fair value because they did not have quoted market price in an active market, the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**40,581**	50,211

The above investments at 31 December 2005 and 2006 were classified as held for trading.

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

25. PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	HK$'000	HK$'000
Acquisition of a subsidiary	**6,464,495**	—
Additions (including development costs and capitalised interest)	**8,549**	—
Exchange realignment	**34,206**	—
At end of the year	**6,507,250**	—
Properties under development classified as non-current assets	**6,424,561**	—
Properties under development held for sale classified as current assets	**82,689**	—
	6,507,250	—

The Group's properties under development are located in Mainland China and are held under long–term leases.

At the balance sheet date, the Group's properties under development amounting to HK$4,195,215,000 (2005: Nil) were pledged to secure banking facilities granted to the Group (note 36).

26. COMPLETED PROPERTIES FOR SALE

The Group's completed properties for sale are located in Mainland China and are held under long term leases.

27. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**32,545**	30,939
Work in progress	**36,854**	38,700
Finished goods	**21,064**	16,375
	90,463	86,014

28. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2006 **HK$'000**	2005 HK$'000
Within 1 month	**68,531**	65,204
1 to 2 months	**26,528**	19,844
2 to 3 months	**15,327**	1,760
Over 3 months	**7,133**	7,730
	117,519	94,538

Trade receivables included discounted bills with recourse of HK$34,509,000 (2005: HK$12,916,000) at 31 December 2006. The maturity date of the discounted bills with recourse is within three months from the inception date of the discounted bills.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2006 **HK$'000**	2005 HK$'000	**2006** **HK$'000**	2005 HK$'000
Prepayments	**4,789**	1,208	**752**	471
Deposits and other receivables	**74,776**	7,587	**4**	1
	79,565	8,795	**756**	472

The carrying amount of other receivables approximate to its fair value.

30. DUE FROM A JOINT VENTURE PARTNER AND DUE TO A RELATED PARTY

		Group	
	Notes	**2006** **HK$'000**	2005 HK$'000
Due from a joint venture partner	(i)	**39,676**	—
Due to a related party	(ii)	**20,013**	—

Notes:

(i) The amount comprises cash advances to and the Group's share of sales proceeds from the jointly-controlled operation received on behalf by the joint venture partner. Details of the Group's jointly-controlled operation are set out in note 20 to the financial statements.

(ii) The related party is controlled by Mr. Cheung Chung Kiu, a director of the Company.

The above balances are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate to their fair values.

31. DEPOSITS WITH BROKERAGE COMPANIES

Deposits with brokerage companies are carried at an average fixed interest rate of 2.0%. The fair values of the deposits with brokerage companies approximate to their carrying amounts.

32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2006	2005	**2006**	2005
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**215,577**	13,636	**33**	25
Time deposits		**1,096,967**	148,413	**—**	—
		1,312,544	162,049	**33**	25
Less: Pledged time deposits:					
Pledged for bank borrowings	36	**(160,756)**	(2,000)	**—**	—
Cash and cash equivalents		**1,151,788**	160,049	**33**	25

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$186,133,000 (2005: HK$6,305,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

33. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 1 month	**55,788**	47,242
1 to 2 months	**40,748**	30,347
2 to 3 months	**12,330**	1,213
Over 3 months	**24,971**	21,277
	133,837	100,079

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

34. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposit from customers	**12,765**	—	**—**	—
Other payables	**91,375**	11,153	**82**	1
Accruals	**43,713**	19,097	**7,318**	1,308
	147,853	30,250	**7,400**	1,309

Other payables are non-interest-bearing and have an average term of three months.

35. LOAN FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

The directors consider the carrying amount of the loan from minority shareholders of a subsidiary approximates to its fair value. The amount is unsecured, interest-free and has no fixed terms of repayment.

36. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Effective interest rate (%)	Maturity	2005 HK$'000
Current						
Discounted bills with recourse	5.56% to 7.13%	2007	34,509	5.26% to 7.25%	2006	12,916
Bank loans — secured	4.17% to 6.95%	2007	557,180	6.5% to 7.75%	2006	2,404
Bank loan — unsecured			—	6.5% to 6.75%	2006	128
			591,689			15,448
Non-current						
Bank loans — secured	5.85%	2009	126,295			—
			717,984			15,448
Analysed into:						
Bank loans repayable:						
Within one year or on demand			591,689			15,448
In the third to fifth years, inclusive			126,295			—
			717,984			15,448

36. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) Certain bank loans are secured by the Group's assets with aggregate values as listed below:

	Notes	**2006 HK$'000**	2005 HK$'000
Pledged assets			
Property, plant and equipment	15	**69,038**	6,379
Investment properties	16	**13,924**	—
Leasehold interest in lands and a property	17	**2,839**	2,404
Properties under development	25	**4,195,215**	—
Time deposits	32	**160,756**	2,000

(b) Other interest rate information:

	2006 HK$'000	2005 HK$'000
Fixed rate:		
Secured bank loans	**683,475**	—
Floating rate:		
Discounted bills with recourse	**34,509**	12,916
Secured bank loan	**—**	2,404
Unsecured bank loan	**—**	128
	34,509	15,448
	717,984	15,448

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

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

	2006 HK$'000	2005 HK$'000
Hong Kong dollars	**—**	128
United States dollars ("U.S. dollars")	**76,868**	12,916
Renminbi	**641,116**	2,404
	717,984	15,448

37. CONSIDERATION PAYABLE ON ACQUISITION OF ASSOCIATES

The amount represents the consideration payable on acquisition of 30% issued share capital of an associate, Technical International Holdings Limited, in prior year (note 21) and the amount bears interest at 1% per annum.

The fair value of the consideration payable on acquisition of associates is determined based on an effective interest rate of 5.98% on initial recognition.

The fair value of the consideration payable on acquisition of associates approximated to the corresponding carrying amount.

38. CONSIDERATIONS PAYABLE ON ACQUISITIONS OF SUBSIDIARIES

	2006 **HK$'000**	2005 HK$'000
Consideration payable on acquisition of:		
Starthigh International Limited (note 43)	**250,000**	—
Hoi Tin Universal Limited ("Hoi Tin") (note (a))	**5,000**	4,657
	255,000	4,657
Classified as a non-current liability	**—**	(4,657)
	255,000	—

Note:

(a) The amount represents the consideration payable on acquisition of 60% issued share capital of Hoi Tin in the prior year (note 43).

The fair value of the consideration payable on acquisition of Hoi Tin is determined based on an effective interest rate of 5.98% on initial recognition.

The fair values of the considerations payable on acquisitions of subsidiaries approximated to the corresponding carrying amounts.

39. CONVERTIBLE NOTE

On 22 September 2006, Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Thrivetrade for the issue of a HK$2,552,000,000 10-year 2% convertible note (the "Note") (see also note 43). Thrivetrade is 100% beneficially owned by Mr. Cheung Chung Kiu, a director of the Company. The Note conferred the right on the holder to convert the whole or part of the principal amount of the Note into ordinary shares of the Company at any time from 7 November 2006 (the date of issuance) for a period of ten years, at an initial conversion price of HK$0.28 per share. The Note will mature for principal repayment on 7 November 2016. The Note is interest-free in the first two years and carries interest thereafter which is accrued from the date of issue on a day-to-day basis at 2% per annum on the principal amount of the Note and is payable annually in arrears.

During the year, Thrivetrade exercised the conversion right of the Note in an aggregate amount of approximately HK$2,552,000,000, resulting in the issue of 9,114,285,710 new ordinary shares of the Company (note 41).

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. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Note issued during the year has been split as to the liability and equity components, as follows:

	HK$'000
Nominal value of the convertible note issued during the year	2,552,000
Equity component	(1,230,341)
Liability component at the issuance date	1,321,659
Interest expense (note 7)	5,147
Conversion during the year	(1,326,806)
Balance at 31 December 2006	—

The effective interest rate on the liability component of the Note is 8.75%.

40. DEFERRED TAX

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

Deferred tax liabilities

Group

	2006			
	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
At 1 January 2006	—	2,942	(192)	2,750
Acquisition of subsidiaries (note 43)	2,015,861	—	—	2,015,861
Disposal of a subsidiary (note 45)	—	(87)	—	(87)
Deferred tax charged/(credited) to the income statement during the year (note 11)	1,024	—	(1,332)	(308)
Exchange realignment	11,258	—	—	11,258
Deferred tax liabilities at 31 December 2006	2,028,143	2,855	(1,524)	2,029,474

Group

	2005		
	Depreciation allowance in excess of related depreciation HK$'000	Loss available for offsetting against future taxable profit HK$'000	Total HK$'000
At 1 January 2005	3,009	(164)	2,845
Acquisition of subsidiaries (note 43)	648	—	648
Deferred tax credited to the income statement during the year (note 11)	(715)	(28)	(743)
Deferred tax liabilities at 31 December 2005	2,942	(192)	2,750

The Group has tax losses arising in Hong Kong of HK$463,000 (2005: HK$2,037,000) and in Mainland China of HK$11,399,000 (2005: HK$4,230,000) that are available indefinitely and are due to expire within four to five years, respectively, 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 they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

41. SHARE CAPITAL

	Shares 2006 HK$'000	2005 HK$'000
Authorised:		
50,000,000,000 (2005: 10,000,000,000) ordinary shares of HK$0.01 each	**500,000**	100,000
Issued and fully paid:		
18,053,822,580 (2005: 3,939,536,870) ordinary shares of HK$0.01 each	**180,538**	39,395

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

	Note	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2005 and 1 January 2006		3,939,536,870	39,395	199,901	239,296
Share placing		3,400,000,000	34,000	898,865	932,865
Shares issued as part of consideration for acquisition of subsidiaries		1,600,000,000	16,000	712,000	728,000
Conversion of convertible note	(a)	9,114,285,710	91,143	2,466,004	2,557,147
At 31 December 2006		18,053,822,580	180,538	4,276,770	4,457,308

Note:

(a) During the year, convertible note amounting to approximately HK$2,552,000,000 was converted into 9,114,285,710 shares of the Company at a conversion price of HK$0.28 per share. Further details relating to the convertible note are set out in note 39.

Subsequent to the balance sheet date, pursuant to a special resolution passed on 10 January 2007, every ten shares of the Company of HK$0.01 each were consolidated into one share of HK$0.10 each, resulting in the number of shares of the Company at issue of 1,805,382,258 on 11 January 2007.

Share options

Details of the Company's share option scheme are set out in note 46 to the financial statements.

42. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 50 to 51.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2005		199,901	158,331	83,444	—	—	441,676
Profit for the year		—	—	50,289	—	—	50,289
Proposed final 2005 dividend	13	—	—	(23,637)	—	—	(23,637)
At 31 December 2005 and at 1 January 2006		199,901	158,331	110,096	—	—	468,328
Issue of shares	41	1,610,865	—	—	—	—	1,610,865
Issue of convertible note	39	—	—	—	1,230,341	—	1,230,341
Conversion of convertible note	41	2,466,004	—	—	(1,230,341)	—	1,235,663
Profit for the year		—	—	22,552	—	—	22,552
Proposed final 2006 dividend		—	—	(90,269)	—	—	(90,269)
Equity-settled share option arrangement	46	—	—	—	—	1,972	1,972
At 31 December 2006		4,276,770	158,331	42,379	—	1,972	4,479,452

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of Qualipak Development Limited at the date on which its shares were acquired by the Company, and the nominal value of the Company's shares issued and issuable for the acquisition.

43. BUSINESS COMBINATION

Year ended 31 December 2005

On 23 March 2005, the Group entered into a sale and purchase agreement to acquire 60% of the issued share capital of Hoi Tin Universal Limited ("Hoi Tin"), a company incorporated in Hong Kong, for a cash consideration of HK$36,000,000, subject to adjustment, as described in the circular of the Company dated 30 April 2005. The transaction was completed on 4 July 2005. Hoi Tin and its subsidiaries ("Hoi Tin Group") are engaged in the business of the design, manufacture and sale of soft luggage, travel bags, backpacks and brief cases.

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2005 *(Continued)*

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

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

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

	Notes	**Fair value recognised on acquisition** HK$'000	**Carrying amount** HK$'000
Net assets acquired:			
Property, plant and equipment	15	28,178	26,221
Prepaid lease payments	17	2,992	2,992
Inventories		29,969	29,969
Trade and other receivables		46,494	46,494
Cash and bank balances		1,308	1,308
Trade and other payables		(83,033)	(83,033)
Tax payable		(602)	(602)
Bank borrowings		(15,990)	(15,990)
Deferred tax liabilities	40	(648)	(2)
Loan from minority shareholders of a subsidiary		(4,606)	(4,606)
		4,062	2,751
Minority interests		(1,711)	
Goodwill on acquisition	18	34,553	
Total consideration		36,904	

43. BUSINESS COMBINATION *(Continued)*

	Fair value recognised on acquisition HK$'000
Satisfied by:	
Cash paid	31,000
Consideration payable on acquisition of subsidiaries	4,452
Direct expenses paid in connection with acquisition of subsidiaries	1,452
	36,904

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

	HK$'000
Cash paid	(31,000)
Direct expenses paid in connection with the acquisition	(1,452)
Cash and bank balances acquired	1,308
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(31,144)

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

If the acquisition had been completed on 1 January 2005, the total unaudited consolidated turnover and profit for the year ended 31 December 2005 of the Group would have been approximately HK$584,363,000 and HK$40,683,000, respectively.

Year ended 31 December 2006

On 22 September 2006, the Group entered into an agreement to acquire a 100% equity interest in Starthigh International Limited ("Starthigh") and its subsidiaries (the "Starthigh Group") from Thrivetrade, a company wholly owned by Mr. Cheung Chung Kiu ("Mr. Cheung"), a director of the Company (see note 51(b)). The purchase consideration per the agreement for the acquisition was HK$3,317,553,000 being as to:

(i) HK$448,000,000 to be satisfied by the issue of 1,600,000,000 of the Company's new shares at completion of the acquisition;

(ii) HK$2,552,000,000 to be satisfied by the issue of a convertible note by the Company (note 39);

(iii) a sum representing certain receivables up to the equivalent of HK$250,000,000 as may be recovered by the Group, which will only be due and payable by the Group to the vendor on a dollar-for-dollar basis (but net of all taxes, costs and expenses) within 30 days after the later of (A) the completion date of the acquisition and (B) the receipt of the receivables by the Starthigh Group from time to time; and

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2006 *(Continued)*

(iv) HK$67,553,000 to be satisfied by the assumption by the Group of certain obligations of Mr. Cheung payable to the Starthigh Group.

The fair values of the identifiable assets and liabilities of the Starthigh 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	15	73,181	46,248
Investment properties	16	124,597	124,597
Prepaid lease payments	17	827	827
Loan to an associate		5,945	5,945
Properties under development		6,383,237	402,014
Properties under development held for sale		81,258	8,640
Completed properties for sale		1,357	704
Available-for-sale equity investments		46,367	46,367
Trade receivables		454	454
Prepayments, deposits and other receivables		469,054	469,054
Due from related parties		54,602	54,602
Inventories		65	65
Pledged time deposits		157,348	157,348
Cash and bank balances		7,683	7,683
Trade and other payables		(21,220)	(21,220)
Other payables and accruals		(327,775)	(327,775)
Due to a related party		(20,080)	(20,080)
Tax payable		(9,107)	(9,107)
Bank borrowings		(789,341)	(789,341)
Deferred tax liabilities, net	40	(2,015,861)	(8,990)
		4,222,591	148,035
Excess over the cost of acquisition of subsidiaries	5	(605,038)	
Total consideration		3,617,553	

The excess over the cost of acquisition of subsidiaries was primarily due to a discount offered by the vendor, Thrivetrade, over the purchase consideration.

43. BUSINESS COMBINATION *(Continued)*

	Fair value recognised on acquisition HK$'000
Satisfied by:	
Issue of shares (note 41)	728,000#
Issue of a convertible note (note 39)	2,552,000
Consideration payable (note 38)	250,000
Assumption of the obligations of Mr. Cheung payable to the Starthigh Group	67,553
Direct expenses paid in connection with the acquisition	20,000
	3,617,553

Under HKFRS3, the fair value of the Company's shares was measured at market price at the date of exchange on 7 November 2006. Such amount is different from the above share consideration per the agreement of HK$448,000,000, which was estimated based on the market price of the Company's shares at the date of agreement.

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

	HK$'000
Direct expenses paid in connection with the acquisition	(20,000)
Cash and bank balances acquired	7,683
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(12,317)

Since its acquisition, the Starthigh Group contributed HK$283,000 to the Group's consolidated turnover and a loss of HK$716,000 to the consolidated results for the year ended 31 December 2006.

Had the combination taken place at the beginning of the year, the Group's consolidated turnover and profit for the year would have been HK$811,365,000 and HK$522,310,000, respectively.

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

(i) Part of the consideration in respect of the acquisition of subsidiaries during the year was by way of the issue of new shares and a convertible note by the Company, details of which are set out in note 43 to the financial statements.

(ii) During the year, convertible note amounting to HK$2,552,000,000 was converted into 9,114,285,710 shares of the Company at a conversion price of HK$0.28 per share (note 41).

(iii) During the year, one of the Group's listed equity investments at fair value through profit or loss with a carrying amount of approximately HK$21,250,000 was converted into a convertible note receivable of another listed company with an initial fair value of approximately HK$33,654,000.

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

(b) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to a bank to secure a banking facility granted to the Group, as further explained in notes 32 and 36.

45. DISPOSAL OF A SUBSIDIARY

	Notes	2006 HK$'000
Net assets disposed of:		
Investment property	16	**46,000**
Other receivables		**5**
Due to group companies, net		**(43,689)**
Deferred tax liabilities	40	**(87)**
		2,229
Assignment of amounts due to group companies, net, to the independent buyer		**43,689**
		45,918
Gain on disposal of a subsidiary	5	**3,082**
		49,000
Satisfied by:		
Cash		**49,000**

46. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which was adopted at the special general meeting of the Company held on 29 April 2005. During the year, 161,390,000 share options were granted under the Scheme.

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

46. SHARE OPTION SCHEME *(Continued)*

Purpose

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

Participants

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

Maximum number of shares available for subscription

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

Maximum entitlement of each participant

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

Maximum period for exercising an option

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

Basis of determining the exercise price

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

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

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

(iii) the nominal value of the shares.

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

Life of the Scheme

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

46. SHARE OPTION SCHEME *(Continued)*

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share option						Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date of options*** HK$ per share
	At 1 January 2006	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2006				
Lam How Mun	–	20,000,000	–	–	–	20,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
Peter	–	19,390,000	–	–	–	19,390,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
		39,390,000	–	–	–	39,390,000				
Leung Chun	–	5,000,000	–	–	–	5,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
Cheong	–	5,000,000	–	–	–	5,000,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
		10,000,000	–	–	–	10,000,000				
Leung Wai Fai	–	10,000,000	–	–	–	10,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
	–	10,000,000	–	–	–	10,000,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
		20,000,000	–	–	–	20,000,000				
Poon Ho Yee	–	5,000,000	–	–	–	5,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
Agnes	–	5,000,000	–	–	–	5,000,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
		10,000,000	–	–	–	10,000,000				
Wu Hong Cho	–	4,000,000	–	–	–	4,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
	–	4,000,000	–	–	–	4,000,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
		8,000,000	–	–	–	8,000,000				
Other employees										
In aggregate	–	37,000,000	–	–	–	37,000,000	11-12-2006	01-01-2008 to 31-12-2017	0.495	0.490
	–	37,000,000	–	–	–	37,000,000	11-12-2006	01-01-2009 to 31-12-2018	0.495	0.490
	–	74,000,000	–	–	–	74,000,000				
	–	161,390,000	–	–	–	161,390,000				

46. SHARE OPTION SCHEME *(Continued)*

Notes to the reconciliation of share options outstanding during the year:

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

** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital. Subsequent to the balance Sheet date, the exercise price of the share options was adjusted to HK$4.95 per share with effect from 11 January 2007 due to the implementation of consolidation of every 10 shares of HK$0.01 each into 1 share of HK$0.10 each in the share capital (the "Share Consolidation") of the Company.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options which has been adjusted to HK$4.90 per share with effect from 11 January 2007 due to the implementation of Share Consolidation of the Company.

The fair value of the share options granted during the year was HK$42,736,425 of which the Group recognised a share option expense of HK$1,972,000 during the year ended 31 December 2006.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2006:

Dividend yield (%)	1.41
Expected volatility (%)	67.845
Risk-free interest rate (%)	3.835

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 161,390,000 share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 16,139,000 additional ordinary shares of the Company and additional share capital of HK$1,613,900 and share premium of HK$78,274,150 (before issue expenses).

Subsequent to the balance sheet date, on 16 February 2007, a total of 6,000,000 share options were granted to a director of the Company in respect of his services to the Group in the forthcoming year. These share options have an exercise price of HK$4.81 per share and an exercise period ranging from 1 January 2008 to 31 December 2017. The price of the Company's shares at the date of grant was HK$4.81 per share.

At the date of approval of these financial statements, total number of shares of the Company available for issue pursuant to the Scheme was 174,538,225 (after adjustment on consolidation of the Company's shares as set out in note 53), which represented approximately 9.7% of the Company's shares in issue as at that date.

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 10 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	2005
	HK$'000	HK$'000
Within one year	**4,754**	1,464
In the second to fifth years, inclusive	**16,405**	—
	21,159	1,464

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of one to five 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	**1,668**	1,718
In the second to fifth years, inclusive	**3,580**	59
	5,248	1,777

48. COMMITMENTS

In addition to the operating lease commitments detailed in note 47(b) above, the Group had the following commitments in respect of the purchases of property, plant and equipment and property development expenditure at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**—**	1,092
Property development expenditure	**27,906**	—

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

49. 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
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:					
Subsidiaries		**—**	—	**57,800**	35,300
Associates		**12,000**	6,000	**12,000**	6,000
Guarantees in respect of mortgage facilities for certain customers	(i)	**29,740**	—	**—**	—
		41,740	6,000	**69,800**	41,300

Note:

(i) The Group provided guarantees in respect of the mortgage facilities granted by certain banks to certain purchasers of the Group's properties. Under the arrangement, in the event of default in mortgage payments by the purchasers, the Group is obliged to repay the outstanding mortgage principals together with the accrued interest and penalty owed by the purchasers to the banks.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for the guarantees has been made in the financial statements.

50. RETIREMENT BENEFITS SCHEMES

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

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

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

50. RETIREMENT BENEFIT SCHEME *(Continued)*

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

	2006 HK$'000	2005 HK$'000
Gross retirement benefits scheme contributions	**1,073**	868
Less: Forfeited contributions utilised to offset contributions	**(62)**	(46)
Net retirement benefits scheme contributions (note 8)	**1,011**	822

At 31 December 2006 and 2005, there were no forfeited contributions outstanding in the forfeiture accounts which were available to offset future employers' contributions to the scheme.

51. 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	
	Notes	**2006 HK$'000**	2005 HK$'000
Sales of goods to an associate	(i), (ii)	**112**	170
Sales of goods to a minority shareholder of a subsidiary	(ii)	**13,431**	—
Acquisition of additional interest in a subsidiary from a minority shareholder of a subsidiary	(iii)	**990**	—

Notes:

(i) The sales to an associate and a minority shareholder of a subsidiary were made according to the prices and conditions offered to the major customers of the Group.

(ii) The sales of goods were made between Hoi Tin Universal Limited, a subsidiary of the Company, and Thomas Wagner GmbH, a minority shareholder owning 25% of Young Comfort Development Limited ("Young Comfort"), a then indirectly-held and non-wholly owned subsidiary of the Company, prior to the acquisition of the remaining interest in Young Comfort by the Group as set out in note (iii) below. These transactions constitute continuing connected transactions for the Company under the Listing Rules. Details of the transactions are set out on page 43 under the section headed "Connected transactions and Continuing Connected Transactions" in the Report of the Directors.

(iii) 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 and thereafter Young Comfort has become a wholly-owned subsidiary of an indirect non-wholly subsidiary of the Company. Details of the transactions are set out on page 43 under the section headed "Connected transactions and Continuing Connected Transactions" in the Report of the Directors.

51. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

(i) On 7 November 2006, the Group completed the acquisition of Starthigh from Thrivetrade, a company wholly owned by a director, Mr. Cheung, for a consideration of HK$3,317,553,000 (note 43). This transaction also constitutes a connected transaction under the Listing Rules.

(ii) At 31 December 2006, the Group executed a guarantee amounting to HK$12,000,000 (2005: HK$6,000,000) (note 49) to a bank as securities for banking facilities granted to its associates, the Technical Group.

(iii) Details of the Group's loans to associates, and amount due from a joint venture partner and amount due to a related party as at the balance sheet date are set out in notes 21 and 30, respectively.

(c) Provision of buildings to a related party for the operation of a school at nil rental

The Group's buildings and prepaid lease payments with an aggregate carrying amount of approximately RMB15,787,000 were provided to a family member of a director of a subsidiary for the operation of a school at nil rental.

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

	2006 **HK$'000**	2005 HK$'000
Short term employee benefits	**15,373**	6,341
Share-based payments	**1,069**	—
Total compensation paid to key management personnel	**16,442**	6,341

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

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible note investments, trade and other receivables, trade and other payables, cash and bank balances, bank borrowings and short-term deposits. Details of the major financial instruments and the Group's relevant accounting policies 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's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk and will consider hedging significant interest rate risk should the need arise.

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

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 ("HK$"). On the other hand, the expenses or expenditure incurred in the operations of manufacturing plants are denominated in Renminbi ("RMB"), which expose the Group to foreign currency risk.

The Group's property development and investment business are located in Mainland China and all transactions are conducted in RMB. Most of the assets and liabilities of this business are denominated in RMB except for U.S. dollar bank loans and short term bank deposits. Fluctuations of the exchange rates of RMB against foreign currencies do not have significant effects on the Group's results.

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

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.

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 that 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 arranged bank financing for certain purchasers of property units and provided guarantees to secure the obligation of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 49.

Price risk

The Group's investments held for trading and portion of the call option embedded in investments in convertible note are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. Management manages this exposure by maintaining a well-diversified portfolio with different risk profiles.

Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents and have available funding through an adequate amount of committed credit facilities to meet its construction commitments and other business operations.

53. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 31 December 2006:

(a) Pursuant to a special resolution passed at a general meeting of the Company held on 10 January 2007, the name of the Company was changed from Qualipak International Holdings Limited to C C Land Holdings Limited.

(b) Pursuant to a special resolution passed at a general meeting of the Company held on 10 January 2007, every ten shares of the Company of HK$0.01 each were consolidated into one share of HK$0.10 each, resulting in the number of shares of the Company at issue of 1,805,382,258 on 11 January 2007.

(c) The Group entered into an agreement on 18 January 2007 to acquire a 100% equity interest and take assignment of the shareholder's loan in a company, Square Ball Ltd., for an aggregate consideration of HK$96 million. Square Ball Ltd. owns, through a 50% interest in the registered equity capital of a PRC company, the land use right over 369,960 square metre of land located in Wen Jiang District, Chengdu, Mainland China.

(d) The Group entered into an agreement on 15 February 2007 to acquire a 100% equity interest and take assignment of the shareholder's loan in a company, Dominio Mark International Limited, for an aggregate consideration of HK$171 million. Dominio Mark International Limited owns, through a 60% interest in the registered equity capital of a PRC company, the land development rights for redevelopment of approximately 902,000 square metre of land located in Xujiazhen, Dujiangyan, Chengdu, Mainland China.

54. COMPARATIVE AMOUNTS

During the year, the Group considered it more appropriate to reclassify certain income, gains and expenses information in order to better reflect the underlying nature of these income statement items. Accordingly, the relevant comparative amounts of these items on the face of the income statement and the related notes to the financial statements have been reclassified to conform with the current year's presentation.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2007.