Notes to the Accounts

For the year ended 31st December 2006

1. General information

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the accounts.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts have been approved for issue by the Board of Directors on 3rd April 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated accounts have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention as modified by the revaluation of investment properties, financial assets and liabilities at fair value through profit or loss.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, are disclosed in note 4 to the accounts.

(a) *Standards, amendments and interpretations effective in 2006*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2006 but are not relevant or do not have significant impact to the Group:

- HKAS 19 Amendment – Actuarial gains and losses, group plans and disclosures;
- HKAS 21 Amendment – Net investment in a foreign operation;
- HKAS 39 Amendment – Cash flow hedge accounting of forecast intragroup transactions;
- HKAS 39 Amendment – The fair value option;
- HKAS 39 and HKFRS 4 Amendment – Financial guarantee contracts;
- HKFRS 6 Exploration for and evaluation of mineral resources;
- HKFRS 1 Amendment – First-time adoption of international financial reporting standards and HKFRS 6 Amendment – Exploration for and evaluation of mineral resources;
- HK(IFRIC)-Int 4 – Determining whether an arrangement contains a lease;
- HK(IFRIC)-Int 5 – Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds;
- HK(IFRIC)-Int 6 – Liabilities arising from participating in a specific market – waste electrical and electronic equipment.

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) *Standards, amendment and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st May 2006 or later periods that the Group has not early adopted:

HKFRS 7, Financial instruments: Disclosures, and the complementary amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures, are effective for annual periods beginning on or after 1st January 2007. HKFRS 7 introduces new disclosures relating to financial instruments. The Group will apply HKFRS 7 from 1st January 2007, but it is not expected to have any impact on the classification and valuation of the Group's financial instruments;

HKFRS 8, Operating Segments, is effective for annual periods beginning on or after 1st January 2009. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. The Group will apply HKFRS 8 from 1st January 2009;

HK(IFRIC)-Int 8, Scope of HKFRS 2, is effective for annual periods beginning on or after 1st May 2006. HK (IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1st January 2007, but it is not expected to have any impact on the Group's consolidated accounts;

HK(IFRIC)-Int 10, Interim financial reporting and impairment, is effective for annual periods beginning on or after 1st November 2006. HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1st January 2007, but it is not expected to have any impact on the Group's accounts; and

HK(IFRIC)-Int 11, HKFRS 2 – Group and treasury share transactions, is effective for annual periods beginning on or after 1st March 2007. HK(IFRIC)-Int 11 requires that certain types of transactions are accounted for as equity-settled or cash-settled transactions under HKFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group. The Group will apply HK(IFRIC)-Int 11 from 1st January 2008, but it is not expected to have any impact to the Group's consolidated accounts.

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st March 2006 or later periods but are not relevant to the Group's operations:

HK(IFRIC)-Int 7, Applying the restatement approach under HKAS 29, Financial Reporting in Hyperinflationary Economies, is effective for annual periods beginning on or after 1st March 2006. HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) *Interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)*

HK(IFRIC)-Int 9, Reassessment of embedded derivatives, is effective for annual periods beginning on or after 1st June 2006. HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment if required. As none of the group entities have changed the terms of their contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

HK(IFRIC)-Int 12, Service concession arrangements, is effective for annual periods beginning on or after 1st January 2008. HK(IFRIC)-Int 12 provides guidance on the accounting by operators in public-to-private service concession arrangements. As none of the group entities have service concession arrangements, HK(IFRIC)-Int 12 is not relevant to the Group's operations.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less any provision for impairment losses (note 2.7). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting format is by business segment and the secondary segment reporting is by geographical segment.

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currencies"). The consolidated accounts are presented in Hong Kong dollars.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the profit and loss account as part of the gain or loss on sale.

2.5 Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.6. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	20%

Construction-in-progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalized during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

2. Summary of significant accounting policies *(continued)*

2.6 Investment properties *(continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognized in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the profit and loss account.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Property under development held for sale

Property under development held for sale comprises prepayments for leasehold land and land use rights and development expenditure. In the course of property development, the amortization charge of leasehold land and land use rights is included as part of the costs of the property under development.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2. Summary of significant accounting policies *(continued)*

2.10 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the profit and loss account within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss account.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.12 Share Capital

Ordinary shares are classified as equity.

2.13 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Employee leave entitlements

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

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

2. Summary of significant accounting policies *(continued)*

2.15 Employee benefits *(continued)*

(b) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) *Pension obligations*

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) *Sales of goods – wholesale*

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) *Sales of goods – retail*

Sales of goods are recognized when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

(c) *Gross rental income from investment properties*

Gross rental income from investment properties is recognized on a straight line basis over the periods of the respective leases.

(d) *Licensing income and building management fee*

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) *Interest income*

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

2. Summary of significant accounting policies *(continued)*

2.17 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

2.18 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

3. Financial risk management – financial risk factors

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

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas.

(a) Foreign exchange risk

The Group operates in various regions and is exposed to foreign exchange risk primarily arising from net investments in foreign subsidiaries in China Mainland and Singapore. Currency exposures with respect to the Singapore dollar and Renminbi are considered minimal as the exchange of these two currencies against the Hong Kong dollar did not materially fluctuate.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from the bank deposits. Apart from the bank deposits, the Group has no significant interest bearing assets or liabilities.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(d) Liquidity risk

The Group maintains flexibility in funding by keeping committed credit lines available.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) *Useful lives and residual values of property, plant and equipment*

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(c) *Write-downs of inventories to net realizable value*

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimate are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(d) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

4. Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Estimate of fair value of investment properties (continued)

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

5. Segment information

Primary reporting format – business segment

At 31st December 2006, the Group is organized into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name

Property investments and development – Investments in and development of properties in China Mainland, Hong Kong SAR and Singapore

An analysis of the Group's segment information by business segment is as follows:

	2006				2005			
	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000	Apparel HK$'000	Property investments and development HK$'000	Elimination HK$'000	Group HK$'000
Results								
Turnover	728,590	69,711	–	798,301	569,390	60,193	–	629,583
Inter-segment sales	–	737	(737)	–	–	658	(658)	–
	728,590	70,448	(737)	798,301	569,390	60,851	(658)	629,583
Segment results	147,561	104,607		252,168	96,103	109,806		205,909
Unallocated costs				(23,845)				(25,565)
Profit before income tax				228,323				180,344
Income tax expense				(61,471)				(43,279)
Profit for the year				166,852				137,065
Assets								
Segment assets	604,001	1,271,197		1,875,198	471,544	1,125,305		1,596,849
Unallocated assets				136,446				267,001
Total assets				2,011,644				1,863,850
Liabilities								
Segment liabilities	162,440	43,900		206,340	141,245	30,377		171,622
Unallocated liabilities				141,540				124,323
Total liabilities				347,880				295,945
Other information								
Capital expenditure	9,354	1,901		11,255	11,465	91,960		103,425
Depreciation of property, plant and equipment	11,408	1,114		12,522	10,764	1,413		12,177
Amortization of leasehold land and land use rights	3,252	431		3,683	3,628	431		4,059
Impairment for property, plant and equipment	2,729	–		2,729	–	–		–
Impairment for inventories	1,277	–		1,277	1,538	–		1,538
Impairment for trade receivables	520	–		520	165	–		165

5. Segment information *(continued)*

Primary reporting format – business segment *(continued)*

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate cash funds. Segment liabilities comprise operating liabilities and exclude items such as accruals for corporate expenses. Capital expenditure comprises additions to investment properties and property, plant and equipment.

Secondary reporting format – geographical segment

The Group mainly operates in the following three geographical areas:

China Mainland – Apparel, and property investments and development

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

In respect of geographical segment reporting, sales are based on the countries in which the group companies operate and total assets and capital expenditure are where the assets are located.

An analysis of the Group's segment information by geographical segment is as follows:

	2006			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	643,506	229,116	1,374,402	6,827
Hong Kong SAR	41,608	11,465	527,884	3,154
Singapore and Malaysia	111,720	14,466	98,633	1,272
Other countries	1,467	(2,879)	10,725	2
	798,301	252,168	2,011,644	11,255
Unallocated costs		(23,845)		
Profit before income tax		228,323		
Income tax expense		(61,471)		
Profit for the year		166,852		

5. Segment information *(continued)*

Secondary reporting format – geographical segment *(continued)*

	2005			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	499,136	162,343	1,205,155	90,341
Hong Kong SAR	39,724	35,821	571,810	12,081
Singapore and Malaysia	89,384	10,405	76,702	1,000
Other countries	1,339	(2,660)	10,183	3
	629,583	205,909	1,863,850	103,425
Unallocated costs		(25,565)		
Profit before income tax		180,344		
Income tax expense		(43,279)		
Profit for the year		137,065		

Analysis of turnover by category

	2006 HK$'000	2005 HK$'000
Sales of goods	**695,513**	538,839
Gross rental income from investment properties *(note)*	**62,018**	54,589
Building management fee	**7,694**	5,604
Licensing income	**33,076**	30,551
	798,301	629,583

Note: Rental income less outgoings for the year is HK$50,966,000 (2005: HK$44,702,000).

6. Leasehold land and land use rights – Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2006 HK$'000	2005 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**102,554**	105,167
Outside Hong Kong, held on:		
Leases of over 50 years	**744**	789
Leases of between 10 to 50 years	**9,869**	13,738
	113,167	119,694

	2006 HK$'000	2005 HK$'000
At 1st January	**119,694**	127,964
Exchange difference	**428**	367
Transfer to property under development held for sale	**(3,272)**	–
Disposal	**–**	(4,578)
Amortization of prepaid operating lease payment	**(3,683)**	(4,059)
At 31st December	**113,167**	119,694

7. Property, plant and equipment – Group

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2005							
Cost	146,445	–	16,131	49,346	10,946	11,187	234,055
Accumulated depreciation	(47,431)	–	(14,640)	(48,563)	(9,086)	(6,210)	(125,930)
Net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Year ended 31st December 2005							
Opening net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Additions	177	1,818	2,419	4,928	1,187	2,065	12,594
Disposals	(3,835)	–	–	(19)	(57)	(93)	(4,004)
Transfer from investment properties *(note 8)*	3,734	–	–	–	–	–	3,734
Depreciation	(6,398)	–	(1,042)	(2,214)	(940)	(1,583)	(12,177)
Exchange differences	1,263	–	34	(5)	13	(7)	1,298
Closing net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
At 31st December 2005							
Cost	146,004	1,818	18,864	51,298	10,874	12,449	241,307
Accumulated depreciation	(52,049)	–	(15,962)	(47,825)	(8,811)	(7,090)	(131,737)
Net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
Year ended 31st December 2006							
Opening net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
Additions	–	1,524	2,380	3,027	1,507	2,817	11,255
Disposals	–	–	–	(115)	(8)	(109)	(232)
Transfer	3,249	(3,249)	–	–	–	–	–
Transfer to property under development held for sale	–	(146)	–	–	–	–	(146)
Depreciation	(6,120)	–	(1,651)	(1,856)	(911)	(1,984)	(12,522)
Impairment charges	–	–	–	(2,488)	(241)	–	(2,729)
Exchange differences	2,595	53	110	141	42	154	3,095
Closing net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291
At 31st December 2006							
Cost	153,197	–	21,818	54,394	12,209	13,626	255,244
Accumulated depreciation and impairment	(59,518)	–	(18,077)	(52,212)	(9,757)	(7,389)	(146,953)
Net book amount	93,679	–	3,741	2,182	2,452	6,237	108,291

Included in buildings are properties with aggregate net book value of HK$28,531,000 as at 31st December 2006 (2005: HK$26,771,000) located in China Mainland in respect of which management is in the process to obtain the title documents from the relevant government authorities.

Depreciation expense of HK$2,459,000 (2005: HK$1,485,000) has been expensed in cost of sales, HK$1,703,000 (2005: HK$1,335,000) in selling and marketing costs and HK$8,360,000 (2005: HK$9,357,000) in administrative expenses.

8. Investment properties – Group

	2006 HK$'000	2005 HK$'000
At 1st January	**1,034,835**	937,558
Additions	**–**	90,831
Disposals	**(6,000)**	(29,000)
Reversal	**(116)**	–
Transfer to property, plant and equipment *(note 7)*	**–**	(3,734)
Fair value gains	**60,283**	39,255
Exchange differences	**–**	(75)
At 31st December	**1,089,002**	1,034,835

The investment properties were revalued at 31st December 2006 by Mr. Ng Sai Hee and Knight Frank Pte Limited, independent professional valuers, for properties located in China Mainland and Hong Kong SAR, and for property located in Singapore, respectively. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties are analyzed as follows:

	2006 HK$'000	2005 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**61,200**	54,600
Leases of between 10 to 50 years	**213,300**	195,950
Outside Hong Kong, held on:		
Freehold	**7,662**	6,300
Leases of over 50 years	**11,800**	16,445
Leases of between 10 to 50 years	**795,040**	761,540
	1,089,002	1,034,835

Included in investment properties is a property with a total net book value of HK$729,840,000 as at 31st December 2006 (2005: HK$695,540,000) which represents the Group's interests in a commercial complex, named as Goldlion Digital Network Centre, situates at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC. A portion of the Group's interest in Goldlion Digital Network Centre with a total net book value of HK$625,800,000 at 31st December 2006 (2005: HK$602,700,000) (the "Designated Property"), were acquired by the Group in 1994 through a series of contractual arrangements with Goldlion Property Development Limited ("GPDL"), a company beneficially owned by the Tsang Family Trust, a discretionary trust established by Dr. Tsang Hin Chi, the discretionary objects of which are members of his family including Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, all of them are executive Directors of the Company. The legal title of the Designated Property is registered in the name of Guangzhou Goldlion City Properties Company Limited ("GGCPL"). In this regard, Dr. Tsang Hin Chi and GPDL have executed an indemnity in favour of the Group as a measure to safeguard the Group's interest in the Designated Property. Accordingly, the Directors are of the opinion that the Group has the satisfactory entitlements and the rights in the Designated Property as of 31st December 2006. Subsequent to the balance sheet date, as more fully described in Note 30, the Group will wholly control GGCPL effectively through the acquisition of the entire equity interest in Joint Corporation Limited and consequently, upon completion of the transaction described in Note 30, the Group will have the legal title over the Designated Property.

9. Subsidiaries – Company

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries	**1,265,272**	1,150,815
	1,265,282	1,150,825

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Amounts due to a subsidiary is unsecured, interest free and repayable on demand.

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
[3]China Silverlion Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	RMB3,613,724	100%	90%
[3]Goldlion (China) Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	99.25%	99.25%
[3]Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,934,000	98.92%	98.82%
[2]Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	100%	100%
[2]Goldion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of accessories in Malaysia	1,200,000 ordinary shares of MYR1 each	100%	100%

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For the year ended 31st December 2006

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	250,000 ordinary shares totally EUR127,823	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	2 ordinary shares of HK$100 each and 500,000 non-voting deferred shares of HK$100 each	100%	100%
[1]Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	2 ordinary shares of HK$1 each	100%	100%
[3]Guangzhou Goldlion Environmental Technology Co. Limited	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	50,000 ordinary shares of US$1 each	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	100%	100%

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Group equity Interest 2006	Group equity Interest 2005
[3]Shenyang Goldlion Commercial Mansion Limited	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	100%	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
Wise Planner Limited	Hong Kong Limited liability company	Teahouse, hair salon and restaurant operation in Hong Kong	2 ordinary shares of HK$1 each	100%	100%
[3]Meizhou Goldlion Corporate Clothing Limited	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$5,000,000	100%	100%
[3]Meizhou Goldlion Properties Development Limited	PRC Limited liability company	Property development in the PRC	HK$50,000,000	100%	100%
[3]Guangzhou Silver Dip Property Management Co. Limited	PRC Limited liability company	Property management in the PRC	HK$1,000,000	100%	–

1 Subsidiary held directly by the Company
2 Subsidiaries not audited by PricewaterhouseCoopers
3 English names of the subsidiaries are direct translations of their Chinese registered names

10. Property under development held for sale – Group

The Group's interests in property under development held for sale are analyzed as follows:

	2006 HK$'000	2005 HK$'000
Leasehold land and land use right	**9,698**	–
Development costs	**13,670**	–
	23,368	–

	2006 HK$'000	2005 HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**18,058**	–
Leases of between 10 to 50 years	**5,310**	–
	23,368	–

11. Inventories – Group

	2006 HK$'000	2005 HK$'000
Raw materials	**4,823**	3,252
Work in progress	**9,433**	4,978
Finished goods	**64,593**	65,867
	78,849	74,097

The cost of inventories recognized as expense and included in cost of sales amounted to HK$314,581,000 (2005: HK$258,873,000).

The Group reversed HK$8,134,000 (2005: HK$4,862,000) of a previous years' inventory write-down. The amount reversed has been included in cost of sales in the profit and loss account.

12. Trade receivables – Group

	2006 HK$'000	2005 HK$'000
Trade receivables	**36,021**	33,427
Less: provision for impairment loss	**(1,068)**	(3,714)
	34,953	29,713

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2006, the ageing analysis of the trade receivables, net of provision, was as follows:

	2006 HK$'000	2005 HK$'000
1 – 30 days	**26,751**	22,080
31 – 90 days	**8,202**	7,633
	34,953	29,713

The carrying amounts of trade receivables approximate to their fair values.

The carrying amount of the Group's trade receivables are denominated in the following currencies:

	2006 HK$'000	2005 HK$'000
Singapore dollars	**25,241**	21,315
Renminbi	**7,866**	4,639
Hong Kong dollars	**1,565**	3,249
Euro	**281**	510
	34,953	29,713

13. Cash and bank balances

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Cash at bank and in hand	**66,263**	33,623	**75**	71
Fixed deposits with maturities less than 3 months	**295,641**	317,287	**–**	–
Fixed deposits with maturities over 3 months	**157,072**	94,975	**–**	–
Cash and bank balances as stated in the balance sheets	**518,976**	445,885	**75**	71
Less: Fixed deposits with maturities over 3 months	**(157,072)**	(94,975)		
Cash and cash equivalents as stated in the consolidated cash flow statement	**361,904**	350,910		

Cash and bank balances in the balance sheets are denominated in the following currencies:

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Renminbi	**368,770**	240,288	**–**	–
Hong Kong dollars	**84,853**	147,171	**75**	71
US dollars	**34,820**	33,065	**–**	–
Singapore dollars	**28,213**	24,037	**–**	–
Euro	**2,320**	1,324	**–**	–
	518,976	445,885	**75**	71

The effective interest rates on fixed deposits were ranging from 1.62% to 5.17% (2005: 0.56% to 4.15%); these deposits have maturities within 6 months.

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China Mainland government.

14. Share capital

	2006 HK$'000	2005 HK$'000
Authorized:		
1,200,000,000 (2005: 1,200,000,000) shares of HK$0.10 each	**120,000**	120,000
Issued and fully paid:		
937,114,035 (2005: 937,114,035) shares of HK$0.10 each	**93,711**	93,711

At the Extraordinary General Meeting of the Company held on 21st May 2002, a share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2005: Nil) under the New Option Scheme.

15. Reserves

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Exchange reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2005	929,312	(33,738)	484	27,801	(8,572)	915,287	475,653	1,390,940
Currency translation differences	–	–	–	–	8,263	8,263	–	8,263
Transfer from capital reserves to retained earnings	–	9,970	–	–	–	9,970	(9,970)	–
Appropriation to other reserves	–	–	–	3,283	–	3,283	(3,283)	–
2004 final dividend paid	–	–	–	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	–	–	–	(26,239)	(26,239)
Profit for the year	–	–	–	–	–	–	136,201	136,201
Balance at 31st December 2005	929,312	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680
Representing:								
Reserves	929,312	(23,768)	484	31,084	(309)	936,803	482,399	1,419,202
2005 final dividend proposed	–	–	–	–	–	–	52,478	52,478
	929,312	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680
Balance at 1st January 2006	929,312	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680
Currency translation differences	–	–	–	–	14,304	14,304	–	14,304
2005 final dividend paid	–	–	–	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	–	–	–	166,161	166,161
Balance at 31st December 2006	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742
Representing:								
Reserves	929,312	(23,768)	484	31,084	13,995	951,107	555,786	1,506,893
2006 final dividend proposed	–	–	–	–	–	–	61,849	61,849
	929,312	(23,768)	484	31,084	13,995	951,107	617,635	1,568,742

Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the Directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

15. Reserves *(continued)*

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
At 1st January 2005	929,312	484	929,796	191,942	1,121,738
2004 final dividend paid	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	(26,239)	(26,239)
Loss for the year	–	–	–	(2,504)	(2,504)
31st December 2005	929,312	484	929,796	125,714	1,055,510
Representing:					
Reserves	929,312	484	929,796	73,236	1,003,032
2005 final dividend proposed	–	–	–	52,478	52,478
	929,312	484	929,796	125,714	1,055,510
At 1st January 2006	929,312	484	929,796	125,714	1,055,510
2005 final dividend paid	–	–	–	(52,478)	(52,478)
2006 interim dividend paid	–	–	–	(30,925)	(30,925)
Profit for the year	–	–	–	197,584	197,584
31st December 2006	929,312	484	929,796	239,895	1,169,691
Representing:					
Reserves	929,312	484	929,796	178,046	1,107,842
2006 final dividend proposed	–	–	–	61,849	61,849
	929,312	484	929,796	239,895	1,169,691

16. Trade payables – Group

At 31st December 2006, the ageing analysis of the trade payables was as follows:

	2006 HK$'000	2005 HK$'000
1 – 30 days	**22,465**	17,219
31 – 90 days	**5,569**	5,042
Over 90 days	**86**	1,142
	28,120	23,403

The carrying amount of the Group's trade payables are denominated in the following currencies:

	2006 HK$'000	2005 HK$'000
Singapore dollars	**13,352**	8,948
Renminbi	**13,045**	11,877
Hong Kong dollars	**1,622**	2,341
Euro	**101**	237
	28,120	23,403

The carrying amounts of trade payables approximate to their fair value.

17. Deferred income tax – Group

The gross movement on the deferred income tax account of the Group is as follows:

	2006 HK$'000	2005 HK$'000
At 1st January	**75,101**	65,896
Deferred taxation charged to consolidated profit and loss account *(note 22)*	**24,471**	9,205
At 31st December	**99,572**	75,101

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$438,530,000 (2005: HK$391,824,000), of which HK$110,248,000 (2005: HK$94,763,000) is subject to agreement by relevant tax authorities, to carry forward against future taxable income. HK$413,897,000 of unrecognized tax losses (2005: HK$322,147,000) have no expiry date and the remaining losses will expire at various dates up to and including 2011.

17. Deferred income tax – Group *(continued)*

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities	Accelerated taxation depreciation		Fair values gains		Others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**20,541**	13,459	**95,116**	87,369	**3,616**	3,919	**119,273**	104,747
Charged/(credited) to consolidated profit and loss account	**2,030**	7,082	**9,294**	7,747	**7,892**	(303)	**19,216**	14,526
At 31st December	**22,571**	20,541	**104,410**	95,116	**11,508**	3,616	**138,489**	119,273

Deferred income tax assets	Provisions		Tax losses		Others		Total	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**(24,795)**	(23,119)	**(5,149)**	(5,711)	**(14,228)**	(10,021)	**(44,172)**	(38,851)
Charged/(credited) to consolidated profit and loss account	**1,199**	(1,676)	**2,242**	562	**1,814**	(4,207)	**5,255**	(5,321)
At 31st December	**(23,596)**	(24,795)	**(2,907)**	(5,149)	**(12,414)**	(14,228)	**(38,917)**	(44,172)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2006 HK$'000	2005 HK$'000
Deferred income tax assets	**(22,553)**	(30,844)
Deferred income tax liabilities	**122,125**	105,945
	99,572	75,101

18. Expenses by nature

	2006 HK$'000	2005 HK$'000
Cost of goods sold	**314,581**	258,873
Impairment loss for inventories	**1,277**	1,538
Direct operating expenses arising from investment properties	**11,052**	9,887
Operating lease rentals – land and buildings	**24,350**	19,429
Amortization of leasehold land and land use rights *(note 6)*	**3,683**	4,059
Depreciation of property, plant and equipment *(note 7)*	**12,522**	12,177
Impairment loss on property, plant and equipment *(note 7)*	**2,729**	–
Staff costs including Directors' emoluments *(note 19)*	**122,113**	96,213
Auditors' remuneration	**1,841**	1,589
Advertising and promotion expenses	**78,638**	63,879
Net exchange gain	**(1,005)**	(8)
Other expenses	**68,476**	54,986
	640,257	522,622
Representing:		
Cost of sales	**326,910**	270,298
Selling and marketing costs	**179,247**	143,850
Administrative expenses	**134,100**	108,474
	640,257	522,622

19. Staff costs, including Directors' emoluments

	2006 HK$'000	2005 HK$'000
Staff costs		
– Wages and salaries	**112,621**	88,358
– Retirement benefit costs *(note 20)*	**9,492**	7,855
	122,113	96,213

20. Retirement benefit costs

	2006 HK$'000	2005 HK$'000
Defined contribution schemes for:		
Hong Kong employees *(note (a))*	**796**	756
Singapore employees *(note (b))*	**2,719**	2,222
China Mainland employees *(note (c))*	**5,977**	4,877
	9,492	7,855

20. Retirement benefit costs *(continued)*

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$796,000 (2005: HK$758,000) without any forfeited contributions (2005: HK$2,000). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK$130,000 (2005: HK$122,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2005: Nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$2,719,000 (2005: HK$2,222,000). Contributions totalling HK$1,353,000 (2005: HK$1,421,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2005: Nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2005: Nil) to the municipal governments at the year end.

21. Directors' and senior management's emoluments

(a) The remuneration of every Director for the year ended 31st December 2006:

Name of Director	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Others benefits[1] HK$'000**	**Employer's contribution to pension scheme HK$'000**	**Total HK$'000**
Dr. Tsang Hin Chi	**–**	**3,900**	**3,374**	**490**	**–**	**7,764**
Mr. Tsang Chi Ming, Ricky	**–**	**2,870**	**1,602**	**–**	**12**	**4,484**
Mdm. Wong Lei Kuan	**–**	**1,452**	**841**	**17**	**–**	**2,310**
Mr. Ng Ming Wah, Charles	**180**	**–**	**–**	**–**	**–**	**180**
Dr. Wong Yu Hong, Philip [2]	**131**	**–**	**–**	**–**	**–**	**131**
Dr. Lau Yue Sun	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Wong Ying Ho, Kennedy	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Yin, Richard Yingneng [3]	**41**	**–**	**–**	**–**	**–**	**41**

The remuneration of every Director for the year ended 31st December 2005:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits[1] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	–	3,556	3,020	375	–	6,951
Mr. Tsang Chi Ming, Ricky	–	2,841	1,407	–	16	4,264
Mdm. Wong Lei Kuan	–	1,452	745	11	–	2,208
Mr. Ng Ming Wah, Charles	120	–	–	–	–	120
Dr. Wong Yu Hong, Philip	120	–	–	–	–	120
Dr. Lau Yue Sun	120	–	–	–	–	120
Mr. Wong Ying Ho, Kennedy	120	–	–	–	–	120

Notes:

(1) Other benefits include leave pay, insurance premium and club membership.
(2) Resigned on 22nd September 2006.
(3) Appointed on 9th October 2006.

21. Directors' and senior management's emoluments *(continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year included three (2005: three) Directors whose emoluments are reflected in the analysis presented in 21(a) above. The emoluments payable to the remaining two (2005: two) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, housing and other allowances	**5,743**	5,943
Bonuses	**4,624**	2,366
Retirement benefit costs	**230**	503
	10,597	8,812

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument bands		
HK$2,000,001 – HK$2,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
HK$6,500,001 – HK$7,000,000	**–**	1
HK$7,000,001 – HK$7,500,000	**1**	–

(c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

22. Income tax expense

	2006 HK$'000	2005 HK$'000
Taxation outside Hong Kong		
Current year	**36,975**	34,719
Under provision in prior years	**25**	89
Tax refund	**–**	(734)
	37,000	34,074
Deferred income tax *(note 17)*	**24,471**	9,205
Total income tax expense	**61,471**	43,279

Hong Kong profit tax has not been provided as there is no estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

22. Income tax expense *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2006 **HK$'000**	2005 HK$'000
Profit before income tax	**228,323**	180,344
Calculated at a tax on rate of 17.5%	**39,957**	31,560
Effect of different taxation rates in other countries	**23,355**	16,730
Income not subject to tax	**(7,271)**	(6,461)
Expenses not deductible for tax purposes	**1,748**	705
Utilization of previously unrecognized tax losses	**(2,481)**	(2,378)
Tax loss for which no deferred income tax asset has recognized	**6,152**	8,264
Recognition of previously unrecognized deferred tax assets	**(721)**	(3,911)
De-recognition of previously recognized deferred tax assets	**615**	–
Tax refund due to re-investment in the PRC	**–**	(734)
Others	**117**	(496)
Total income tax expense	**61,471**	43,279

In March 2007, the new PRC Enterprise Income Tax Law (the "Law") was enacted and will become effective from 2008. The Law provides that all PRC enterprises will generally be subject to a standard Corporate Income Tax rate of 25%. However, the Law also provides that preferential tax rates and other tax incentives are to be applied to certain prescribed industries and activities, which are yet to be promulgated by the State Council. The Group will evaluate the impact of the Law on the operating results and the financial position of the Group when more detailed regulations are known.

23. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt within the accounts of the Company to the extent of HK$197,584,000 (2005: loss of HK$2,504,000).

24. Dividends

	2006 HK$'000	2005 HK$'000
2005 interim dividend, paid, of 2.8 HK cents per ordinary share	**–**	26,239
2005 final dividend, paid, of 5.6 HK cents per ordinary share	**–**	52,478
2006 interim dividend, paid, of 3.3 HK cents per ordinary share	**30,925**	–
2006 final dividend, proposed, of 6.6 HK cents per ordinary share *(Note)*	**61,849**	–
	92,774	78,717

Note: At a meeting held on 3rd April 2007, the Directors declared a final dividend of 6.6 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

25. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$166,161,000 (2005: HK$136,201,000) and the of 937,114,035 (2005: 937,114,035) shares in issue during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2006 and 2005.

26. Consolidated cash flow statement

(a) Reconciliation of profit for the year to cash generated from operations:

	2006 HK$'000	2005 HK$'000
Profit for the year	**166,852**	137,065
Adjustments for:		
– Income tax expense *(note 22)*	**61,471**	43,279
– Amortization of leasehold land and land use rights *(note 6)*	**3,683**	4,059
– Depreciation of property, plant and equipment *(note 7)*	**12,522**	12,177
– Interest income	**(12,426)**	(8,964)
– Loss/ (profit) on disposal of investment properties *(note (i))*	**2,430**	(25,791)
– (Profit)/ loss on disposal of leasehold land and land use rights and property, plant and equipment *(note (ii))*	**(8)**	641
– Reversal of investment properties *(note 8)*	**116**	–
– Fair value gains on investment properties *(note 8)*	**(60,283)**	(39,255)
– Impairment loss on property, plant and equipment *(note 7)*	**2,729**	–
– Loss on redemption of minority interest in a subsidiary *(note 26(b))*	**442**	–
Changes in working capital:		
– Inventories	**(4,752)**	11,297
– Trade receivables, prepayments and deposits	**(8,513)**	8,714
– Trade and other payables and accruals	**43,745**	17,621
Net cash generated from operations	**208,008**	160,843

26. Consolidated cash flow statement *(continued)*

(a) Reconciliation of profit for the year to cash generated from operations: *(continued)*

Notes:

(i) Sale of investment properties

	2006 HK$'000	2005 HK$'000
Net book amount *(note 8)*	**6,000**	29,000
(Loss)/profit on sale of investment properties	**(2,430)**	25,791
Net proceeds received	**3,570**	54,791

(ii) Sale of leasehold land and land use rights and property, plant and equipment

	2006 HK$'000	2005 HK$'000
Net book amount	**232**	8,583
Profit/(loss) on sale of leasehold land and land use rights and property, plant and equipment	**8**	(641)
Net proceeds received	**240**	7,942

(b) Analysis of changes in financing during the year

	Dividends payable		Minority interest	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
At 1st January	**–**	–	**2,514**	2,494
Consideration paid for redemption of minority interest	**–**	–	**(781)**	–
Loss on redemption of minority interest	**–**	–	**442**	–
Minority interest in share of results	**–**	–	**691**	864
Dividends declared	**83,403**	63,724	**–**	–
Dividends paid	**(83,403)**	(63,724)	**–**	–
Dividends paid to minority shareholders	**–**	–	**(1,555)**	(844)
At 31st December	**–**	–	**1,311**	2,514

27. Contingent liabilities – Company

	2006 HK$'000	2005 HK$'000
Guarantees for credit facilities given to subsidiaries	**166,056**	163,669

At 31st December 2006, there is no utilized amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company (2005: Nil).

28. Commitments – Group

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2006 HK$'000	2005 HK$'000
Property under development held for sale		
Contracted but not provided for	**81,255**	–
Property, plant and equipment		
Contracted but not provided for	**–**	2,317
	81,255	2,317

(b) At 31st December 2006, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2006 HK$'000	2005 HK$'000
Rental receivables		
– not later than one year	**58,083**	44,924
– later than one year and not later than five years	**75,803**	69,273
– later than five years	**16,214**	22,227
	150,100	136,424
Rental payables		
– not later than one year	**9,650**	11,343
– later than one year and not later than five years	**6,884**	8,072
	16,534	19,415

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

29. Related party transactions – Group

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan) which collectively controlled approximately 66.64% of the Company's issued shares. The remaining 33.36% are widely held.

During the year, the following significant transactions were carried out with related parties:

		Note	**2006 HK$'000**	2005 HK$'000
(a)	Sales of services			
	Rentals received from related companies	*(i) & (v)*	**2,633**	2,242
(b)	Purchases of services			
	Building management fees paid to a related company	*(ii)*	**579**	648
	Professional fees paid to a related company	*(iii)*	**670**	700
	Rental paid to a related company	*(iv)*	**984**	947
	Acquisition of investment properties from a related company and a related party	*(vi)*	**–**	76,736

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental of HK$2,361,000 (2005: HK$2,242,000) was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(ii) Guangzhou Silver Disk Property Management Company Limited provided building management services to subsidiaries of the Group. The fees were charged under normal commercial terms. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

(iii) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fee was paid by the Company at a fixed amount mutually agreed between the two parties. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the Managing Director of, and a principal shareholder in, Equitas Capital Limited.

(iv) Rental was paid to Guangzhou Goldlion City Properties Company Limited for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

(v) Rental was received from General Business Network (Holdings) Limited ("GBNL") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental of HK$272,000 (2005: Nil) was determined under normal commercial terms. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

29. Related party transactions – Group *(continued)*

(b) Purchases of services *(continued)*

Notes: (continued)

(vi) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with GBNL and Mr. Tsang Chi Hung to acquire Level 19 and Level 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. At the Extraordinary General Meeting of the Company held on 7th February 2005, the independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in those transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(c) Key management compensation

	2006 **HK$'000**	2005 HK$'000
Salaries and other short-term employee benefits	**28,776**	24,680
Retirement benefit costs	**278**	606
Termination benefits	**–**	–
Share-based payments	**–**	–
Other long-term benefits	**–**	–
	29,054	25,286

(d) Year-end balances arising from purchases of services

	2006 **HK$'000**	2005 HK$'000
Payable to a related party:		
Equitas Capital Limited	**330**	350

30. Events after the balance sheet date

Subsequent to the balance sheet date on 21st January 2007, Goldlion (Guangdong) Limited, a wholly owned subsidiary of the Company, entered into a conditional acquisition agreement (the "Acquisition Agreement") with Keysonic Development Limited to purchase the entire share capital of, and shareholder's loan to, Joint Corporation Limited ("JCL") for an aggregate consideration of HK$240,000,000 (subject to adjustment). The sole asset of JCL is its interests, held through GGCPL, in various office spaces on Levels 8 to 18 (inclusive) at Goldlion Digital Network Centre in Guangzhou with total gross floor area of approximately 18,917 square meters and 47% interest in car parking spaces on Basement Levels 1 to 3 (inclusive) plus a mezzanine level in that building (the "Property"). The Consideration is arrived at after arm's length negotiations by reference to an independent professional valuation of the Property. Completion of the acquisition is subject to the conditions precedent stated in the Acquisition Agreement and disclosed in the related Circular of the Company to its shareholders dated 12th February 2007. At the Extraordinary General Meeting of the Company held on 1st March 2007, independent shareholders of the Company approved the transaction. It is currently expected that the acquisition will be completed by the end of April 2007.