

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sale of a diversified range of consumer home products.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has no material impact on the results and financial position of the Group for both years. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) - INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) - INT 9	Reassessment of embedded derivatives ⁵
HK(IFRIC) - INT 10	Interim financial reporting and impairment ⁶
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions ⁷
HK(IFRIC) - INT 12	Service concession arrangements ⁸

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2009.

³ Effective for annual periods beginning on or after 1st March, 2006.

⁴ Effective for annual periods beginning on or after 1st May, 2006.

⁵ Effective for annual periods beginning on or after 1st June, 2006.

⁶ Effective for annual periods beginning on or after 1st November, 2006.

⁷ Effective for annual periods beginning on or after 1st March, 2007.

⁸ Effective for annual periods beginning on or after 1st January, 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interest and the carrying amount of the net assets of the subsidiaries attributable to the additional interest acquired. If the Group's additional interest in the net assets of the subsidiaries exceeds the consideration paid for the additional interest, the excess is recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

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

Service income are recognised when services are provided.

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Leasing

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading. The Group classified certain financial assets as investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including creditors, bills payable, amount due to an associate and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Impairment losses

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

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

4. **FINANCIAL INSTRUMENTS**

Financial risk management objectives and policies

The Group's major financial instruments include debtors, bills receivable, bank balance and bank deposits, investments held-for-trading, creditors, bills payable, amount due to an associate and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Group have foreign currency sales/purchases denominated in currencies other than the functional currencies of the relevant group entities, which exposed the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. Interest bearing financial assets are mainly deposits with banks. Interest bearing financial liabilities are mainly bank borrowings. The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

4. **FINANCIAL INSTRUMENTS** *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank balances and short-term bank deposits from financial institution. The Group does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit period, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debtors and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each individual trade debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of available-for-sale investments is determined by reference to the bid price quoted in a second hand market. The fair value of investments held for trading is determined based on the quoted market bid prices available on the relevant exchange or based on the relevant price quoted from the brokers.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS**

Business segments

For management purposes, the Group is currently organised into three operating divisions - trading, manufacturing and sale of household and other consumer products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Trading	–	resale of household products
Manufacturing		
– household products	–	manufacturing and sale of household products
Manufacturing - others	–	manufacturing and sale of other consumer products

Segment information about these businesses is presented below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
REVENUE				
External sales	190,662,788	112,175,957	411,892,534	714,731,279
RESULTS				
Segment results	9,821,966	14,901,580	17,601,588	42,325,134
Unallocated income				9,432,183
Unallocated expenses				(58,337,417)
Gain on disposal of an associate				66,135
Change in fair value of investments held for trading				(117,148)
Discount on acquisition of additional interest in a subsidiary	–	–	28,222,523	28,222,523
Finance costs				(5,792,712)
Share of profits of associates				260,696
Profit before taxation				16,059,394
Taxation credit				913,536
Profit for the year				16,972,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2006

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
ASSETS				
Segment assets	50,867,206	64,045,138	182,104,673	297,017,017
Interests in associates				314,591
Unallocated corporate assets				96,670,191
Consolidated total assets				<u>394,001,799</u>
LIABILITIES				
Segment liabilities	12,806,473	13,971,712	67,703,542	94,481,727
Unallocated corporate liabilities				77,278,103
Consolidated total liabilities				<u>171,759,830</u>

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	2,515,280	1,340,544	5,474,398	15,889	9,346,111
Depreciation of property, plant and equipment	1,791,951	1,894,105	14,194,303	16,830	17,897,189
Release of prepaid lease payments	160,763	162,366	299,179	–	622,308
(Loss) gain on disposal of property, plant and equipment	(150,548)	(80,236)	(130,128)	679,318	318,406
Allowances for bad and doubtful debts	2,213,157	–	90,708	–	2,303,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Trading <i>HK\$</i>	Manufacturing – household products <i>HK\$</i>	Manufacturing – others <i>HK\$</i>	Consolidated <i>HK\$</i>
REVENUE				
External sales	226,330,659	102,362,194	418,790,171	747,483,024
RESULTS				
Segment results	21,734,779	14,741,002	8,112,732	44,588,513
Unallocated income				5,237,514
Unallocated expenses				(59,229,166)
Impairment losses on property, plant and equipment				(1,378,241)
Loss on disposal of a subsidiary	–	–	(1,332,358)	(1,332,358)
Change in fair value of investments held for trading				10,323
Finance costs				(5,275,635)
Share of losses of associates				(190,674)
Loss before taxation				(17,569,724)
Taxation charge				(987,313)
Loss for the year				(18,557,037)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

ASSETS AND LIABILITIES AS AT 31ST DECEMBER, 2005

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Consolidated HK\$
ASSETS				
Segment assets	52,316,942	51,975,213	197,229,533	301,521,688
Interests in associates				1,907,394
Unallocated corporate assets				121,453,014
Consolidated total assets				<u>424,882,096</u>
LIABILITIES				
Segment liabilities	10,220,076	11,446,886	68,813,187	90,480,149
Unallocated corporate liabilities				89,831,888
Consolidated total liabilities				<u>180,312,037</u>

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Trading HK\$	Manufacturing – household products HK\$	Manufacturing – others HK\$	Unallocated HK\$	Consolidated HK\$
Capital additions	6,887,088	3,114,812	4,149,496	80,480	14,231,876
Depreciation of property, plant and equipment	1,558,295	1,644,234	17,449,042	160,662	20,812,233
Release of prepaid lease payments	113,866	128,183	297,545	–	539,594
Loss on disposal of property, plant and equipment	–	–	–	62,074	62,074
Allowances for bad and doubtful debts	–	–	26,122	–	26,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

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

Geographical market	Sales revenue by geographical market	
	Year ended	Year ended
	31.12.2006	31.12.2005
	<i>HK\$</i>	<i>HK\$</i>
North America	233,107,426	188,270,609
Holland	181,377,092	197,707,624
United Kingdom	115,548,808	106,291,051
Germany	59,375,977	106,385,968
Hong Kong	36,937,309	43,153,973
Other European countries	35,680,632	39,035,040
Australia	20,819,752	16,559,585
France	12,074,452	29,331,760
PRC	11,466,964	12,136,744
Others	8,342,867	8,610,670
	714,731,279	747,483,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.12.2006 HK\$	At 31.12.2005 HK\$	Year ended 31.12.2006 HK\$	Year ended 31.12.2005 HK\$
Hong Kong	152,864,465	134,300,660	2,569,409	1,102,376
PRC	144,152,552	167,221,028	6,760,813	13,049,020
Unallocated	–	–	15,889	80,480
	297,017,017	301,521,688	9,346,111	14,231,876

6. OTHER INCOME

	2006 HK\$	2005 HK\$
Commission income	2,512,644	786,313
Interest income on bank deposits	2,386,806	1,661,700
Interest income on overdue trade debtors	644,203	593,493
Amount recovered from insurance claim on damaged inventories	3,283,947	–
Gain on disposal of property, plant and equipment	318,406	–
Subcontracting fee income	–	720,808
Sundry income	286,177	1,475,200
	9,432,183	5,237,514

7. DISCOUNT ON ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the year, an indirect wholly owned subsidiary of the Company entered into agreement with Mr. Lee Kun ("Mr. Lee"), a minority shareholder of Bigfield Goldenford Holdings Limited ("Bigfield") to purchase his 37.5% shareholding in Bigfield at a consideration of HK\$11,250,000. The consideration was determined after several negotiations and subsequently agreed by both parties. After the completion of the acquisition, Bigfield becomes the wholly owned subsidiary of the Company and a discount on acquisition of additional interest in Bigfield of approximately HK\$28,222,000 has been recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

8. FINANCE COSTS

Finance costs represent interest expense on bank borrowings.

9. TAXATION CREDIT (CHARGE)

	2006	2005
	HK\$	HK\$
Current tax		
Underprovision of Hong Kong Profits Tax in prior years	(67,247)	(1,250)
Deferred tax (Note 27)	980,783	(986,063)
	913,536	(987,313)

No provision for Hong Kong Profits Tax is made as the companies in Hong Kong have no assessable profits for the year.

No provision for profits tax is made in other jurisdictions as the subsidiaries in other jurisdiction have no assessable profits for the year.

The taxation credit (charge) for the year can be reconciled to the profit (loss) before taxation per the income statement as follows:

	2006	2005
	HK\$	HK\$
Profit (loss) before taxation	16,059,394	(17,569,724)
Tax at the Hong Kong Profits Tax rate of 17.5%	(2,810,394)	3,074,702
Tax effect of share of results of associates	45,622	(33,368)
Tax effect of expenses not deductible for tax purpose	(5,355,038)	(4,829,468)
Tax effect of income not taxable for tax purpose	8,833,111	2,504,772
Underprovision in respect of prior years	(67,247)	(1,250)
Utilisation of tax losses previously not recognised	267,482	–
Tax effect of tax losses not recognised	–	(1,702,701)
	913,536	(987,313)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

10. PROFIT (LOSS) FOR THE YEAR

	2006 HK\$	2005 HK\$
Profit (loss) for the year has been arrived at after charging:		
Allowance on bad and doubtful debts	2,303,865	26,122
Auditor's remuneration	1,213,763	1,200,901
Cost of inventories recognised as an expense	645,465,503	675,117,988
Depreciation of property, plant and equipment	17,897,189	20,812,233
Release of prepaid lease payments	622,308	539,594
Loss on disposal of property, plant and equipment	–	62,074
Net foreign exchange loss	2,458,423	1,216,377
Operating lease payments in respect of rented properties	16,528,654	16,735,069
Staff costs:		
Directors' remuneration	6,835,000	6,493,825
Other staff salaries and allowances and benefits	91,734,843	89,279,434
Other staff retirement benefit scheme contributions	3,301,679	3,711,888
	101,871,522	99,485,147
and after crediting:		
Gain on disposal of property, plant and equipment	318,406	–
Write-back of allowance on inventories (Note)	–	556,232

Note: Write back of allowance on inventories was made when the net realisable value of those inventories on which allowance had previously been made is greater than cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

11. DIRECTORS' EMOLUMENTS

Name of directors	Directors' fees HK\$	Salaries and other benefits HK\$	Performance	Pension	Total 2006 HK\$
			related incentive benefits HK\$ (Note)	scheme contribution HK\$	
Lam Po Kwai, Frankie	–	2,400,000	–	48,000	2,448,000
Wong Yau Ching, Maria	–	1,840,000	258,800	48,000	2,146,800
Lee Yuen Bing, Nina	–	650,000	64,700	25,000	739,700
So Man Yee, Katherine	–	748,000	64,700	24,800	837,500
Au Son Yiu	198,000	–	–	–	198,000
Johnson Lee	198,000	–	–	–	198,000
He Ling	45,000	–	–	–	45,000
Tang Tin Sek	222,000	–	–	–	222,000
Total emoluments 2006	663,000	5,638,000	388,200	145,800	6,835,000

Name of directors	Directors' fees HK\$	Salaries and other benefits HK\$	Performance	Pension	Total 2005 HK\$
			related incentive benefits HK\$	scheme contribution HK\$	
Lam Po Kwai, Frankie	–	1,920,000	–	48,000	1,968,000
Wong Yau Ching, Maria	–	1,760,000	460,000	48,000	2,268,000
Lee Yuen Bing, Nina	–	627,000	115,000	26,550	768,550
So Man Yee, Katherine	–	718,000	115,000	26,275	859,275
Au Son Yiu	180,000	–	–	–	180,000
Johnson Lee	180,000	–	–	–	180,000
He Ling	90,000	–	–	–	90,000
Tang Tin Sek	180,000	–	–	–	180,000
Total emoluments 2005	630,000	5,025,000	690,000	148,825	6,493,825

Note: The performance related incentive payment is determined as a percentage of each profitable segments of the Group for the two years ended 31st December, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

11. DIRECTORS' EMOLUMENTS (Continued)

During both years, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two (2005: three) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2005: two) highest paid employees, other than directors of the Company, were as follows:

	2006	2005
	HK\$	HK\$
Salaries and other benefits	3,368,848	2,043,560
Retirement scheme benefit contributions	45,200	55,800
	3,414,048	2,099,360

Emoluments of these remaining three (2005: two) highest paid employees were within the following bands:

	Number of employees	
	2006	2005
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	2

13. DIVIDENDS

No dividend was proposed during 2006.

14. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to the equity holders of the Company of HK\$18,911,884 (2005: loss of HK\$13,030,909) and 477,926,292 (2005: 477,926,292) shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
COST						
At 1st January, 2005	72,467,924	14,836,369	109,925,777	10,286,826	278,959,323	486,476,219
Exchange realignment	571,421	-	35,663	19,775	526,877	1,153,736
Additions	7,731,834	434,559	2,117,657	425,922	3,521,904	14,231,876
Disposals	(1,858,140)	-	(104,814)	(2,253,387)	(155,350)	(4,371,691)
Written off on disposal of a subsidiary	(2,803,738)	-	(75,939)	-	(6,890,956)	(9,770,633)
At 31st December, 2005	76,109,301	15,270,928	111,898,344	8,479,136	275,961,798	487,719,507
Exchange realignment	325,930	-	50,393	28,212	752,166	1,156,701
Additions	207,950	272,519	2,678,470	4,687,576	1,499,596	9,346,111
Disposals	(7,732,260)	(3,180,268)	(3,915,180)	(2,989,624)	(11,962,709)	(29,780,041)
At 31st December, 2006	68,910,921	12,363,179	110,712,027	10,205,300	266,250,851	468,442,278
DEPRECIATION AND IMPAIRMENT						
At 1st January, 2005	20,614,817	11,544,059	84,462,303	6,647,270	220,914,547	344,182,996
Exchange realignment	131,993	-	30,997	9,130	488,749	660,869
Provided for the year	2,192,749	703,034	5,195,319	776,463	11,944,668	20,812,233
Impairment losses recognised in the income statement	1,215,017	23,411	125,034	-	14,779	1,378,241
Eliminated on disposals	(285,661)	-	(76,347)	(142,228)	(2,046,341)	(2,550,577)
Written off on disposal of a subsidiary	(913,354)	-	(56,657)	-	(4,858,962)	(5,828,973)
At 31st December, 2005	22,955,561	12,270,504	89,680,649	7,290,635	226,457,440	358,654,789
Exchange realignment	114,271	-	45,614	16,062	708,533	884,480
Provided for the year	2,136,917	633,300	4,703,756	715,598	9,707,618	17,897,189
Eliminated on disposals	(2,510,828)	(3,178,518)	(3,909,985)	(2,380,729)	(11,958,775)	(23,938,835)
At 31st December, 2006	22,695,921	9,725,286	90,520,034	5,641,566	224,914,816	353,497,623
CARRYING VALUES						
At 31st December, 2006	46,215,000	2,637,893	20,191,993	4,563,734	41,336,035	114,944,655
At 31st December, 2005	53,153,740	3,000,424	22,217,695	1,188,501	49,504,358	129,064,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

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

The above items of property, plant and equipment are depreciated at the following rates per annum:

Buildings located in Hong Kong	Over the term of the lease
Buildings held overseas	Reducing balance method at 4%
Others	Reducing balance method at 20%

The carrying value of properties shown above comprises:

	2006	2005
	HK\$	HK\$
Freehold properties in Canada	–	5,221,432
Properties:		
– Held in Hong Kong, long leases	10,884,508	11,411,439
– Held outside Hong Kong, long leases	428,077	438,518
– Held outside Hong Kong, medium-term leases	34,902,415	36,082,351
	46,215,000	53,153,740

For the year ended 31st December, 2005, the directors conducted a review of the property, plant and equipment held by two subsidiaries and determined that those assets were impaired. Accordingly, impairment losses of HK\$1,215,017 and HK\$163,224 have been recognised on land and buildings and other plant and equipment respectively. The directors reviewed the operation of a subsidiary which incurred continuous losses and decided to recognise impairment loss on the land and building held by this subsidiary with reference to the prevailing market price. The directors also decided to recognise impairment losses on all the plant and equipment held by an inactive subsidiary because in the opinion of the directors, these assets cannot be used by the Group any more, and their saleable value is negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

16. PREPAID LEASE PAYMENTS

	2006	2005
	HK\$	HK\$
The Group's prepaid lease payments comprise:		
Leasehold land:		
Held in Hong Kong, long leases	11,485,422	11,765,553
Held outside Hong Kong, long leases	494,218	506,573
Held outside Hong Kong, medium-term leases	10,666,395	10,822,241
	22,646,035	23,094,367
Analysed for reporting purposes as:		
Current asset	626,880	620,674
Non-current asset	22,019,155	22,473,693
	22,646,035	23,094,367

17. INTERESTS IN ASSOCIATES

	2006	2005
	HK\$	HK\$
Cost of investment in unlisted associates	51,098	51,233
Share of post-acquisition profits	263,493	1,856,161
	314,591	1,907,394

As at 31st December, 2006, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Group %	Proportion of voting power held %	Principal activity
Webradio Ltd.	Incorporated	Hong Kong	Hong Kong	Ordinary	33%	33%	Operation of a website

Amount due to an associate is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

18. AVAILABLE-FOR-SALE INVESTMENT

	2006	2005
	HK\$	HK\$
Club debenture, at fair value	880,000	880,000

19. INVENTORIES

	2006	2005
	HK\$	HK\$
At cost less provision:		
Raw materials	50,315,582	49,777,246
Work in progress	5,592,163	7,382,282
Finished goods	11,655,391	9,817,016
	67,563,136	66,976,544

20. OTHER ASSETS

	2006	2005
	HK\$	HK\$
Trade debtors and bills receivable	87,173,510	86,313,807
Less: Allowances for bad and doubtful debts	(2,598,560)	(942,132)
	84,574,950	85,371,675
Other debtors and prepayments	8,235,319	4,628,546
	92,810,269	90,000,221

The Group allows an average credit period of 90 days to its trade customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

20. OTHER ASSETS (Continued)

The following is an aged analysis of trade debtors and bills receivable net of impairment losses at the reporting date:

	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
0 – 60 days	71,184,437	67,840,745
61 – 90 days	6,360,126	7,924,763
> 90 days	7,030,387	9,606,167
	84,574,950	85,371,675

Trade debtors and bills receivable of approximately HK\$70,700,000 (2005: HK\$67,703,000) were denominated in United State dollars, the currency other than the functional currency of the respective group entities.

Bills receivable amounting to HK\$22,654,110 (2005: HK\$27,533,714) discounted with recourse are pledged to secure other bank loans as disclosed in note 24.

Bank balances and cash, short term bank deposits and short term pledged bank deposits comprise cash held by the Group and the short-term deposits are with an original maturity of three months or less. These balances receive interest at an average rate of 4.125% (2005: 3.5%). Bank balances and cash and short-term bank deposits of approximately HK\$48,877,000 (2005: HK\$51,007,000) were denominated in United States dollars, the currency other than the functional currency of the respective group entities.

The long term bank deposits at 31st December, 2005 was denominated in United States dollars, the currency other than the functional currencies of the respective group entities, and carried fixed interest rate of 3.65% and its original maturity date would be 31st August, 2009. The deposits were early released during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

21. INVESTMENTS HELD FOR TRADING

	2006 HK\$	2005 HK\$
Equity securities listed in Hong Kong	1,279,437	1,580,481
Mutual funds	7,350,928	1,558,254
	8,630,365	3,138,735

22. SHORT TERM PLEDGED BANK DEPOSITS

The Group's bank deposits of approximately HK\$2.8 million (2005: HK\$2.7 million) have been pledged to secure banking facilities granted to a subsidiary. The pledged bank deposits carry fixed interest rate of 3.5% per annum.

23. OTHER LIABILITIES

	2006 HK\$	2005 HK\$
Trade creditors	58,723,200	56,854,881
Bills payable	16,372,750	13,937,169
Other creditors and accrued charges	21,655,134	21,243,411
	96,751,084	92,035,461

The following is an aged analysis of trade creditors and bills payable as at the reporting date:

	2006 HK\$	2005 HK\$
0 – 60 days	59,472,604	55,882,806
61 – 90 days	11,067,447	10,082,953
> 90 days	4,555,899	4,826,291
	75,095,950	70,792,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

Trade creditors and bills payable of approximately HK\$28,648,000 (2005: HK\$22,335,000) were denominated in United State dollars, the currency other than the functional currency of the respective group entities.

24. BANK BORROWINGS

	2006	2005
	HK\$	HK\$
Bank borrowings comprise the following:		
Trust receipt and import loans	47,374,746	54,782,189
Other bank loans (Note)	22,654,110	27,533,714
	70,028,856	82,315,903
Secured	3,597,966	9,878,603
Unsecured	66,430,890	72,437,300
	70,028,856	82,315,903

Note: Other bank loans represent the loans from discounted bills receivable with recourse.

Bank borrowings of approximately HK\$63,966,000 (2005: HK\$73,861,000) were denominated in United States dollars, the currency other than the functional currency of the respective group companies.

The above borrowings bear interests at floating rates, and thus expose to cash flow interest rate risk. The average effective interest rate is approximately 7.05% (2005: 5.29%) per annum.

25. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each 2006 & 2005	Nominal value 2006 & 2005 HK\$
<i>Authorised</i>	1,000,000,000	100,000,000
<i>Issued and fully paid:</i>		
At beginning of the year and at end of the year	477,792,629	47,792,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

26. SHARE OPTIONS SCHEME

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 31st May, 2002 for the primary purpose of providing incentives to director and eligible employees, and is effective for a period of 10 years commencing on the adoption date. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to the expiration of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

There is no outstanding share option and no share options were granted or exercised during the year.

27. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1st January, 2005	5,959,930	(1,279,320)	4,680,610
Charge to income statement for the year	1,469	984,594	986,063
At 31st December, 2005	5,961,399	(294,726)	5,666,673
(Credit) charge to income statement for the year	(1,107,913)	127,130	(980,783)
At 31st December, 2006	4,853,486	(167,596)	4,685,890

At the balance sheet date, the Group has estimated unused tax losses of HK\$183,044,224 (2005: HK\$185,299,150) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$957,693 (2005: HK\$1,684,148) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$182,086,531 (2005: HK\$183,615,002) due to the uncertainty of future profit streams. The losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

28. DISPOSAL OF A SUBSIDIARY

On 22nd December, 2005, the Group disposed of its 60% equity interest in Tianjin Jiatian Tin-plate Painting Company Limited ("Tianjin Jiatian") at a consideration of HK\$1,923,078 to the other shareholder of Tianjin Jiatian. The net assets of Tianjin Jiatian at the date of disposal were as follows:

	<i>HK\$</i>
NET ASSETS DISPOSED OF	
Property, plant and equipment	3,941,660
Inventories	1,074,215
Trade and other receivables	1,425,315
Bank balances and cash	847,923
Creditors and accrued charges	(1,863,387)
	5,425,726
Minority interests	(2,170,290)
	3,255,436
Loss on disposal	(1,332,358)
	1,923,078
Total consideration	1,923,078
Satisfied by:	
Cash payment (included in debtors, bills receivable and prepayments)	1,923,078
	1,923,078
Cash outflow arising on disposal:	
Bank balances and cash disposed of	847,923
	847,923

The subsidiary disposed of contributed loss of HK\$226,172 for the year ended 31st December, 2005 to the Group's loss before taxation.

The deferred consideration was settled during the year ended 31st December, 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

29. CAPITAL COMMITMENTS

	2006	2005
	HK\$	HK\$
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	314,563	241,698
Group's share of the capital commitments of its joint venture contracted for but not provided in the consolidated financial statements	850,000	–

30. OPERATING LEASE COMMITMENTS

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

	2006	2005
	HK\$	HK\$
Within one year	16,690,557	16,503,582
In the second to fifth year inclusive	17,111,874	32,009,559
	33,802,431	48,513,141

Leases are negotiated for a term of one to five years and rentals are fixed for the leased period.

31. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2006	2005
	HK\$	HK\$
Rental expense to a related company (Note)	960,000	960,000

Note: The related company is a company in which certain directors of the Company have beneficial interests. Rental expense was for the provision of quarters to certain directors of the Company and has been included in directors' remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

31. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The Group acquired additional interests of 37.5% in a subsidiary from Mr. Lee at a consideration of HK\$11,250,000.

(c) Compensation of key management personnel

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

	2006	2005
	HK\$	HK\$
Salaries and other short term employee benefits	10,058,048	8,388,560
Retirement benefit costs	191,000	204,625
	10,249,048	8,593,185

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

32. RETIREMENT BENEFITS SCHEME

Defined contribution scheme

Since 1st December, 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Schemes") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant income. The contributions are charged to the income statement as incurred.

The relevant PRC subsidiaries are required to make contributions to the state requirement schemes in the PRC based on 3% to 4% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

The total cost charged to income statement of HK\$3,447,479 (2005: HK\$3,860,713) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

32. RETIREMENT BENEFITS SCHEME (Continued)

Defined benefit scheme

A subsidiary of the Company operates a funded defined benefit pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of the trustee. The scheme was frozen at 30th November, 2000 and all qualifying employees were transferred to the MPF Scheme. The obligations of the scheme were also fixed at that date.

At 31st December, 2006, the market value of the scheme assets is greater than the scheme obligation of HK\$1,923,177 (2005: HK\$1,972,332). The excess of the scheme assets over the scheme obligation has not been recognised in the consolidated financial statements as the directors of the Company consider the effect as negligible.

33. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2006 are as follows:

Name of company	Place of incorporation or registration/ operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Big Field (B.V.I.) Limited	British Virgin Islands	Ordinary - US\$600	100%	Investment holding
Bigfield Goldenford Holdings Limited ("Bigfield")	Hong Kong	Ordinary - HK\$153,000 Deferred - HK\$147,000 Note (i)	100% 49%	Manufacture of wooden and paper products
Blandas Concord Inc.	Liberia	Ordinary - CAD\$1,400,000	100%	Investment holding
Diamond Link Enterprises (Canada) Ltd.	Canada	Ordinary - CAD\$2	100%	Property investment
Dominion Trading Ltd. ("Dominion Trading")	British Virgin Islands	Ordinary - US\$100	100%	Investment holding, property and share investment
Frankie Dominion (B.V.I.) Company Limited	British Virgin Islands	Ordinary - US\$35,000	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

33. SUBSIDIARIES (Continued)

Name of company	Place of incorporation or registration/ operation	Nominal value of issued/registered capital	Proportion of nominal value of issued/registered capital held by the Company	Principal activities
Frankie Dominion (Holdings) Limited	Hong Kong	Ordinary – HK\$1,000 Deferred – HK\$35,000,000 Note (i)	100% –	Investment holding, property investment and design, manufacture and sale of a diversified range of consumer home products
Frankie Trading Company Limited	Hong Kong	Ordinary – HK\$5,000,000	100%	Inactive
Home Connection Incorporated	United States	Nil	100%	Sale agent
Home Mart Store Limited	Hong Kong	Ordinary – HK\$5,000,000	100%	Inactive
Islandcan Limited	Hong Kong	Ordinary – HK\$4,400,000 Deferred – HK\$3,600,000 Note (i)	100% –	Investment holding
Michel Manufactory Limited	Hong Kong	Ordinary – HK\$10,000	100%	Provision of marketing services
Newall International Inc.	British Virgin Islands	Ordinary – US\$100	100%	Manufacture of consumer home products in the PRC
東莞五洲制罐廠有限公司 (Equity joint venture company)	PRC	HK\$33,835,800	Note (ii)	Tin-plate printing
東莞嘉利美商家庭用品有限公司 (Equity joint venture company)	PRC	HK\$26,850,000	100%	Inactive
嘉利興(廣州)貿易有限公司	PRC	HK\$3,000,000	100%	Trading of consumer home products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31st December, 2006

33. **SUBSIDIARIES** (Continued)

Notes:

- (i) The deferred shares, which are not held by the Group except for Bigfield Goldenford Holdings Limited, carry minimal rights to dividends or to receive notice of or attend or vote at any general meeting of these companies. On a winding-up, the holders of the deferred shares are entitled to share out of the surplus assets of these companies only after a total of HK\$100,000,000,000,000,000 has been distributed to the holders of the ordinary shares.
- (ii) Under a joint venture agreement, the Group, through Islandcan Limited, is required to contribute 75% of the initial registered capital of this company, and 100% contribution on any subsequent increment in registered capital. As at the balance sheet date, HK\$850,000 registered capital has not been paid up. However, Islandcan Limited will be entitled to the residue of the joint venture company's profit after deducting a fixed annual amount to the PRC joint venture partner. On liquidation of the joint venture company, the Group will be entitled to the surplus assets after a return of capital contributed by the PRC joint venture partner.

Except for Frankie Dominion (B.V.I.) Company Limited which is held directly by the Company, all subsidiaries are indirectly held. All subsidiaries operate principally in their places of incorporation.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

34. **POST BALANCE SHEET EVENT**

Subsequent to year end, Bigfield entered into provisional agreements with independent third parties for the disposal of certain of its land and buildings, with an aggregate carrying amount of HK\$7,841,800, for a total consideration of HK\$12,000,000.