Notes to the Financial Statements

31 December 2006

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, the Cayman Islands.

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, shoes, leather products, motors, machinery, capacitors, clothing and compressors, property investment and development, travel related businesses, provision of information technology related services and agricultural production.

In the opinion of the directors, the parent and the ultimate holding company of the Group is South China Holdings Limited ("SCH"), a company incorporated in the Cayman Islands with its shares also listed on the Stock Exchange.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain leasehold land and buildings, available-for-sale investments, non-current assets classified as held for sale, equity investments at fair value through profit or loss and biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK'000) except when otherwise indicated.

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2005 annual financial statements. The changes in accounting policies as required by accounting standards which came into effect during the year do not have any significant impact on the Group's financial statements.

Basis of consolidation

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

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

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

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

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

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

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

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

The HKICPA has issued a number of new and revised HKFRSs that are not mandatory for these financial statements. The Group has not early applied these HKFRSs in these financial statements. The following new and revised HKFRSs, although not early adopted by the Group, will have impact on the Group's financial statements in the period of initial application.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

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

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

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 8 and HK(IFRIC)-Int 11 shall be applied for annual periods beginning on or after 1 May 2006 and 1 March 2007, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures

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

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

A joint venture is treated as:

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

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment loss. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

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

Goodwill previously eliminated against the consolidated retained profits

Prior to the adoption of HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

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

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

Property, plant and equipment and depreciation

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

Certain land and buildings are stated in the balance sheet at amounts based on revaluations performed prior to 30 September 1995, less any subsequent accumulated depreciation and amortisation and any impairment loss.

In accordance with the transitional provisions of paragraph 80A of HKAS 16 "Property, plant and equipment", the Group's land and buildings which carried at revalued amounts in financial statements relating to periods ended before 30 September 1995 are not required to make regular revaluations. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the land and buildings revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Leasehold land and buildings	2% to 5%
Furniture and leasehold improvements	20%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 25%

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

Construction in progress represents mainly resettlement costs incurred for a piece of land, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the land and building revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. On disposal of a revalued asset, the relevant portion of the land and building revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets classified as held for sale are investment properties measured at fair value.

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Biological assets

Biological assets are fruit trees and are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs. The fair value of fruit trees is determined based on the present value of expected net cash flows from the fruit trees discounted at a current market-determined pre-tax rate. Fruit trees are perennial plants which have growth cycles of more than one year.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in the income statement for the period in which it arises.

Agricultural produce

Agricultural produce comprises lychee and longan fruits of fruit trees.

Lychee and longan fruits harvested from fruit trees are measured at their fair value less estimated point-of-sale costs at the time of harvest. The fair value of lychee and longan fruits is determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2 "Inventories".

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs shall be included in the income statement for the period in which it arises.

Fair value represents the estimated purchase cost that the Group has to procure such inventories in the market on an arm's length basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

Available-for-sale investments

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

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

Fair value

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale investments

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

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

Financial liabilities, including trade and other payables, an amount due to an intermediate holding company, an amount due to a minority shareholder of a subsidiary and interest-bearing loans and borrowings, are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Derecognition of financial liabilities

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

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

Financial Guarantee Contracts

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

The Group carries a provision for severance payment in accordance with the relevant regulations in the Mainland China. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

Income tax

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

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

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

Revenue recognition

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

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

(b) service income and management fee income, when services are rendered;

(c) rental income, on a time proportion basis over the lease terms;

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

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

Employee benefits

Pension schemes

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

2.4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension schemes (Continued)

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

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Dividends

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was HK$21,445,000 (2005: HK$7,872,000). More details are given in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of biological assets

In the absence of current prices in an active market for the Group's biological assets, lychee and longan fruit trees, the Group considers information from a variety of sources, including:

(a) current prices in an active market for fruit trees of a different age or location, adjusted to reflect those differences;

(b) recent prices of similar fruit trees on less active markets, with adjustments to reflect any change in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by external evidence such as current market prices for related agricultural produce 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.

The principal assumptions for the Group's estimation of the fair value include those related to current market prices for similar fruit trees in the same location and condition, appropriate discount rates, expected future market prices and future yields.

The carrying amount of biological assets at 31 December 2006 was HK$65,000,000 (2005: HK$62,000,000) (note 15).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

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

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

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by 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.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 December 2006 was HK$759,146,000 (2005: HK$341,121,000) (note 17).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2006 was HK$6,989,000 (2005: HK$11,233,000). The amount of unrecognised tax losses at 31 December 2006 was HK$630,248,000 (2005: HK$639,729,000). Further details are contained in note 37 to the financial statements.

4. SEGMENT INFORMATION

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

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

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, shoes and footwear products, leather products, motors, machinery, capacitors, clothing and compressors;

(b) the property investment and development segment is engaged in property investment and development;

(c) the travel business segment is engaged in the sales of travel-related products and services;

(d) the information technology segment is engaged in information technology related business;

(e) the agriculture segment is engaged in the cultivation of fruit trees and sales of fruits; and

(f) the investment holding segment comprises, principally, the Group's investment holding and related management functions.

In determining the Group's geographical segments, revenues are attributed to the segments based on the destination to which goods and services are delivered and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Continued)

(a) Business segments

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

Group	Trading and manufacturing		Property investment and development		Travel business		Information technology		Agriculture		Investment holding		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Segment revenue:														
External sales	2,049,023	2,245,703	20,667	12,578	1,908,586	1,629,861	72,050	82,386	1,264	1,306	–	–	4,051,590	3,971,834
Segment results	45,167	90,067	48,410	116,844	25,428	13,210	(793)	(49)	(1,520)	(11,120)	197,936	4,360	314,628	213,312
Finance costs													(28,881)	(18,108)
Write-back of provision for advances to associates	–	–	–	20,647	–	–	–	–	–	–	–	–	–	20,647
Share of profits and losses of associates	(10,843)	(42,605)	46,547	88,597	–	–	68	(12)	–	–	–	–	35,772	45,980
Profit before tax													321,519	261,831
Tax													(18,164)	(27,411)
Profit for the year													303,355	234,420

Group	Trading and manufacturing		Property investment and development		Travel business		Information technology		Agriculture		Investment holding		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Segment assets	1,025,839	885,030	1,055,706	445,353	202,501	179,419	54,276	65,775	70,008	68,031	77,892	26,587	2,486,222	1,670,195
Interests in associates	10,183	73,574	298,792	302,169	–	–	1,787	714	–	–	–	–	310,762	376,457
Non-current assets classified as held for sale	–	–	53,300	–	–	–	–	–	–	–	–	–	53,300	–
Unallocated corporate assets	–	–	–	–	–	–	–	–	–	–	–	–	12,801	19,678
Total assets	1,036,022	958,604	1,407,798	747,522	202,501	179,419	56,063	66,489	70,008	68,031	77,892	26,587	2,863,085	2,066,330
Segment liabilities	558,451	378,076	43,220	4,962	163,788	149,104	22,349	37,172	3,364	2,204	7,957	5,510	799,129	577,028
Unallocated corporate liabilities	–	–	–	–	–	–	–	–	–	–	–	–	628,718	253,001
Total liabilities	558,451	378,076	43,220	4,962	163,788	149,104	22,349	37,172	3,364	2,204	7,957	5,510	1,427,847	830,029

Group	Trading and manufacturing		Property investment and development		Travel business		Information technology		Agriculture		Investment holding		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Other segment information:														
Capital expenditures	32,005	32,698	92,251	54,598	684	2,318	481	6,473	603	714	2	26	126,026	96,827
Depreciation and amortisation	48,729	35,559	408	2	1,655	1,548	1,627	963	631	681	474	163	53,524	38,916
Provision against obsolete inventories	12,252	19,472	–	–	–	–	502	–	–	–	–	–	12,754	19,472
Write-off of property, plant and equipment	2,868	–	–	–	–	–	–	–	–	–	–	–	2,868	–
Impairment losses recognised in the income statement	–	–	–	–	–	–	–	625	–	–	–	553	–	1,178
Impairment losses reversed in the income statement	(11,620)	(109)	–	–	–	–	–	–	–	–	–	–	(11,620)	(109)

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

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

	Segment revenue		Segment results	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC including Hong Kong and Macau	**2,135,280**	1,877,657	**226,092**	131,626
The United States of America	**1,271,311**	1,293,659	**69,405**	57,595
Europe	**471,780**	515,504	**18,075**	14,976
Japan	**18,087**	34,168	**(3,168)**	1,036
Others	**155,132**	250,846	**4,224**	8,079
	4,051,590	3,971,834	**314,628**	213,312

The following is an analysis of the Group's segment assets and capital expenditures by the geographical area in which the assets are located:

	Segment assets		Capital expenditures	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**932,918**	769,250	**2,195**	2,823
Other regions in the Mainland China	**1,529,078**	900,256	**123,813**	93,996
Macau	**369**	689	**–**	8
Others	**23,857**	–	**18**	–
	2,486,222	1,670,195	**126,026**	96,827

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2006	2005
	HK$'000	HK$'000
Revenue		
Sales of merchandise from manufacturing and trading businesses	**2,049,023**	2,245,703
Sales of travel-related products	**1,908,586**	1,629,861
Sales of computer products and service income from related businesses	**72,050**	82,386
Rental income	**20,667**	12,578
Sales of agricultural produce	**1,264**	1,306
	4,051,590	3,971,834
Other income		
Bank interest income	**3,210**	1,609
Interest income from associates	**1,065**	1,436
Interest income from an intermediate holding company	**1,649**	–
Dividend income from listed investments	**832**	442
Others	**1,865**	5,124
	8,621	8,611
Gains		
Gain on disposal of items of property, plant and equipment	**6,159**	1,066
Others	**15,116**	9,741
	21,275	10,807
	29,896	19,418

6. PROFIT BEFORE TAX

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

	2006 HK$'000	2005 HK$'000
Cost of inventories sold	**1,823,260**	1,965,567
Cost of services provided	**1,903,567**	1,644,750
Depreciation	**52,774**	38,553
Auditors' remuneration	**3,452**	2,016
Employee benefits expense (including directors' remuneration (note 8)):		
Wages and salaries	**513,761**	476,400
Pension scheme contributions	**7,293**	13,685
Less: Forfeited contributions	**(321)**	–
Net pension scheme contributions*	**6,972**	13,685
Total employee benefits expense	**520,733**	490,085
Decrease in biological assets due to harvest	**664**	412
Minimum lease payments under operating leases in respect of land and buildings	**14,660**	12,625
Gross rental income	**(20,667)**	(12,578)
Less: Direct operating expenses arising on rental-earning investment properties	**2,144**	1,679
Net rental income	**(18,523)**	(10,899)
Amortisation of prepaid land lease payments (note 18)	**750**	363
Provision against obsolete inventories (included in cost of sales)**	**12,754**	19,472
Write-off of items of property, plant and equipment	**2,868**	–
Other expenses, net:		
Impairment of available-for-sale investments	**–**	553
Goodwill impairment (note 20)	**–**	625

* At 31 December 2006 and 2005, the group had no forfeited contributions available to reduce its contributions to the pension schemes in futures years.

** The amount represents a write-down of inventories to their estimated net realisable values.

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	**24,924**	15,854
Over five years	**1,444**	–
Interest on finance leases	**902**	830
Interest on the amount due to a fellow subsidiary	**1,611**	–
Interest on the amount due to an intermediate holding company	**–**	1,424
	28,881	18,108

8. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**213**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**2,520**	2,760
Discretionary bonuses	**–**	10,000
Pension scheme contributions	**117**	120
	2,637	12,880
	2,850	13,120

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	HK$'000
Mr. Lee Wai Choi, Albert	**3**	10
Mr. Chiu Sin Chun	**50**	50
Ms. Wong Siu Yin, Elizabeth	**20**	20
Ms. Li Yuen Yu, Alice	**50**	50
	123	130

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

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2006					
Executive directors:					
Mr. Ng Hung Sang	**10**	**720**	**–**	**36**	**766**
Ms. Cheung Choi Ngor	**10**	**720**	**–**	**36**	**766**
Mr. Richard Howard Gorges	**10**	**720**	**–**	**36**	**766**
Mr. Ng Yuk Fung, Peter	**10**	**360**	**–**	**9**	**379**
	40	**2,520**	**–**	**117**	**2,677**
Non-executive director:					
Ms. Ng Yuk Mui, Jessica*	**50**	**–**	**–**	**–**	**50**
	90	**2,520**	**–**	**117**	**2,727**

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2005					
Executive directors:					
Mr. Ng Hung Sang	20	720	4,000	36	4,776
Ms. Cheung Choi Ngor	20	720	3,000	36	3,776
Mr. Richard Howard Gorges	20	720	3,000	36	3,776
Ms. Ng Yuk Mui, Jessica*	5	–	–	–	5
Mr. Ng Yuk Fung, Peter	20	600	–	12	632
	85	2,760	10,000	120	12,965
Non-executive director:					
Ms. Ng Yuk Mui, Jessica*	25	–	–	–	25
	110	2,760	10,000	120	12,990

* Re-designated as a non-executive director on 1 July 2005

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

9. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees of the Group, none (2005: three) were directors of the Company whose emoluments are included in note 8 above. Details of the remuneration of the remaining five (2005: two) non-director, highest paid employees for the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries, allowances and benefits in kind	**7,170**	3,872
Pension scheme contributions	**136**	105
Discretionary bonuses	**497**	1,029
	7,803	5,006

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

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

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 HK$'000	2005 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**4,587**	4,767
Under-provision in prior years	**3,492**	12,983
Current – Mainland China		
Charge for the year	**3,413**	8,096
Under-provision in prior years	**90**	3,002
Deferred tax (note 37)	**6,582**	(1,437)
Total tax charge for the year	**18,164**	27,411

10. TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Profit before tax	**321,519**	261,831
Tax at the applicable tax rate	**56,266**	45,820
Profits and losses attributable to associates	**(6,260)**	(8,046)
Expenses not deductible for tax	**25,397**	2,853
Income not subject to tax	**(68,292)**	(27,585)
Adjustments in respect of current tax of previous periods	**3,582**	15,985
Tax losses arising from previous periods recognised	**(261)**	(14,467)
Tax losses utilised from previous periods	**(5,711)**	(5,915)
Tax losses not recognised	**15,665**	13,920
Effect of different tax rates of subsidiaries operating in Mainland China	**(2,222)**	4,846
Total tax charge for the year	**18,164**	27,411

The share of tax expense attributable to associates amounting to HK$8,184,000 (2005: HK$28,060,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a loss of HK$10,875,000 (2005: HK$16,000) which has been dealt with in the financial statements of the Company (note 40(b)).

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year, the Group committed to a plan to sell certain of its investment properties in Hong Kong and the Mainland China (the "Disposable Assets") so that the Group can focus more on its property development projects in Mainland China, which the Group considered to be more profitable. The disposal of the Disposable Assets is expected to take place in the coming year. At 31 December 2006, the Disposable Assets were classified as non-current assets classified as held for sale and are presented in property investment and development segment in note 4 (a) to the financial statements.

	2006	2005
	HK$'000	HK$'000
Assets		
Investment properties, at fair value	**53,300**	–

At 31 December 2006, the Group's non-current assets classified as held for sale with a value of HK$28,000,000 were pledged and mortgaged to secure general banking facilities and bank loans granted to the Group (note 33).

13. DIVIDEND

	2006 HK$'000	2005 HK$'000
Proposed final – HK5.6 cent (2005: Nil) per ordinary share	**29,699**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$312,363,000 (2005: HK$200,772,000), and 530,335,000 (2005: 530,335,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2006 and 2005 have not been disclosed as no diluting event existed during these years.

15. BIOLOGICAL ASSETS

	Group	
	2006 **HK$'000**	2005 HK$'000
Lychee fruit trees:		
Carrying amount at 1 January	**46,774**	51,300
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	**2,887**	(4,185)
Decrease due to harvest	**(624)**	(341)
Carrying amount at 31 December	**49,037**	46,774
Longan fruit trees:		
Carrying amount at 1 January	**15,226**	16,700
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs	**777**	(1,403)
Decrease due to harvest	**(40)**	(71)
Carrying amount at 31 December	**15,963**	15,226
Total carrying amount at 31 December	**65,000**	62,000
Quantities of fruit trees:	**Number of trees '000**	Number of trees '000
Lychee fruit trees	**333**	333
Longan fruit trees	**108**	108
	441	441

15. BIOLOGICAL ASSETS (Continued)

Fair value and saleable output of lychee and longan fruits at the point of harvest are analysed as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Fair value less estimated point-of-sale costs:		
Lychee fruits	**624**	341
Longan fruits	**40**	71
	664	412
	Tons	Tons
Saleable output:		
Lychee fruits	**178**	139
Longan fruits	**10**	32
	188	171

Significant assumptions made in determining the fair value of the biological assets are as follows:

(a) the fruit trees will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;

(b) the expected prices of lychee and longan fruits are based on the past actual average district prices; and

(c) the future cash flows have been discounted at the target rate of return on equity of the agriculture segment.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2006						
At 31 December 2005 and at 1 January 2006:						
Cost or valuation	209,775	226,720	242,518	12,718	23,662	715,393
Accumulated depreciation and impairment	(51,100)	(192,316)	(185,096)	(9,444)	(18,490)	(456,446)
Net carrying amount	158,675	34,404	57,422	3,274	5,172	258,947
At 1 January 2006, net of accumulated depreciation and impairment	158,675	34,404	57,422	3,274	5,172	258,947
Additions	–	11,492	16,632	369	1,097	29,590
Acquisition of subsidiaries (note 41)	47,674	5,329	14,671	10,027	815	78,516
Disposals/write-offs	(2,203)	(3,622)	(1,165)	(285)	(201)	(7,476)
Reclassification	(432)	432	–	–	–	–
Write-back of impairment loss	11,620	–	–	–	–	11,620
Transfer to investment properties, net (note 17)	(21,145)	–	–	–	–	(21,145)
Depreciation provided during the year	(13,143)	(13,609)	(18,803)	(4,760)	(2,459)	(52,774)
Exchange realignment	2,260	236	1,097	–	26	3,619
Fair value adjustment	1,571	–	–	–	–	1,571
Transfer from construction in progress (note 19)	3,208	–	–	–	–	3,208
At 31 December 2006, net of accumulated depreciation and impairment	188,085	34,662	69,854	8,625	4,450	305,676
At 31 December 2006:						
Cost or valuation	220,032	205,000	235,207	20,084	22,038	702,361
Accumulated depreciation and impairment	(31,947)	(170,338)	(165,353)	(11,459)	(17,588)	(396,685)
Net carrying amount	188,085	34,662	69,854	8,625	4,450	305,676
Analysis of cost or valuation:						
At cost	172,523	205,000	235,207	20,084	22,038	654,852
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	220,032	205,000	235,207	20,084	22,038	702,361

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2005						
At 31 December 2004 and at 1 January 2005:						
Cost or valuation	235,356	221,165	271,603	27,066	26,067	781,257
Accumulated depreciation and impairment	(67,937)	(180,306)	(227,126)	(20,787)	(18,829)	(514,985)
Net carrying amount	167,419	40,859	44,477	6,279	7,238	266,272
At 1 January 2005, net of accumulated depreciation and impairment	167,419	40,859	44,477	6,279	7,238	266,272
Additions	5,057	8,040	20,857	1,720	1,143	36,817
Disposals	(370)	(229)	(1,559)	(2)	(290)	(2,450)
Reclassification	(4,298)	750	6,659	(3,029)	(82)	–
Write-back/(provision) of impairment loss	2,409	(1,477)	(462)	(361)	–	109
Transfer to investment properties, net (note 17)	(4,312)	–	–	–	–	(4,312)
Depreciation provided during the year	(7,698)	(13,569)	(13,087)	(1,333)	(2,866)	(38,553)
Exchange realignment	468	30	537	–	29	1,064
At 31 December 2005, net of accumulated depreciation and impairment	158,675	34,404	57,422	3,274	5,172	258,947
At 31 December 2005:						
Cost or valuation	209,775	226,720	242,518	12,718	23,662	715,393
Accumulated depreciation and impairment	(51,100)	(192,316)	(185,096)	(9,444)	(18,490)	(456,446)
Net carrying amount	158,675	34,404	57,422	3,274	5,172	258,947
Analysis of cost or valuation:						
At cost	162,266	226,720	242,518	12,718	23,662	667,884
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	209,775	226,720	242,518	12,718	23,662	715,393

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's land and buildings are situated in Hong Kong, Taiwan and Mainland China and are held under the following lease terms:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong:		
Medium term leases	**47,005**	42,289
Long term leases	**16,107**	16,457
Taiwan:		
Freehold	**1,160**	–
Mainland China:		
Medium term land use rights	**92,367**	69,743
In the process of applying land use rights	**31,446**	30,186
	188,085	158,675

As at 31 December 2006, the Group had not obtained land use rights certificates in respect of the Group's certain leasehold properties amounting to approximately HK$31,446,000 (2005: HK$30,186,000).

During the year, the Group has transferred certain leasehold land and buildings of HK$21,145,000, at fair value, to investment properties.

The net book values of the items of property, plant and equipment held under finance leases and hire purchase contracts are summarised below:

	2006	2005
	HK$'000	HK$'000
Furniture and leasehold improvements	**3,157**	4,632
Machinery and equipment	**20,348**	19,907
Moulds and tools	**189**	287
Motor vehicles	**1,116**	2,216
	24,810	27,042

Certain of the Group's land and buildings were revalued on and before 31 December 1994. The land and buildings were revalued at open market value, based on their existing use. Since 1995, no further revaluations of the Group's land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings as at 31 December 2006 would have been approximately HK$153,828,000 (2005: HK$125,425,000).

At 31 December 2006, certain of the Group's leasehold land and buildings and machinery and equipment with a net book value of approximately HK$97,406,000 (2005: HK$72,683,000) and HK$648,000 (2005: HK$1,449,000) respectively, were pledged to secure banking facilities granted to the Group (note 33).

17. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**341,121**	208,944
Transfer from land and buildings, net (note 16)	**21,145**	4,312
Transfer from properties held for sale	**–**	19,221
Transfer to non-current assets classified as held for sale (note 12)	**(53,300)**	–
Addition from acquisitions of subsidiaries (note 41)	**449,771**	–
Disposals	**(35,257)**	–
Net profit from a fair value adjustment	**35,417**	108,568
Exchange realignment	**249**	76
Carrying amount at 31 December	**759,146**	341,121

The Group's investment properties are situated in Hong Kong, Taiwan and Mainland China, and are held under the following lease terms:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong:		
Long term lease	**4,100**	4,100
Medium term lease	**275,307**	300,185
	279,407	304,285
Taiwan:		
Freehold	**22,000**	–
Mainland China:		
Medium term lease	**457,739**	36,836
	759,146	341,121

The Group's investment properties were revalued on 31 December 2006 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$759,146,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 45(a) to the financial statements.

At 31 December 2006, the Group's investment properties with a value of HK$188,344,000 (2005: HK$299,104,000) were pledged and mortgaged to secure general banking facilities and bank loans granted to the Group (note 33).

At 31 December 2006, the Group was in the process of applying the land use rights certificates in respect of the Group's certain investment properties located in Mainland China to approximately HK$445,574,000 (2005: Nil).

Further particulars of the Group's investment properties are included on pages 89 to 92.

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**18,433**	15,564
Additions	**64**	3,232
Acquisition of subsidiaries (note 41)	**14,226**	–
Recognised during the year (note 6)	**(750)**	(363)
Carrying amount at 31 December	**31,973**	18,433
Current portion included in prepayments, deposits and other receivables	**(1,018)**	(363)
Non-current portion	**30,955**	18,070

The leasehold lands are held under medium term leases and are situated in Mainland China.

19. CONSTRUCTION IN PROGRESS

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**97,162**	–
Exchange realignment	**4,658**	–
Acquisition of subsidiaries (note 41)	**13,753**	40,385
Additions	**96,372**	56,777
Transfer to property, plant and equipment (note 16)	**(3,208)**	–
Carrying amount at 31 December	**208,737**	97,162

20. GOODWILL

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January:		
Cost	**8,497**	8,497
Accumulated impairment	**(625)**	–
Net carrying amount	**7,872**	8,497
Carrying amount at 1 January	**7,872**	8,497
Acquisition of subsidiaries (note 41)	**13,573**	–
Impairment during the year	**–**	(625)
Carrying amount at 31 December	**21,445**	7,872
At 31 December:		
Cost	**22,070**	8,497
Accumulated impairment	**(625)**	(625)
Net carrying amount	**21,445**	7,872

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$3,067,000 (2005: HK$3,067,000) as at 31 December 2006.

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash generating units, which are reportable segments, for impairment testing:

- Toy and footwear products cash-generating unit;
- Travel business cash-generating unit; and
- Information technology cash-generating unit.

Toy and footwear products cash-generating unit

The recoverable amount of the toy and footwear products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 17.3% (2005: 17.7%) and cash flows beyond the five-year period are extrapolated using a growth rate of 7.2% (2005: 7.6%) which are the same as the long term average growth rate of the toy and footwear products industry.

Travel business cash-generating unit

The recoverable amount of the travel business cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.5% (2005: 10.9%). The growth rate used to extrapolate the cash flows of the travel business unit beyond the five-year period is 3.6% (2005: 4.0%) which is the same as the long term average growth rate of the travel business industry.

20. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Information technology cash-generating unit

The recoverable amount of the information technology cash-generating unit is also determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.5% (2005: 10.9%). The growth rate used to extrapolate the cash flows of the information technology unit beyond the five-year period is 3.6% (2005: 4.0%) which is the same as the long term average growth rate of the information technology industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2006 HK$'000	2005 HK$'000
Cash-generating unit:		
Toy and footwear products	**14,947**	1,374
Travel business	**2,994**	2,994
Information technology	**3,504**	3,504
	21,445	7,872

Key assumptions were used in the value-in-use calculation of the toy and footwear products, travel business and information technology cash-generating units for 31 December 2006 and 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

21. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**234,018**	234,018
Due from subsidiaries	**668,719**	809,828
	902,737	1,043,846

Except for amounts of HK$81,105,000 (2005: HK$41,653,000) due from subsidiaries which bear interest at the Hong Kong dollar prime rate plus 4% (2005: Hong Kong dollar prime rate plus 4%) per annum, the amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months from the balance sheet date. The carrying amounts of these amounts due from subsidiaries are approximate to their fair values.

The amounts due to subsidiaries included in the Company's non-current liabilities of HK$293,110,000 (2005: HK$499,586,000) are unsecured, interest-free and are not repayable within twelve months from the balance sheet date. The carrying amounts of these amounts due to subsidiaries are approximate to their fair values.

21. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries are set out in note 51 to the financial statements.

During the year, the Group acquired an 87% interest in Weifen and an additional 52.8% interest in Nority, a then 42.5% owned associate (both as defined in note 41 to the financial statements). Further details of these acquisitions are included in note 41 to the financial statements.

22. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets:		
Listed associate in Hong Kong	**–**	60,305
Unlisted associates	**93,589**	103,838
	93,589	164,143
Advances to associates	**217,950**	214,059
Amounts due to associates	**(77)**	(1,039)
Provision for impairment	**(700)**	(706)
	217,173	212,314
	310,762	376,457
Market value of the listed associate	**–**	29,670

During the year, the Group acquired an additional 52.8% interest in Nority, a then 42.5% owned listed associate in Hong Kong. Subsequent to the acquisition, Nority became an indirectly-owned subsidiary of the Company. Further details of the acquisition are included in note 41 to the financial statements.

During the year, the Group acquired an additional 42.6% interest in Nanjing South China Dafang Electric Co., Ltd. ("Dafang"), a then 51% owned associate of the Group indirectly through the acquisition of an 87% interest in Weifen. Subsequent to the acquisition, Dafang is an indirectly-owned subsidiary of the Company. Further details of the acquisition are included in note 41 to the financial statements.

Except for the advance to Firm Wise Investment Limited ("FWIL") of HK$213,651,000 (2005: HK$213,354,000) which bears interest at a rate of 0.5% (2005: 0.5%) per annum, the amounts with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts are not repayable within twelve months from the balance sheet date and are classified in the balance sheet as non-current accordingly. The carrying amounts of the balances with associates are approximate to their fair values.

As at 31 December 2006, the Group has given guarantees with a total amount of HK$210,000,000 (2005: HK$210,000,000) to secure banking facilities granted to FWIL, of which HK$203,100,000 (2005: HK$210,000,000) was utilised. The banking facilities are due to be mature in November 2010. The advances to FWIL and guarantees given were used to finance a property project in Hong Kong.

22. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of FWIL, extracted from its management accounts as adjusted for the fair value of the investment properties based on the valuation performed by BMI Appraisals Limited.

	2006 HK$'000	2005 HK$'000
Assets	**1,790,219**	1,623,824
Liabilities	**1,506,416**	1,495,640
Turnover	**87,267**	72,243
Profit	**155,617**	198,180

The following table illustrates the summarised financial information of the Group's other associates extracted from their management accounts.

Other associates	2006 HK$'000	2005 HK$'000
Assets	**108,197**	367,031
Liabilities	**86,204**	119,636
Turnover	**16,210**	297,638
Loss	**(7,382)**	(51,974)

Details of the principal associates are set out in note 52 to the financial statements.

23. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006 **HK$'000**	2005 HK$'000
Listed equity securities in Hong Kong, at fair value	**15,896**	10,317
Club debentures	**1,653**	1,350
Unlisted equity investments, at cost	**2,145**	–
	19,694	11,667

During the year, the fair value gain of the Group's listed equity securities recognised directly in equity amounted to HK$5,248,000 (2005: gross loss of HK$2,363,000) of which HK$282,000 (2005: Nil) was removed from equity and recognised in income statement and no impairment in respect of the Group's debentures was recognised in the consolidated income statement (2005: HK$553,000).

The above investments consist of the investments in equity securities and club debentures which were designated as available-for-sale investments.

The fair values of listed equity investments are based on quoted market prices. The directors consider that the fair value of the unlisted equity investments cannot be measured reliably given the absence of market information for companies of similar nature and scale and the probabilities of the various estimates to be used in estimating fair value cannot be reasonably assessed. As such, the unlisted equity investments are carried at cost.

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$18,439,000.

24. DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, carries interest at the Hong Kong dollar prime rate less 2% and has no fixed terms of repayment. The carrying value of the amount due from a fellow subsidiary is approximate to its fair value.

25. DUE FROM/TO AN INTERMEDIATE HOLDING COMPANY

The amounts due from/to an intermediate holding company are unsecured, bear interest at Hong Kong dollar prime rate less 2% (2005: Hong Kong dollar prime rate plus 3%) and have no fixed repayment terms. The carrying values of the amounts due from/to an intermediate holding company are approximate to their fair values.

26. DUE FROM/TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amounts due from/to a minority shareholder of a subsidiary are unsecured, interest-free and are repayable on demand. The carrying values of the amounts due from/to a minority shareholder of a subsidiary are approximate to their fair values.

27. DUE FROM RELATED COMPANIES

Certain directors of the related companies are also the directors of the Group. The amounts due from related companies of the Group are unsecured, interest-free and have no fixed terms of repayment. The carrying values of the amounts due from related companies are approximate to their fair values.

28. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**217,739**	222,699
Work in progress	**136,437**	128,895
Finished goods	**84,059**	65,305
	438,235	416,899
Provision against obsolete inventories	**(84,806)**	(72,052)
	353,429	344,847

At 31 December 2006, the Group's inventories with a value of HK$102,688,000 (2005: HK$81,225,000) were pledged to secure general banking facilities granted to the Group (note 33).

29. TRADE RECEIVABLES

The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months depending on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

29. TRADE RECEIVABLES (Continued)

An ageing analysis of trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 90 days	**248,313**	232,305
91 to 180 days	**16,097**	11,367
181 to 365 days	**2,564**	665
Over 365 days	**2,325**	775
	269,299	245,112

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

30. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**49,548**	–

The above equity investments at 31 December 2006 were classified as held for trading. The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$51,601,000.

31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**249,838**	174,743	**272**	338
Time deposits	**17,025**	15,230	**–**	–
	266,863	189,973	**272**	338
Less: Pledged time deposits:				
Pledged for letter of guarantee	**11,880**	15,230	**–**	–
Cash and cash equivalents	**254,983**	174,743	**272**	338

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$60,581,000 (2005: HK$57,255,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

32. TRADE AND BILLS PAYABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade payables	**503,127**	386,797
Bills payable	**7,145**	570
	510,272	387,367

An ageing analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within 90 days	**438,242**	350,804
91 to 180 days	**41,922**	24,469
181 to 365 days	**11,285**	4,033
Over 365 days	**11,678**	7,491
	503,127	386,797

The trade payables are non-interest-bearing and normally settled on 90-day terms. The carrying amounts of the trade and bills payables are approximate to their fair values.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000	Company 2006 HK$'000	Company 2005 HK$'000
Current						
Finance lease payables (note 34)	1.7 – 7.5	2007	**7,095**	9,988	**–**	–
Bank overdrafts – unsecured	8.4 – 9.8	On demand	**–**	1,442	**–**	–
Bank overdrafts – secured	8.0 – 8.3	On demand	**5,780**	226	**–**	–
Bank loans – unsecured	14.6	2007	**17,938**	2,001	**–**	299
Bank loans – secured	4.6 – 6.9	2007	**170,094**	57,924	**64,463**	–
Trust receipt loans – secured	4.9 – 7.1	2007	**102,688**	81,225	**–**	–
			303,595	152,806	**64,463**	299
Non-current						
Finance lease payables (note 34)	1.7 – 7.5	2008-2009	**5,353**	6,414	**–**	–
Bank loans – secured	4.6 – 5.9	2008-2014	**128,481**	41,827	**16,116**	–
			133,834	48,241	**16,116**	–
			437,429	201,047	**80,579**	299
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			**296,500**	142,818	**64,463**	299
In the second year			**47,984**	9,489	**16,116**	–
In the third to fifth years, inclusive			**72,757**	32,338	**–**	–
Over five years			**7,740**	–	**–**	–
			424,981	184,645	**80,579**	299
Finance leases repayable:						
Within one year or on demand			**7,095**	9,988	**–**	–
In the second year			**3,896**	4,908	**–**	–
In the third to fifth years, inclusive			**1,457**	1,506	**–**	–
			12,448	16,402	**–**	–
			437,429	201,047	**80,579**	299

33. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) At the balance sheet date, the Group's bank loans of approximately HK$298,575,000 (2005: HK$99,751,000) and other banking facilities of approximately HK$102,688,000 (2005: HK$81,225,000) are secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$188,344,000 (2005: HK$299,104,000);

(ii) pledges and mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value at the balance sheet date of approximately HK$97,406,000 (2005: HK$72,683,000);

(iii) pledges over the Group's inventories which had an aggregate carrying value at the balance sheet date of approximately HK$102,688,000 (2005: HK$81,225,000);

(iv) pledges over the Group's non-current assets classified as held for sale which had an aggregate carrying value at the balance sheet date of approximately HK$28,000,000; and

(v) charges over the Group's machinery and equipment, which had an aggregate carrying value at the balance sheet date of approximately HK$648,000 (2005: HK$1,449,000).

(b) Except for secured bank loans with an aggregate amount of HK$9,370,000 (2005: HK$7,115,000) and HK$80,579,000 (2005: Nil), which are denominated in Renminbi and United States dollars respectively, all other borrowings are in Hong Kong dollars. No unsecured bank loan (2005: HK$1,702,000) is denominated in Renminbi.

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Finance lease payables	**3,861**	**8,587**	8,260	8,142
Bank overdrafts – unsecured	**–**	**–**	–	1,442
Bank overdrafts – secured	**–**	**5,780**	–	226
Bank loans – unsecured	**17,938**	**–**	1,702	299
Bank loans – secured	**9,370**	**289,205**	7,115	92,636
Trust receipt loans – secured	**–**	**102,688**	–	81,225

	Company			
	2006		2005	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Bank loan – secured	**–**	**80,579**	–	–
Bank loans – unsecured	**–**	**–**	–	299

The carrying amounts of the Group's and the Company's borrowings are approximate to their fair values. The fair values of bank borrowings are estimated at the present value of future cash flows, discounted at prevailing interest rate at 31 December 2006.

34. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicle for its manufacturing and travel businesses. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 December 2006, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payment		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**7,674**	10,711	**7,095**	9,988
In the second year	**4,124**	5,096	**3,896**	4,908
In the third to fifth years, inclusive	**1,496**	1,540	**1,457**	1,506
Total minimum finance lease payments	**13,294**	17,347	**12,448**	16,402
Future finance charges	**(846)**	(945)		
Total net finance lease payables	**12,448**	16,402		
Portion classified as current liabilities (note 33)	**(7,095)**	(9,988)		
Non-current portion (note 33)	**5,353**	6,414		

35. ADVANCES FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore disclosed in the balance sheet as non-current. The carrying amounts of the advances from minority shareholders of subsidiaries are approximate to their fair values

36. PROVISION FOR SEVERANCE PAYMENT

Group

	Provision for severance payment
	HK$'000
At 1 January 2006	–
Acquisition of subsidiaries (note 41)	32,754
Amounts utilised during the year	(153)
At 31 December 2006	32,601
Portion classified as current liabilities	–
Non-current portion	32,601

The provision for severance payment arose from the acquisition of an 87% interest in Weifen under the relevant regulations in the Mainland China.

37. DEFERRED TAX

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

Deferred tax liabilities

Group

	Accelerated tax depreciation	**Revaluation of properties**	**Losses available for offset against future taxable profits**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	1,744	–	–	1,744
Deferred tax charged/(credited) to the income statement (note 10)	5,857	10,292	(6,353)	9,796
Exchange realignment	(78)	–	–	(78)
At 31 December 2005 and at 1 January 2006	7,523	10,292	(6,353)	11,462
Exchange realignment	(154)	–	–	(154)
Deferred tax charged/(credited) to the income statement (note 10)	(1,282)	3,374	246	2,338
Acquisition of a subsidiary (note 41)	–	115,869	–	115,869
At 31 December 2006	6,087	129,535	(6,107)	129,515

Deferred tax assets

Group

	Loss available for offset against future taxable profits
	HK$'000
At 1 January 2005	–
Deferred tax credited to the income statement (note 10)	(11,233)
Deferred tax assets at 31 December 2005 and at 1 January 2006	(11,233)
Deferred tax charged to the income statement (note 10)	4,244
Deferred tax assets at 31 December 2006	(6,989)

37. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax losses	**630,248**	639,729	**28,364**	21,010

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

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

38. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2005: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
530,335,000 (2005: 530,335,000) ordinary shares of HK$0.1 each	**53,033**	53,033

39. SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in a share option scheme operated by the Company. Details of the scheme of the Company are as follows:

(a) Purpose of the Share Option Scheme

In order to provide the Company with a flexible means of giving incentives to or rewarding to the participants for their contribution to the Company and to enable the Company to attract and retain employees of appropriate qualifications and with necessary experience to work for the Company and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the Company have approved the adoption of the share option scheme (the "Share Option Scheme") at the annual general meetings held on 31 May 2002.

39. SHARE OPTION SCHEMES (Continued)

(b) Participants of the Share Option Scheme

According to the Company's Share Option Scheme, the board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the group or any Invested Entity or substantial shareholder;

(v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder; and

(ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(c) Total number of shares available for issue under the Share Option Scheme

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% (or such other percentage as may be allowed under the Listing Rules and all other applicable laws and regulations) of the total number of shares in issue from time to time.

A total of 53,033,474 shares of the Company are available for issue under the Share Option Scheme, which represents 10% of the issued share capital of the Company as at the date of this report.

Details of the principal terms of the Share Option Scheme are set out in the circular of the Company dated 30 April 2002.

No share options have been granted under the Share Option Scheme since its adoption. No valuation of share options was made as no option has been granted under the Share Option Scheme.

(d) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being unless otherwise approved by the shareholders.

39. SHARE OPTION SCHEMES (Continued)

(e) Period within which the shares must be taken up under an option

The board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The board may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

(f) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

(g) Amount payable upon acceptance of the option and the period within which the payment must be made

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

(h) Basis of determining the exercise price of the option

The exercise price is determined by the board, and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the respective Company's shares.

(i) Remaining life of the Share Option Scheme

Subject to early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002.

In addition, Nority International Group Limited ("Nority"), a subsidiary of the Company, adopted a share option scheme on 10 June 2003 to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the share option scheme of Nority are as follows:

(a) Purpose of the share option scheme

The purpose of the option scheme of Nority is to enable Nority to grant options to certain members of Nority and its subsidiaries and any suppliers, consultants, agents and advisers in recognition of their contribution to Nority and the subsidiaries.

(b) Participants of the share option scheme

Under the terms of the scheme, the directors of Nority may, at their discretion, invite full-time employees of Nority and its subsidiaries, including directors of Nority and its subsidiaries, and any suppliers, consultants, agents and advisers, whether on a contractual or honorary basis and whether paid or unpaid, who have contributed or will contribute to Nority and its subsidiaries to take up options to subscribe for shares.

39. SHARE OPTION SCHEMES (Continued)

(c) Total number of shares available for issue under the share option scheme

The maximum number of share in respect of which options may be granted (together with options exercised and options then outstanding) at any time under the scheme of Nority shall not when aggregated with any shares subject to any other schemes involving the issue or grant of option over shares by Nority to, or for the benefit of eligible participants, exceed such number of shares as shall represent 10% of the issued share capital of Nority as at the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the scheme of Nority will not be counted for the purpose of calculating the Scheme Mandate Limit. Nority may, from time to time, seek approval from shareholders in a general meeting to refresh the Scheme Mandate Limit. However, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option scheme and any other schemes of Nority must not exceed 30% of the shares in issue of Nority from time to time.

During the year, Nority had not granted any option to any directors or eligible persons under the Scheme. No share option was outstanding as at 31 December 2005 and 2006.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant to each eligible participant must not exceed 1% of the shares of Nority in issue.

(e) Period within which the shares must be taken up under an option

The board of Nority may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The board may also provide restrictions on the exercise of a share option during the period a share option may be exercised.

(f) Amount payable upon acceptance of the option and the period within the payment must be made

An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the grantee together with the consideration of HK$10 is received by Nority.

(g) Basis of determining the exercise price of the option

The subscription price for the shares shall be determined by the directors of Nority at their discretion provided that it shall not be less than the higher of:

(a) the closing price of the shares as stated in Stock Exchange's daily quotations sheet on the date of offer;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and

(c) the nominal value of the shares on the date of offer.

(h) Remaining life of the share option scheme

Subject to the early termination of the scheme of Nority, the scheme shall be valid and effective until the close of business of Nority on the which falls 10 years after the adoption date on 10 June 2003.

40. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 24 to 25 of the financial statements.

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	193,410	223	195,775	99,825	489,233
Loss for the year	–	–	–	(16)	(16)
At 31 December 2005 and 1 January 2006	193,410	223	195,775	99,809	489,217
Loss for the year	–	–	–	(10,875)	(10,875)
Proposed final dividend	–	–	–	(29,699)	(29,699)
At 31 December 2006	193,410	223	195,775	59,235	448,643

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal value of the Company's shares issued for the acquisition at the time of a group reorganisation in 1992.

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2006 amounted to approximately HK$448,420,000 (2005: HK$488,994,000).

41. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS

On 31 August 2006, the Group acquired an 87% interest in 南京微分電機有限公司 ("Weifen") from a holding company of a joint venture partner of a former associate. Weifen is engaged in property investment. The purchase consideration for the acquisition was in the form of cash of RMB41,655,000. Subsequent to the acquisition, the Group has control on Dafang with an effective interest of 93.6%.

During the period from 24 March to 16 May 2006, the Group acquired an additional 52.8% interest in Nority International Group Limited ("Nority"), a then associate of the Group listed on the Hong Kong Stock Exchange. Nority is engaged in manufacturing of shoes and footwear products. The purchase consideration for the acquisition was in the form of cash of HK$67,310,000.

41. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS (Continued)

The fair values of the identifiable assets and liabilities of Weifen and Nority as at the dates of acquisition and their corresponding carrying amounts immediately before their acquisitions were as follows:

	Fair value recognised on acquisition		Carrying amount	
	Nority	Weifen	Nority	Weifen
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	71,232	7,284	71,232	2,545
Investment properties	4,197	445,574	4,197	94,455
Non-current portion of prepaid land lease payments	11,486	2,085	11,486	15,747
Construction in progress	10,410	3,343	10,410	3,343
Available-for-sale investments	1,643	2,145	1,643	2,145
Loans and receivables	1,670	–	1,670	–
Deferred tax assets	–	–	10,656	–
Inventories	16,499	–	16,499	–
Trade receivables	23,769	–	23,769	–
Current portion of prepaid land lease payments	326	329	326	–
Prepayments, deposits and other receivables	2,069	16,488	2,069	16,488
Amounts due from associates	–	3,600	–	3,600
Financial assets at fair value through profit or loss	360	–	360	–
Tax recoverable	409	–	409	–
Cash and bank balances	18,496	17,818	18,496	17,818
Trade and bills payables	(20,255)	(96)	(20,255)	(96)
Other payables and accruals	(21,717)	(27,824)	(21,717)	(27,824)
Amount due to the holding company	–	(11,226)	–	(11,226)
Amount due to a minority shareholder	–	(25,835)	–	(25,835)
Interest-bearing bank and other borrowings	–	(17,938)	–	(17,938)
Tax payable	(2,017)	(338)	(2,017)	(338)
Provision for severance payment	–	(32,754)	–	(32,754)
Deferred tax liabilities	–	(115,869)	–	–
Minority interests	(11,514)	(18,836)	(11,514)	(16,186)
	107,063	247,950	117,719	23,944
Goodwill on acquisition (note 20)	13,573	–		
Excess over the cost of business combinations	–	(154,005)		
	120,636	93,945		
Satisfied by:				
Cash	67,310	40,727		
Reclassification from interests in associates to interests in subsidiaries	53,326	53,218		
	120,636	93,945		

41. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS (Continued)

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

	Nority	**Weifen**
	HK$'000	HK$'000
Cash consideration	67,310	40,727
Cash and bank balance acquired	(18,496)	(17,818)
Net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries	48,814	22,909

Weifen's investment properties, prepaid land lease payments and leasehold buildings were revalued on 31 August 2006 by BMI Appraisals Limited, on an open market, existing use basis. The value of net assets attributable to the Group acquired, including investment properties, prepaid land lease payments and leasehold buildings, all being at fair value, exceeds the consideration paid for the acquisition, giving rise to an excess over the cost of business combination, which was recognised in the income statement.

During the period from January 2006 to December 2006, the Group acquired an additional 31.8% interest in Wah Shing International Holdings Limited ("Wah Shing"), a subsidiary of the Group listed on the Singapore Exchange Securities Trading Limited, after the approval for the privatisation of Wah Shing in February 2006. Wah Shing then became a wholly owned subsidiary of the Group. Wah Shing is principally engaged in the trading and manufacturing of toys and footwear, securities investments and property investment and development. The total purchase consideration for the acquisition was in the form of cash of HK$78,361,000 and the excess over the cost of acquisition of HK$87,303,000 was recognised in the consolidated income statement.

Since the acquisition on 1 September 2006, Weifen contributed a profit of HK$91,000 to the Group's consolidated profit for the year ended 31 December 2006.

Since the acquisition of the controlling stake in March 2006, Nority contributed a loss of HK$34,105,000 to the Group's consolidated profit for the year ended 31 December 2006. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$4,106,032,000 and HK$296,453,000, respectively.

42. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

At 31 December 2006, additions to plant and equipment amounting to approximately HK$7,026,000 (2005: HK$11,056,000) were financed by new finance leases.

43. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL	**210,000**	210,000	**–**	–
Subsidiaries	**–**	–	**906,300**	308,300
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	223,526	223,526	**919,826**	321,826

As at 31 December 2006, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$349,464,000 (2005: HK$94,720,000), and the banking facilities guaranteed by the Group to FWIL were utilised to the extent of approximately HK$203,100,000 (2005: HK$210,000,000).

44. PLEDGES OF ASSETS

At the balance sheet date, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	2006	2005
	HK$'000	HK$'000
Net book value of pledged assets:		
Property, plant and machinery	**98,054**	74,132
Investment properties	**188,344**	299,104
Non-current assets classified as held for sale	**28,000**	–
Inventories	**102,688**	81,225
Bank deposits	**11,880**	15,230
	428,966	469,691

45. OPERATING LEASES ARRANGEMENTS

(a) As lessor

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

45. OPERATING LEASES ARRANGEMENTS (Continued)

(a) As lessor (Continued)

At 31 December 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**24,663**	11,640
In the second to fifth years, inclusive	**60,946**	8,925
Over five years	**30,300**	–
	115,909	20,565

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from three months to ten years, and those for office properties are for terms of one to two years.

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**10,011**	10,018
In second to fifth years, inclusive	**28,244**	35,668
Over five years	**66,747**	74,259
	105,002	119,945

46. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2006	2005
	HK$'000	HK$'000
Contracted but not provided for:		
Machinery and equipment	**8,468**	5,825
Motor vehicles	**156**	–
Land use rights	**–**	4,761
	8,624	10,586
Authorised but not contracted for:		
Machinery and equipment	**6,816**	–

47. RELATED PARTY TRANSACTIONS

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

	Notes	**2006** **HK$**	2005 HK$
Transactions with fellow subsidiaries:			
Rental income received	(i)	**4,122**	3,542
Brokerage fee paid	(i)	**582**	682
Sharing of administrative expenses	(ii)	**18,508**	15,044
Interest expense paid	(iii)	**1,611**	–
Transactions with an intermediate holding company:			
Interest income received	(iv)	**1,649**	–
Interest expense paid	(v)	**–**	1,424
Transactions with associates:			
Interest income	(vi)	**1,065**	1,436
Transactions with related companies:			
Jessica Management Limited:*			
Rental income received	(i)	**283**	273
Subscription of magazines paid	(i)	**–**	11
Capital Publishing Management Limited:*			
Rental income received	(i)	**132**	266

* Mr. Ng Hung Sang a director of the Company, is also a director and substantial shareholder of these companies.

Notes:

(i) These transactions were charged at prevailing market rates.

(ii) The transaction was carried out on terms determined and agreed by both parties.

(iii) The interest expense was charged at prevailing market lending rates on short term borrowings from a fellow subsidiary.

(iv) The interest was charged at the Hong Kong dollar prime rate less 2% per annum on the balance due from an intermediate holding company.

(v) The interest expense was charged at the Hong Kong dollar prime rate plus 3% per annum on the balance due to an intermediate holding company.

(vi) The interest was charged at a rate of 0.5% per annum on the outstanding advances to FWIL.

47. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

Details of a guarantee given by the Group to FWIL are set out in note 43 to the financial statements.

(c) Outstanding balances with related parties:

Details of the balances with related parties at the balance sheet date are included in notes 21, 22, 24, 25, 26, 27 and 35 to the financial statements.

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

The executive directors and the non-executive director are the key management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, equity investments, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The directors expect that the interest rates has peaked in 2006 and accordingly, the interest rate risk is considered limited.

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The directors consider that the exchange rates of Hong Kong dollars against United States dollars in the foreseeable future are expected to be relatively stable and the appreciation in Renminbi against Hong Kong dollars falls within the expected range, there is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

The Group has certain investments in operations in Mainland China, whose net assets are exposed to translation risk. Management does not expect any material adverse impact on the foreign exchange fluctuation, as an expected appreciation in Renminbi will further benefit the Group's net assets position in the Mainland China.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings agencies.

Liquidity risk

Internally generated cash flows and bank borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rate and are renewable annually. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

Equity instrument price risk

Equity instrument price risk represents the possibilities of changes in fair value or future cash flows due to changes in market prices. The Group is exposed to equity security price risk through its investments held classified as available-for-sale financial assets and financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. Management monitors this exposure by maintaining a portfolio of investments with different risk profiles and the Investment Committee meets on an ad hoc basis to review the investments held by the Group in order to minimise the equity instrument price risk.

49. POST BALANCE SHEET EVENTS

(a) On 6 November 2006, Micon Limited ("Micon"), a wholly owned subsidiary of the Company, entered into agreements with an independent third party relating to the sale and purchase of 255,885,561 shares of Nority beneficially owned by Micon at an aggregate consideration of approximately HK$105 million. The transaction was approved at an extraordinary general meeting of Nority on 3 January 2007 and completed on 5 January 2007. Nority ceased to be a subsidiary of the Group upon completion. Details of which are disclosed in the circular of the Company dated 18 December 2006.

(b) On 9 January 2007, WTS International (BVI) Limited, a wholly owned subsidiary of the Company, entered into an agreement with South China Land Limited ("SCL", formerly known as Capital Publications Limited) in respect of the disposal of 51% equity interest in Praise Rich Limited ("Praise Rich") at a consideration of HK$408 million by way of issuance of convertible note of SCL, entitling the convertible noteholders to convert into a maximum of 5,440,000,000 shares of SCL at a conversion price of HK$0.075. The transaction was approved at the extraordinary general meeting on 8 March 2007 and completed on 12 March 2007. Praise Rich ceased to be a subsidiary of the Group and would be accounted for as an associate of the Group upon completion. Details of which are disclosed in the circular of the Company dated 12 February 2007.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 April 2007.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Fortuna Information Technology Co. Ltd. (note c)	The PRC/ Mainland China	RMB3,330,000	80.8%	Information and technology related business
Chongqing South China Incyber Opti & Info Co. Ltd. (note c)	The PRC/ Mainland China	RMB3,500,000	65%	Information and technology related business
Chongqing South China Zenith Information Technology Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,000,000	60%	Information and technology related business
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
Guangdong Huaxing Fruit Development Co. Ltd (note d)	The PRC/ Mainland China	US$7,193,599	100%	Fruit plantation
Haixing Huafeng Agriculture Co., Ltd. (note d)	The PRC/ Mainland China	HK$5,000,000	100%	Fruit plantation
Hong Kong Four Seas Tours Limited	Hong Kong	HK$20,800,000 HK$1,200,000 Non-voting deferred (note b)	100%	Sale of air tickets and provision of travel related services
Liaoning Dafa Real Estate Company Limited* (note c)	The PRC/ Mainland China	RMB202,000,000	80%	Real estate development
Nanjing South China Dafang Electric Co., Ltd. (note c)	The PRC/ Mainland China	RMB77,550,000	93.6%	Property investment
Nanjing Weifen Machinery Co., Ltd (note c)	The PRC/ Mainland China	RMB29,035,500	87%	Property investment

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Nority Development Limited*	British Virgin Islands/Hong Kong	US$2	95.35%	Property holding
Nority International Group Limited (listed on the Stock Exchange)*	Cayman Islands/ Hong Kong	HK$26,837,261	95.35%	Investment holding
Nority Limited*	Hong Kong	HK$65 HK$12,000,000 Non-voting deferred (note b)	95.35%	Manufacturing and export of footwear
Man Wah Trading Limited	Hong Kong	HK$10,000	100%	Investment in securities
Micon Limited	Hong Kong	HK$2	100%	Investment holding
Shenyang Shenglian Electronics Science & Technology Ltd. (note c)	The PRC/ Mainland China	RMB4,000,000	70%	Information and technology related business
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
South China Garments Company Limited	Hong Kong	HK$500,000	100%	Trading of garments
South China Industries (BVI) Limited	British Virgin Islands/Hong Kong	US$1,000	100%	Investment holding
South China Leesheng Sporting Goods Co., Limited	Hong Kong	HK$2	100%	Trading of sports products
South China Machinery Limited	Hong Kong	HK$10,000	60%	Trading of machinery
South China Shoes Products Company Limited	Hong Kong	HK$500,000	100%	Trading of shoes

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Strategic Limited	Hong Kong	HK$308,593,789	100%	Investment holding
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	100%	Property development and investment holding
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather products
Tianjin South China Lee Sheng Sporting Goods Co. Ltd. (note c)	The PRC/ Mainland China	RMB9,940,167	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd (note c)	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing of footwear products
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	HK$571,500	70%	Manufacturing of toys
Wah Shing International Holdings Limited	Bermuda/ Hong Kong	HK$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	HK$2 HK$3,020,002 Non-voting deferred (note b)	100%	Trading of toys and investment holding

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Notes:

a. Except South China Industries (BVI) Limited, the principal subsidiaries of the Group are all held indirectly by the Company.

b. The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

c. These are Sino-foreign equity joint ventures established in the PRC.

d. This is a wholly-foreign-owned equity enterprise established in the PRC.

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

52. PARTICULARS OF PRINCIPAL ASSOCIATE

Particulars of the Group's principal associate at 31 December 2006 are as follows:

Name of associate	Place of incorporation and operation	Class of share held	Percentage of equity interest indirectly held by the Group	Principal activity
FWIL*	Hong Kong	Ordinary	30%	Property development

In determining whether an investment should be classified as an associate, the directors have also considered whether the Group is in a position to exercise significant influence over the investment even though its interest therein is less than 20% or whether the Group can exercise control over the investment even though its interest therein is more than 50%.

The financial statements of the associates are coterminous with those of the Group, except for FWIL which has a financial year end date of 30 June.

The Group's shareholdings in the associates all comprise equity shares held through wholly-owned subsidiaries of the Company.

The above summary lists only the associate of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of the other associates would, in the opinion of the directors, result in particulars of excessive length.

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.