Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

In the opinion of the directors, Orientelite Investments Limited, a company incorporated in the British Virgin Islands, is the immediate holding company and China Enterprise Capital Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Consolidation

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

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

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

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

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

(b) Business combination and goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Business combination and goodwill (cont'd)

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

(iii) Translation on consolidation

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

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

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

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

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

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

(d) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (cont'd)

Revaluation increases of buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the properties revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against properties revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained profits.

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

Buildings	2%-5%
Plant and machinery	11%-50%
Leasehold improvements, furniture and fixtures	20%-50%
Motor vehicles	20%-25%
Moulds	25%

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

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

(e) Operating leases

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

(f) Inventories

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Trade and other receivables

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

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

(h) Cash and cash equivalents

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

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(j) Borrowings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Equity instruments

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

(m) Revenue recognition

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

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

Subcontracting fee income is recognised when the subcontracting services are rendered.

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

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs

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

(p) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
(ii) the party is an associate;
(iii) the party is a joint venture;
(iv) the party is a member of the key management personnel of the Company or its parent;
(v) the party is a close member of the family of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(r) Segment reporting

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Impairment of assets

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

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

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

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

(t) Provisions and contingent liabilities

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

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

(u) Events after the balance sheet date

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Impairment test 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 unit 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 approximately HK$11,010,000 (2005: HK$11,010,000). More details are given in Note 19.

(b) Deferred tax

The Group recognises deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. 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 amount of unrecognised tax losses at 31 December 2006 was approximately HK$141,565,000 (2005: HK$114,764,000). Further details are contained in Note 28 to the financial statements.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

Notes to the Financial Statements

For the year ended 31 December 2006

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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

(c) Liquidity risk

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

(d) Interest rate risk

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

The Group's exposure to interest rate risk arises from its long-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

(e) Fair values

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

6. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and revenue from provision of subcontracting services during the year:

	2006 **HK$'000**	2005 HK$'000
Sales of goods	**163,031**	111,376
Subcontracting fee income	**4,389**	4,410
	167,420	115,786

7. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Interest income	**239**	40
Net foreign exchange gains	**306**	–
Rental income	**36**	6
	581	46

8. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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.

During the year, to better present the business operations of the Group, the Group has restructured its business segments, including, inter alia, combining the "Handbag products and related accessories" and "Garments" segments as defined in the annual report 2005 to form the "Handbags and other accessories" segment. Comparative figures have been reclassified to conform to the current year's presentation.

The Group is organised into two main business segments:

(i) manufacture and sale of handbags, garments and other accessories and provision of related subcontracting services; and
(ii) manufacture and sale of liquid milk and yogurt.

There are no sales or other transactions among the business segments.

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format – business segments (Cont'd)

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

	Handbags and other accessories HK$'000	Dairy products HK$'000	Group HK$'000
Year ended 31 December 2006			
Segment revenue	142,551	24,869	167,420
Segment results	13,476	(6,129)	7,347
Other income			581
Reversal of allowance for impairment of receivables			2,155
Unallocated costs			(36,353)
Loss from operations			(26,270)
Finance costs			(6,570)
Loss before tax			(32,840)
At 31 December 2006			
Assets and liabilities			
Segment assets	75,184	49,933	125,117
Unallocated assets			14,761
Total assets			139,878
Segment liabilities	35,564	9,982	45,546
Unallocated liabilities			81,839
Total liabilities			127,385
Year ended 31 December 2006			
Other segment information			
Capital expenditure	898	2,862	3,760
Unallocated amounts			7
			3,767
Depreciation	4,542	4,025	8,567
Unallocated amounts			13
			8,580
Amortisation of prepaid land lease payments	169	–	169
Reversal of allowance for impairment of receivables	2,155	–	2,155
Write down of inventories	4,276	1,536	5,812
Bad debts written off	62	–	62

8. SEGMENT INFORMATION (CONT'D)

(a) Primary reporting format – business segments (Cont'd)

	Handbags and other accessories HK$'000	Dairy products HK$'000	Group HK$'000
Year ended 31 December 2005			
Segment revenue	115,724	62	115,786
Segment results	(354)	(227)	(581)
Other income			46
Gain on deregistration of an associate			299
Reversal of allowance for impairment of receivables			2,040
Unallocated costs			(30,545)
Loss from operations			(28,741)
Finance costs			(1,418)
Loss before tax			(30,159)
At 31 December 2005			
Assets and liabilities			
Segment assets	60,465	47,426	107,891
Unallocated assets			34,256
Total assets			142,147
Segment liabilities	24,508	3,392	27,900
Unallocated liabilities			87,529
Total liabilities			115,429
Year ended 31 December 2005			
Other segment information			
Capital expenditure	1,000	1,317	2,317
Unallocated amounts			576
			2,893
Depreciation	7,509	160	7,669
Unallocated amounts			5
			7,674
Amortisation of prepaid land lease payments	170	–	170
Reversal of allowance for impairment of receivables	2,040	–	2,040
Write down of inventories	318	–	318

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONT'D)

(b) Secondary reporting format – geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

	Segment revenue		Total assets		Capital expenditure	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
United States of America	**44,194**	57,649	**–**	–	**–**	–
Europe	**29,587**	14,135	**–**	–	**–**	–
The People's Republic of China ("PRC")	**93,639**	42,120	**98,317**	101,598	**3,452**	2,107
Asia region except the PRC	**–**	1,882	**30,551**	29,539	**315**	786
	167,420	115,786	**128,868**	131,137	**3,767**	2,893
Goodwill			**11,010**	11,010		
Total assets			**139,878**	142,147		

9. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**–**	1,154
Interest on other loan wholly repayable within five years	**366**	255
Interest on amount due to immediate holding company wholly repayable within five years	**6,204**	–
Finance lease charges	**–**	9
	6,570	1,418

10. INCOME TAX CREDIT

	2006 HK$'000	2005 HK$'000
Current tax – Hong Kong profits tax		
Provision for the year	**456**	54
Current tax – Overseas		
Overprovision in prior years	**(1,578)**	(2,495)
Income tax credit	**(1,122)**	(2,441)

Hong Kong profits tax has been provided at a rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year ended 31 December 2006. Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2006 HK$'000	2005 HK$'000
Loss before tax	**(32,840)**	(30,159)
Tax at the domestic income tax rate of 17.5% (2005: 17.5%)	**(5,747)**	(5,278)
Tax effect of income not subject to tax	**(76)**	(86)
Tax effect of expenses not deductible for tax	**1,572**	3,086
Tax effect of temporary differences not recognised	**111**	178
Tax effect of tax losses not recognised	**9,464**	3,230
Tax effect of tax losses utilised from previous period	**(1,768)**	–
Overprovision in prior years	**(1,578)**	(2,495)
Effect of different taxation rates of subsidiaries	**(3,100)**	(1,076)
Income tax credit	**(1,122)**	(2,441)

Notes to the Financial Statements

For the year ended 31 December 2006

11. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2006	2005
	HK$'000	HK$'000
Cost of inventories sold (including write down of inventories)	**104,847**	73,558
Depreciation	**8,580**	7,674
Staff costs (including Directors' emoluments) (Note 12)	**39,732**	33,348
Auditors' remuneration	**818**	780
Net foreign exchange losses	**–**	105
Operating lease charges on land and buildings	**917**	640
Write down of inventories	**5,812**	318
Loss on disposal of property, plant and equipment	**944**	–
Property, plant and equipment written off	**152**	12
Bad debts written off	**62**	–

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	HK$'000
Wages and salaries	**37,028**	32,522
Write back of provision for long service payments (Note (a))	**(38)**	–
Contributions to pension schemes		
– to the MPF Scheme (Note (b))	**179**	193
– to the PRC retirement scheme (Note (c))	**1,140**	393
Other benefits	**1,423**	240
	39,732	33,348

Notes:

(a) At 31 December 2006, several employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group are only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of the employees met the circumstances required by the Ordinance, the Group's liability at 31 December 2006 would have been approximately HK$513,000 (2005: HK$551,000).

(b) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions 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.

(c) The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their 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.

Notes to the Financial Statements

For the year ended 31 December 2006

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

		Fees		Basic salaries, other allowances and benefits in kind		Contributions to pension schemes		Total	
		2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive Directors									
Mr. Lo Peter		**150**	90	**–**	–	**8**	5	**158**	95
Mr. Sun David Lee		**150**	90	**–**	–	**8**	5	**158**	95
Mr. Fu Hui	(a)	**68**	N/A	**–**	N/A	**–**	N/A	**68**	N/A
Mr. Li Wentao	(b)	**90**	N/A	**–**	N/A	**–**	N/A	**90**	N/A
Mr. Au Peter Jeva	(c)	**–**	90	**–**	–	**–**	5	**–**	95
Mr. Chan Wai Kin, Benito	(d)	**N/A**	–	**N/A**	90	**N/A**	5	**N/A**	95
Mr. Tse Chung Sing	(d)	**N/A**	–	**N/A**	133	**N/A**	5	**N/A**	138
Mr. Wong Chor Sang	(d)	**N/A**	–	**N/A**	174	**N/A**	6	**N/A**	180
Mr. Kwok Kee Ho, Danny	(d)	**N/A**	–	**N/A**	128	**N/A**	5	**N/A**	133
Mr. Wong Chor Wo	(e)	**N/A**	–	**N/A**	103	**N/A**	2	**N/A**	105
Ms. Andres Rosita	(e)	**N/A**	–	**N/A**	34	**N/A**	2	**N/A**	36
		458	270	**–**	662	**16**	40	**474**	972
Non-executive Directors									
Mr. Chau Wai-Kau	(f)	**60**	90	**–**	–	**–**	–	**60**	90
Mr. Yeung Ting-Lap Derek Emory		**150**	90	**–**	–	**–**	–	**150**	90
Mr. Greer Thomas	(c)	**–**	90	**–**	–	**–**	–	**–**	90
Mr. Li Wentao	(b)	**60**	41	**–**	–	**–**	–	**60**	41
		270	311	**–**	–	**–**	–	**270**	311
Independent Non-executive Directors									
Dr. Leung Kwan-Kwok		**150**	90	**–**	–	**–**	–	**150**	90
Mr. Zuchowski Sam		**150**	90	**–**	–	**–**	–	**150**	90
Dr. Loke Yu		**150**	78	**–**	–	**–**	–	**150**	78
Mr. Yue Kwai Wa, Ken	(d)	**N/A**	39	**N/A**	–	**N/A**	–	**N/A**	39
Mr. Chan Sheung Kwan	(d)	**N/A**	60	**N/A**	–	**N/A**	–	**N/A**	60
Mr. Yang Xi	(d)	**N/A**	20	**N/A**	–	**N/A**	–	**N/A**	20
		450	377	**–**	–	**–**	–	**450**	377
		1,178	958	**–**	662	**16**	40	**1,194**	1,660

Notes:

(N/A) Not Directors during the respective years
(a) appointed on 18 July 2006
(b) re-designated as an executive director on 26 May 2006
(c) resigned on 1 January 2006
(d) resigned/retired on 24 June 2005
(e) resigned on 21 February 2005
(f) retired on 26 May 2006

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

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

The emoluments of the five highest paid non-director individuals in the Group during the year ended 31 December 2006 are set out below. The five highest paid non-director individuals in the Group during the year ended 31 December 2005 included three ex-directors whose emoluments for the period in which they were directors of the Company are reflected in the analysis presented above.

	2006 HK$'000	2005 HK$'000
Basic salaries and other allowances	**2,163**	1,963
Contributions to pension schemes	**48**	59
	2,211	2,022

The emoluments of each of the highest paid individuals are less than HK$1,000,000.

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2006 included a loss of approximately HK$6,053,000 (2005: HK$10,388,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

16. LOSS PER SHARE

The calculation of loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$25,771,000 (2005: HK$27,089,000) and the weighted average number of ordinary shares of 320,646,575 (2005: 241,842,230) in issue during the year.

Diluted loss per share amount for the years ended 31 December 2006 and 2005 have not been disclosed as there were no diluting events existed during these two years.

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For the year ended 31 December 2006

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost or valuation						
At 1 January 2005	12,947	29,577	30,127	2,451	2,174	77,276
Additions	–	802	711	1,359	21	2,893
Acquisition of a subsidiary	–	30,961	66	926	–	31,953
Disposals/write off	–	–	(14)	(511)	–	(525)
Exchange differences	136	299	264	18	26	743
At 31 December 2005 and 1 January 2006	13,083	61,639	31,154	4,243	2,221	112,340
Additions	–	2,321	492	940	14	3,767
Disposals/write off	–	(2,593)	(32)	(1,858)	–	(4,483)
Exchange differences	254	1,604	507	81	50	2,496
At 31 December 2006	13,337	62,971	32,121	3,406	2,285	114,120
Accumulated depreciation and impairment						
At 1 January 2005	–	21,879	25,159	2,021	2,061	51,120
Charge for the year	581	3,482	3,326	208	77	7,674
Disposals/write off	–	–	(2)	–	–	(2)
Exchange differences	–	218	232	11	23	484
At 31 December 2005 and 1 January 2006	581	25,579	28,715	2,240	2,161	59,276
Charge for the year	587	5,949	1,441	565	38	8,580
Disposals/write off	–	(267)	(5)	(1,487)	–	(1,759)
Exchange differences	26	561	477	30	48	1,142
At 31 December 2006	1,194	31,822	30,628	1,348	2,247	67,239
Carrying amount						
At 31 December 2006	12,143	31,149	1,493	2,058	38	46,881
At 31 December 2005	12,502	36,060	2,439	2,003	60	53,064
Analysis of cost or valuation:						
At 31 December 2006						
At cost	–	62,971	32,121	3,406	2,285	100,783
At valuation	13,337	–	–	–	–	13,337
	13,337	62,971	32,121	3,406	2,285	114,120
At 31 December 2005						
At cost	–	61,639	31,154	4,243	2,221	99,257
At valuation	13,083	–	–	–	–	13,083
	13,083	61,639	31,154	4,243	2,221	112,340

17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group's buildings were last revalued at 31 December 2004 on the open market value basis by reference to market evidence of recent transactions for similar properties by Norton Appraisals Limited, an independent firm of professional valuers. The net carrying amount of the Group's buildings would have been approximately HK$14,359,000 (2005: HK$14,978,000) had they been stated at cost less accumulated depreciation and impairment losses.

Company

	Leasehold improvements furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost			
At 1 January 2005	–	–	–
Additions	65	511	576
Disposals	–	(511)	(511)
At 31 December 2005 and 1 January 2006	65	–	65
Additions	7	–	7
At 31 December 2006	72	–	72
Accumulated depreciation			
At 1 January 2005	–	–	–
Charge for the year	5	–	5
At 31 December 2005 and 1 January 2006	5	–	5
Charge for the year	13	–	13
At 31 December 2006	18	–	18
Carrying amount			
At 31 December 2006	54	–	54
At 31 December 2005	60	–	60

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments of the land element of properties situated in Hong Kong which are held on medium-term leases of between 10 to 50 years.

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For the year ended 31 December 2006

19. GOODWILL

	Group HK$'000
Cost	
At 1 January 2005	370
Arising on acquisition of a subsidiary	11,010
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(370)
At 31 December 2005 and 31 December 2006	11,010
Accumulated amortisation and impairment	
At 1 January 2005	370
Elimination of accumulated amortisation upon the adoption of HKFRS 3	(370)
At 31 December 2005 and 31 December 2006	–
Carrying amount	
At 31 December 2006	11,010
At 31 December 2005	11,010

Goodwill acquired through a business combination has been allocated to the dairy products cash-generating unit, which is a reportable segment, for impairment testing. The carrying amount of goodwill allocated to dairy products cash-generating unit is approximately HK$11,010,000 (2005: HK$11,010,000).

The recoverable amount of the dairy products cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 9.39%. The growth rate used to extrapolate the cash flows of the dairy products unit beyond the three-year period is 5%. This growth rate does not exceed the average long-term growth rate of the industry in which the dairy products unit operates.

Key assumptions were used in the value in use calculation of the dairy products cash-generating unit for the year. 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 based on historical figures, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the unit.

20. INVESTMENTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted investments, at cost	**16,000**	16,000
Less: impairment losses	**(16,000)**	(16,000)
	–	–
Due from subsidiaries	**82,468**	82,210
Less: impairment losses	**(29,108)**	(29,108)
	53,360	53,102
	53,360	53,102

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

Particulars of the subsidiaries as at 31 December 2006 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing Direct	Indirect	Principal activities
Agricapital (Tianjin) Limited	The British Virgin Islands (The "BVI")	1 ordinary share of US$1	100%	–	Investment holding
Glory Access Limited	The BVI	2,051,282 ordinary shares of US$1 each	100%	–	Investment holding
Eastway Corporation Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	51%	Trading of handbag products
Midland Management Limited [(4)]	The BVI	12,902 ordinary shares of US$1 each	–	100%	Inactive

Notes to the Financial Statements

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20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing Direct	Indirect	Principal activities
Wallmark Enterprise Company Limited	Hong Kong	180,500 ordinary shares of HK$100 each	–	100%	Trading of handbag products and related accessories
惠州和寶黃氏手袋有限公司 Hui Zhou Wallmark Handbags Co., Ltd. (1)(2)	The PRC	Registered capital of HK$13,000,000	–	100%	Trading and manufacturing of handbag products and related accessories and provision of related subcontracting services
Wallmark Enterprise (Cambodia) Co., Ltd.	Kingdom of Cambodia ("Cambodia")	1,000 ordinary shares of US$850 each	–	100%	Manufacturing of garments and provision of related subcontracting services
蓓蕾(天津)乳業有限公司 Beilei (Tianjin) Dairy Co., Ltd. ("Beilei") (3)	The PRC	Registered capital US$12,000,000	–	70%	Production and sale of dairy products

(1) For identification purposes only.
(2) The Company is a wholly foreign owned enterprise established in the PRC.
(3) The Company is a Sino-foreign equity joint venture established in the PRC.
(4) Strike off on 1 May 2006.

21. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**10,316**	5,538
Work in progress	**412**	473
Finished goods	**20,103**	14,907
	30,831	20,918

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**30,933**	19,428	**–**	–
Less: allowance for impairment of receivables	**(779)**	(2,934)	**–**	–
Trade receivables, net	**30,154**	16,494	**–**	–
Prepayments, deposits and other receivables	**4,071**	4,192	**278**	240
	34,225	20,686	**278**	240

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days. The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 30 days	**21,623**	8,596
31-60 days	**8,176**	3,972
61-90 days	**170**	1,194
Over 90 days	**185**	2,732
	30,154	16,494

23. DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, interest-free and has no fixed repayment terms.

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24. BANK AND CASH BALANCES

At 31 December 2006, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$7,140,000 (2005: HK$23,936,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. SHARE CAPITAL

	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:		
332,000,000 (2005: 300,000,000) ordinary shares of HK$0.1 each	**33,200**	30,000

A summary of the movements in the issued share capital of the Company during the year is as follows:

	Number of shares	**Par value**
		HK$'000
At 1 January 2005	200,000,000	20,000
Rights issue (Note (a))	100,000,000	10,000
At 31 December 2005 and 1 January 2006	300,000,000	30,000
Shares issued on 21 April 2006 (Note (b))	20,000,000	2,000
Shares issued on 12 June 2006 (Note (c))	12,000,000	1,200
At 31 December 2006	332,000,000	33,200

Notes:

(a) On 18 August 2005, 100,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share by way of rights issue on the basis of one rights share for every two shares held. These shares rank pari passu in all respects with the existing shares. The net proceeds of the rights issue amounted to approximately HK$52,700,000 were used to finance the acquisition of Beilei.

(b) On 21 April 2006, 20,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$10,429,000 have been and will be used for the Group's general working capital purposes.

(c) On 12 June 2006, 12,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$6,261,000 have been and will be used for the Group's general working capital purposes.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	27,645	(47,688)	(20,043)
Loss for the year	–	(10,388)	(10,388)
Rights issue	44,000	–	44,000
Rights issue expenses	(1,303)	–	(1,303)
At 31 December 2005 and 1 January 2006	70,342	(58,076)	12,266
Loss for the year	–	(6,053)	(6,053)
Issue of shares	14,080	–	14,080
Share issue expenses	(590)	–	(590)
At 31 December 2006	83,832	(64,129)	19,703

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Properties revaluation reserve

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in note 3(d) to the financial statements.

(iii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired at the time of the group reorganisation on 29 December 2000.

26. RESERVES (CONT'D)

(c) Nature and purpose of reserves (Cont'd)

(iv) Statutory reserves

The statutory reserves of the Group comprise enterprise expansion and general reserve funds which represent funds set up by a subsidiary established and operating in the PRC and form part of the shareholders' funds. According to the relevant PRC regulations, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital of the subsidiary.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(c) to the financial statements.

27. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest bearing at the prevailing Hong Kong prime rate plus 1% per annum (2005: interest-free) and not repayable within the next twelve months.

28. DEFERRED TAX LIABILITIES

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

	Group	
	2006	2005
	HK$'000	HK$'000
Accelerated tax depreciation		
At 1 January	**290**	288
Exchange differences	**3**	2
At 31 December	**293**	290

At the balance sheet date, the Group has unused tax losses of approximately HK$141,565,000 (2005: HK$114,764,000) available for offset against future profits of which an aggregated amount of approximately HK$131,933,000 (2005: HK$105,132,000) is subject to the approval of the respective tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognied tax losses are losses of approximately HK$17,388,000 (2005: HK$23,935,000), HK$9,526,000 (2005: HK$9,526,000) and HK$23,408,000 (2005: HK$Nil) that will expire in 2009, 2010 and 2011 respectively. Other tax losses may be carried forward indefinitely.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**7,235**	2,972	**–**	–
Other payables	**36,415**	24,927	**1,258**	2,237
	43,650	27,899	**1,258**	2,237

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current to 30 days	**5,683**	2,389
31-60 days	**974**	303
61-90 days	**140**	1
Over 90 days	**438**	279
	7,235	2,972

30. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed repayment terms.

31. SHORT-TERM BORROWINGS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts	**–**	1	**–**	–
Other loan	**–**	10,000	**–**	10,000
	–	10,001	**–**	10,000

Other loan was unsecured, carried at an interest rate of 8% per annum and had a maturity of one year period. Bank overdrafts were repayable on demand.

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32. COMMITMENTS

(a) Lease commitments

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**1,807**	1,551
In the second to fifth years inclusive	**871**	1,851
	2,678	3,402

(b) Capital commitments

The Group had the following capital commitments at the balance sheet date:

	2006 **HK$'000**	2005 HK$'000
Property, plant and equipment		
Contracted but not provided for	**55**	1,548

(c) Other commitments

The Group had committed to pay a nominal fee of US$5,000 (equivalent to approximately HK$38,800) each year to a former shareholder of a subsidiary for the first two years commencing from 1 October 2005. Thereafter, the Group is required to pay royalties in the third to the eighth years calculated at various rates, for the use of licenced trademarks and know-how for certain products. The minimum royalty fees for the third to the eighth years are as follows:

	US$'000	Equivalent to HK$'000
In the third contractual year	80	621
In the fourth contractual year	100	776
In the fifth contractual year	120	931
In the sixth contractual year	150	1,164
In the seventh contractual year	170	1,319
In the eighth contractual year	190	1,474

33. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2006 **HK$'000**	2005 HK$'000
Rental paid to a related company (note)	**360**	130
Interest paid to immediate holding company	**6,204**	–
Disposal of motor vehicle to a fellow subsidiary	**–**	511

Note: The related company is a company that is significantly influenced by a director of the Company.

34. EVENTS AFTER THE BALANCE SHEET DATE

On 11 October 2006, the Group entered into a disposal agreement to disposal of certain buildings and prepaid land lease payments at a consideration of approximately HK$8,751,000. The transaction was completed on 12 January 2007 with a gain on disposal of approximately HK$1,168,000.

35. COMPARATIVE FIGURES

In addition to the reclassification of business segments as detailed in Note 8(a), certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of amounts due from subsidiaries previously classified under non-current assets to current assets on the Company's balance sheet. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Company.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19 April 2007.