C C LAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1224

2006 Annual Report

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
(Deputy Chairman & Managing Director)
Mr. Lam Hiu Lo
Mr. Leung Chun Cheong
Mr. Leung Wai Fai
Ms. Poon Ho Yee Agnes
Mr. Wu Hong Cho

Independent non-executive directors

Mr. Lam Kin Fung Jeffrey
Mr. Wong Wai Kwong David
Mr. Wong Yat Fai

AUDIT COMMITTEE

Mr. Lam Kin Fung Jeffrey *(Chairman)*
Mr. Wong Wai Kwong David
Mr. Wong Yat Fai

REMUNERATION COMMITTEE

Mr. Cheung Chung Kiu *(Chairman)*
Dr. Lam How Mun Peter
Mr. Lam Kin Fung Jeffrey
Mr. Wong Wai Kwong David
Mr. Wong Yat Fai

COMPANY SECRETARY

Ms. Cheung Fung Yee

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
China United Centre
28 Marble Road
North Point
Hong Kong

LEGAL ADVISORS

Hong Kong
Cheung, Tong & Rosa
Woo Kwan Lee & Lo

Bermuda
Conyers Dill & Pearman

AUDITORS

Ernst & Young
Certified Public Accountants

QUALIFIED ACCOUNTANT

Mr. Leung Chun Cheong

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking
Corporation Limited
BNP Paribas

SHARE REGISTRARS AND TRANSFER OFFICES

Principal share registrar and transfer office
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong branch share registrar and transfer office
Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

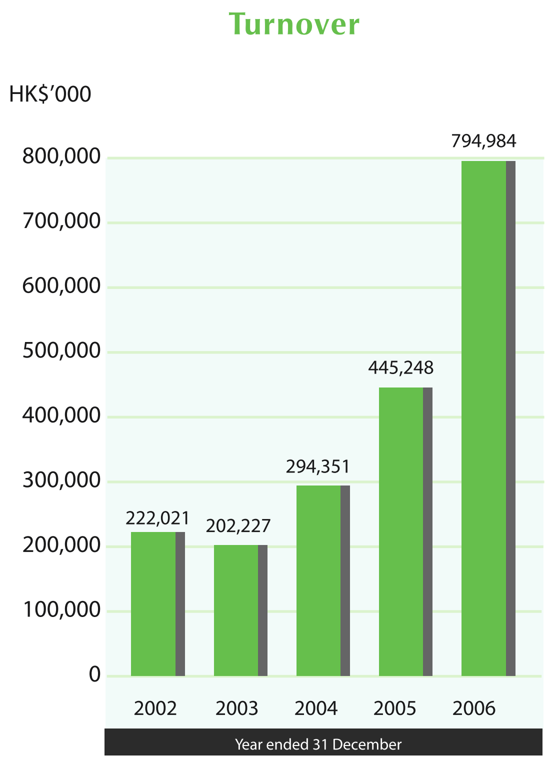
WEBSITE ADDRESS

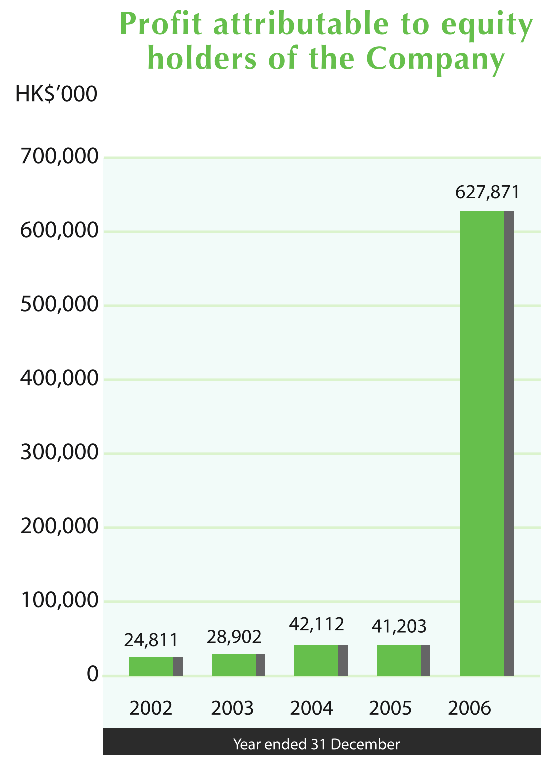
http://www.ccland.com.hk

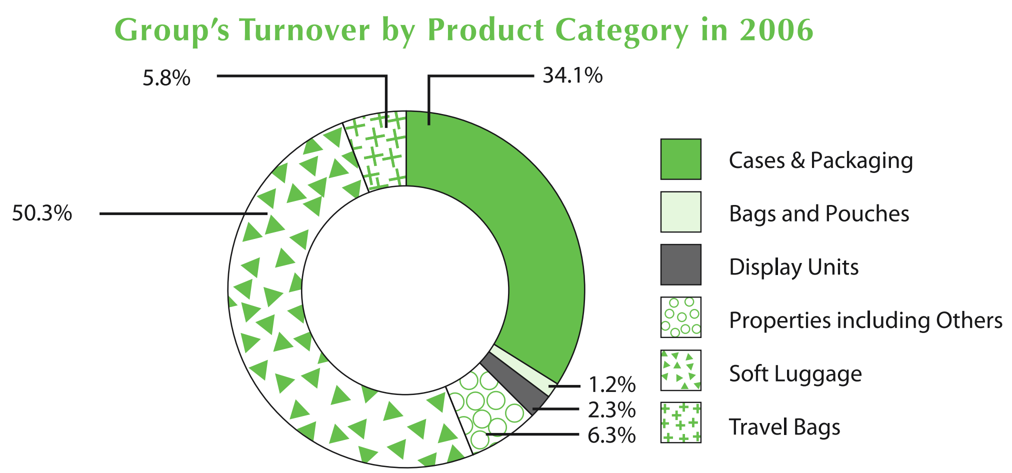
STOCK CODE

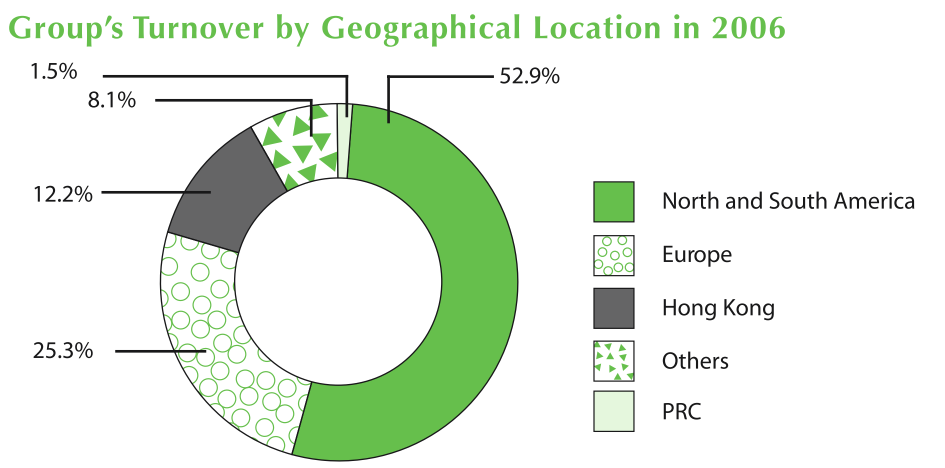
1224

FINANCIAL HIGHLIGHTS









PROPERTY PORTFOLIO

GROUP I — PROPERTY INTEREST HELD BY THE GROUP UNDER DEVELOPMENT

Property Location	Intended Use	Stage of Development as at 31 December 2006	Expected Year of Completion	Approximate Site Area (in sq.m.)	Approximate GFA (in sq.m.)	Group's Interest
A site (Lot No. 1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Commercial Composite	3 Levels Completed	end 2007	11,778.79	52,000	100%

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA (in sq.m.)	Group's Interest
Three parcels of land located at the south of Xingai Road, (Lot Nos. 15, 16 and 17-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	261,342.20	969,020	100%
A site located at east of Songpai Road, (Lot No. 9), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Hotel and Car Park	81,339.02	364,433	100%

PROPERTY PORTFOLIO

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT
(Continued)

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA (in sq.m.)	Group's Interest
A site located at the southeast of the junction of Xingai Road and Nation Road No. 201, (Lot No. 10-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office, Auxiliary Facilities and Car Park	103,434.88	349,962	100%
A site located at the west of Nation Road No. 201, (Lot No. 6-1) Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Auxiliary Facilities and Car Park	29,224.74	84,747	100%
Three parcels of land (Lot No. 19), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	143,868.63	341,760	100%
A site located at the east of Nation Road No. 201, (Lot No. 3-1), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	47,936.97	268,999	100%

PROPERTY PORTFOLIO

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT

(Continued)

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA (in sq.m.)	Group's Interest
A site located at the west of Nation Road No. 201, (Lot No. 4), Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential, Commercial, Office and Car Park	96,917.17	532,465	100%
A site located at Longtoushi (Lot No. 035), Renhe Tuenzhu, Gaoxinyuan, Northern New District, Chongqing, PRC	Residential, Commercial, Office and Car Park	69,316.85	238,105	100%
Two sites (Lot No. 20 and Lot No. 11-1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	19,922.56	80,859	100%
A site (Lot No. 22) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	7,118.67	19,851	100%

PROPERTY PORTFOLIO

GROUP II — PROPERTY INTEREST HELD BY THE GROUP FOR FUTURE DEVELOPMENT *(Continued)*

Property Location	Intended Use	Approximate Site Area (in sq.m.)	Approximate GFA (in sq.m.)	Group's Interest
A site (Lot No. 7-1) located at Chongqing International Finance and Trade Development Area, Xinpaifang, Longxi Town, Yubei District, Chongqing, PRC	Residential and Car Park	5,245.88	9,799	100%
Three parcels of land situated at Jin Quan Community District, Jin Ma Zhen, Wen Jiang District, Chengdu, PRC	Residential	369,960.00	555,000	50%

GROUP III — PROPERTY INTEREST HELD BY THE GROUP FOR INVESTMENT

Property Location	Use	Lease Term	Approximate GFA (in sq.m.)	Group's Interest
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Residential Commercial Car Park	2062 2062 2062	4,224 22,060 15,646	100% 100% 100%
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial Car Park	2062 2062	4,685 12,094	100% 100%
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car Park	2062	3,691	100%

GROUP IV — PROPERTY INTEREST HELD BY THE GROUP FOR SALES

Property Location	Use	Lease Term	Approximate GFA (in sq.m.)	Group's Interest
Units 5 on Levels 15, 16, 17 and 24 of Block 13, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Residential	2062	608	100%

PROPERTY PORTFOLIO

GROUP V — PROPERTY INTEREST HELD BY THE GROUP FOR SELF-OCCUPATION

Property Location	Use	Tenure	Lot No.	Group's Interest
Flat No. 97 on 21st Floor, Tower 18 (of Parkview Corner), Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong and Car Parking Space No. 226 on Car Park Entrance 3 (Level 4) of the Garage of Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Hong Kong	Residential	Long term lease	Rural Building No. 1051	100%
Unit K on 23rd Floor and Units A & L on 27th Floor, Shield Industrial Centre, Nos. 84 — 92 Chai Wan Kok Street, Tsuen Wan, New Territories, Hong Kong	Industrial	Medium term lease	Tsuen Wan Inland Lot No. 43	100%
A piece of land and structures thereof located at Jie Min Administrative District, Sanjiao Town, Zhongshan City, Guangdong Province, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
Car parking spaces No. 12, No. 13 and the adjoining space No. 13A on the 5th Floor, China United Centre No. 28 Marble Road, Hong Kong	Non-residential	Long term lease	Inland Lot No. 3504	100%
7th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%
An industrial complex situated at 2 Feng Yang Road, LiLi Town, Wu Jiang City, Jiang Su, PRC	Industrial (factory premises used by the Group)	Medium term lease	N/A	100%
15th Floor, China United Centre, No. 28 Marble Road, Hong Kong	Commercial	Long term lease	Inland Lot No. 3504	100%

PROPERTY PORTFOLIO

GROUP V — PROPERTY INTEREST HELD BY THE GROUP FOR SELF-OCCUPATION

(Continued)

Property Location	Use	Tenure	Lot No.	Group's Interest
Education Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Composite Building, California Primary School, California Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
California City Garden Kindergarten, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Non-residential	Long term lease	N/A	100%
Block 7, California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	Long term lease	N/A	100%

CHAIRMAN'S STATEMENT

On behalf of C C Land Holdings Limited (the "Company"), I am very pleased to report that the Company and its subsidiaries (the "Group") had a remarkable performance for the year ended 31 December 2006. Profit attributable to shareholders amounted to HK$627.9 million, representing a substantial increase of 1,424% when compared to that of the previous year.

PRC PROPERTY BUSINESS

The year 2006 was a year of transformation for the Company. In order to provide a more diversified source of income, the Group has been actively looking for opportunities for expansion and diversification. Following the Group's acquisition of the Chongqing Zhongyu Property Development Co. Ltd. ("Chongqing Zhongyu"), the PRC property business is now the major core business of the Group.

Chongqing is the fourth self-administered municipality in China, after Beijing, Shanghai and Tianjin. Following years of relaxed land supply, Chongqing's annually completed gross floor area ("GFA") doubled from 2001 to reach 22 million sq. m. in 2005. Most of the land is now in private hands and government land supply is scarce in the downtown area. Chongqing's housing-market prospects are encouraging as the local economy continues to flourish. The Group believes Chongqing has strong potential as a growth center in Western China and the Chongqing property market will be a fast-growing market for years to come.

Chongqing Zhongyu was incorporated in 1992 and is one of the largest property developers in Chongqing, with a National Class I Certification from the Ministry of Construction, the PRC. It is principally engaged in the development, sale, leasing, and management of high quality residential, commercial and retail properties. Chongqing Zhongyu has completed several property development projects totalling over 1 million sq. m. in area. Its signature local residential projects include the California Garden, California City Garden and Huijingtai.

Chongqing Zhongyu currently has a land bank with a total site area of approximately 877,500 sq. m. and a total buildable GFA of approximately 3.31 million sq. m., comprising 11 parcels of land, 10 of which are adjoining sites. These are situated right in the heart of the Yubei District of Chongqing, where the central government administration region, major highway junctions and a new rail transportation hub are located. The remaining separate parcel of land is situated close to the new train terminal. All of these parcels of land have been earmarked for development as separate but inter-linked projects, consisting of hotels, commercial and residential complexes. The development of these properties will definitely provide the growth engine for the Group in the next few years. Construction of a mega residential complex is now under way on three of these plots of land.

In terms of management expertise, both I, and our Deputy Chairman and Managing Director, Dr. Peter Lam, have over 15 years of experience in property development in the PRC and Hong Kong. Supported by long serving senior staffs, and coupled with the proven track record of Chongqing Zhongyu, the Group is confident of its ability to excel in the PRC property business, focusing on Western China.

Land bank is one of the keys to success for a property developer. The Group will keep a land bank which is sufficient for 4 to 5 years' development. In January 2007, the Group acquired a 50% interest in a company in Chengdu with a land bank of 555,000 sq. m. GFA and a plot ratio of 1.5 (the Group's interest is 277,500 sq. m.). It is situated at the Jin Quan Community District, Jin Ma Zhen, Wen Jiang District, and is zoned for residential development. As at the end of February 2007, the total land bank of the Group stood at 3.95 million sq. m. GFA.

In order to diversify its source of income and to have a better advantage to acquire new land bank, the Group also participates in the land development business. In February 2007, the Group acquired a 60% interest in a project company in Chengdu at a consideration of HK$171 million. The project company has the land development rights for two projects in Dujiangyan, Chengdu, with a total site area of approximately 902,000 sq.m..

Through the share placement in November 2006, net proceeds of HK$932.8 million were raised, which will be used to finance the Group's property development, acquisition of development projects and, general working capital. In addition, the practically full conversion of the convertible note issued for the acquisition of Chongqing Zhongyu resulted in no cash outflow for the Group and created a much enlarged equity base. Together, this provided the Group with a solid financial position and a net cash position of HK$1,312.8 million as at 31 December 2006, priming the Group for future expansion.

The Group focuses on mid to high end property development, principally in Chongqing and Chengdu, which is the market segment with strong demands from the local buyers. At the same time, the Group will seek to maintain an appropriate balance between income from property sales and recurring income derived from investment properties. Some of the projects under planning are luxury hotels, investment grade shopping malls and offices, and we will be holding some of these for rental income. The Group will gradually build up its investment property portfolio, which in the short term will generate stable income for the Group and in the long term capture the potential gain on capital appreciation.

In the past few years, a series of macroeconomic measures were introduced by the PRC central government, mainly targeting regions with an overheated property market. In May 2006, the Ministry of Land of the PRC and eight other governmental authorities jointly issued an opinion regarding adjustments in the structure of housing supplies and measures for stabilization of housing prices. The goals are to promote more balanced property development and investment activities, and these measures will benefit the PRC property market in the long run.

MANUFACTURING BUSINESS

The Group's packaging and luggage business achieved encouraging results in the year. Driven by the continuous strong performance in the key European market segment, the turnover of the packaging business grew 14% to HK$316.3 million as compared to that of 2005. Its profit contribution to the Group amounted to HK$18.7 million (including a share of profit of HK$4.3 million from an associate).

With a revival in consumer spending on luggage products and the introduction of a comprehensive improvement program to our production lines, the turnover in the luggage business increased by 162.7% to HK$446.5 million compared to that of 2005. It should be noted that Hoi Tin Universal Limited provided its first full year of contribution after the acquisition in July 2005. Its profit contribution to the Group amounted to HK$4.2 million.

CHAIRMAN'S STATEMENT

CHANGE OF COMPANY NAME AND SHARE CONSOLIDATION

To better reflect the change in the Group's principal activities to property development and investment in the PRC, the Company's name has been changed to "C C Land Holdings Limited" and the Chinese name "中渝置地控股有限公司"adopted for identification purposes. The shares of the Company were consolidated such that every ten (10) shares of HK$0.01 each became one (1) consolidated share of HK$0.10. In addition, the board lot size for trading in the shares of the Company on the Hong Kong Stock Exchange was changed from 10,000 shares to 1,000 shares on 11 January 2007.

PROSPECTS

The Group's strategy is to focus on the PRC property development and investment businesses, predominantly in Western China, and continue to carry on its existing manufacturing operations. In the coming years, the Group will actively acquire, through merger and acquisitions, and direct bidding, other quality land banks and property assets in Chongqing, Chengdu, and neighbouring cities and targets to be a leading property developer in Western China. With its existing land banks located in prime locations, sufficient capital for future development and an experienced management team, the Group is well poised to generate profitable returns and future success.

On behalf of the Board, I would like to express my sincere gratitude to the Group's management and staff for their invaluable service and contribution. I also wish to thank all of our customers, shareholders and business associates for their trust and support during the year, and sincerely look forward to your continued support in future.

Cheung Chung Kiu
Chairman

Hong Kong, 30 March 2007

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group achieved another year of excellent performance with good results. The Group's turnover for the year ended 31 December 2006 increased by 78.6% over that of the previous financial year to HK$795.0 million (31 December 2005: HK$445.2 million). The newly acquired PRC property development and investment business at the end of last year (only 2 months to December 2006 after acquisition) has contributed a turnover of HK$0.3 million. The turnovers of the packaging business and other businesses are HK$316.3 million and HK$478.4 million respectively.

The Group's profit attributable to shareholders recorded a significant increase of 1,424% to HK$627.9 million (31 December 2005: HK$41.2 million).

The new core business of the Group, the PRC property business, contributed a substantial gain of HK$558.0 million. The management had conducted a review of the cost of acquisition and net assets value on completion of the acquisition. The shares issued as part of the consideration for the acquisition were valued at market price as at the completion date in accordance with the Hong Kong Financial Reporting Standards. This resulted in a decrease in excess over the cost of acquisition of subsidiaries of HK$280 million when compared to the figures disclosed in the circular to shareholders dated 20 October 2006 which is presented on a pro forma basis using the then market price information. There is no change in the Group's net assets value as a result of the acquisitions due to the above.

The sales of packaging products, sales of travel bags, treasury investment also contributed HK$18.7 million (including share of profit from an associate HK$4.3 million), HK$4.2 million and HK$47.0 million (including interest income of HK$9.6 million) respectively to the profits.

Earnings per share was HK$1.124 on a weighted average basis (31 December 2005: HK$0.105 per share) or HK$1.058 per share on a diluted basis (31 December 2005: Nil).

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK$0.05 per share to our shareholders whose names appear on the Register of Members of the Company on 11 May 2007. Subject to approval at the forthcoming Annual General Meeting, dividend warrants will be sent to shareholders on or about 18 May 2007. A final dividend of HK$0.06 per share for the year ended 31 December 2005 was paid during the year (as adjusted to reflect the consolidation of the Company's shares after the balance sheet date).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 8 May 2007 to Friday, 11 May 2007 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the Annual General Meeting of the Company to be held on Friday, 11 May 2007 and to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with Secretaries Limited, the branch share registrars of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 7 May 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

PRC PROPERTY DEVELOPMENT AND INVESTMENT BUSINESS

In November 2006, the Group acquired 100% interest in the Chongqing Zhongyu Property Development Co. Ltd. ("Chongqing Zhongyu"), which provided an opportunity for the Group to take advantage of the latter's strategic location and its early entry into the PRC property market to diversify its business into PRC property development and investment, which has since become the major core business of the Group. The Group's strategy is to strengthen its base in Chongqing and Chengdu and expand to the satellite cities and targets to be a leading property developer in Western China.

Overview of the Chongqing Property Market

Chongqing is one of the 4 national municipalities of the PRC. According to the China Statistical Yearbook 2006, as at 31 December 2005, Chongqing had a population of approximately 27.98 million. The city has experienced substantial economic growth in recent years. The real GDP growth rate of Chongqing increased from 9% to 12.2% during the years from 2001 to 2006. The real GDP growth rate of Chongqing exceeded the national growth rate for each of the past six years. The Directors believe that given the strong potential of Chongqing as a growth center in Western China, the city's property market has extremely bright prospects and will be a fast-growing market for years to come.

Following years of relaxed land supply, Chongqing's annually completed gross floor area ("GFA") doubled from 2001 to reach 22 million sq. m. in 2005. Most of the land is now in private hands and government land supply is scarce in the downtown area. Chongqing's housing-market prospects are encouraging as the local economy continues to flourish. The Group believes Chongqing has strong potential as a growth centre in Western China, especially after the President, Mr. Hu Jintao has named Chongqing as the important city for the development of Western China in the National Congress and National Committee of CPPCC annual session in March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Chongqing Zhongyu Property Development Co. Ltd.

Chongqing Zhongyu was incorporated in 1992 and is one of the largest property developers in Chongqing, with a National Class I Certification from the Ministry of Construction, the PRC. It is principally engaged in the development, sale, leasing and management of high quality residential, commercial and retail properties. Chongqing Zhongyu has completed several property development projects totalling over 1 million sq. m. in size. Its signature local residential projects include California Garden, California City Garden and Huijingtai. By acquisition of the Chongqing Zhongyu, the Group can count on its proven track record and strong management team to develop the PRC property business.

California Garden
1993-1997
560,000 sq.m.

California City Garden
1998-2001
510,000 sq.m.

Huijingtai
2002-2005
110,000 sq.m.

• Land bank owned by the Company in Chongqing (as of 31 Dec 2006)

MANAGEMENT DISCUSSION AND ANALYSIS

Property Development and Sales Performance

Most of the property projects developed by the Group are residential properties for sale. These properties aim at satisfying the needs and demands of middle class buyers for their own use.

In February 2007, the Group launched "California One" to the market. California One is a project with a total GFA of about 52,000 sq. m. It comprises of apartments, hotel, and offices. The total GFA for the apartments is about 25,000 sq. m. of which 10,700 sq. m. was launched in the first phase and half of them were sold within a week. This demonstrates the high quality of the Group's property which is well received by the customers.

Immediately upon the acquisition of Chongqing Zhongyu, construction works are under way on 3 adjoining plots of land to build a mega residential complex of 969,020 sq. m.. Presales are expected to start in the third quarter of this year.

● Current land bank in Chongqing
● Completed projects in Chongqing

Details of the projects held under development in Chongqing Zhongyu are as follows:

Land Lot Nos	Expected completion date	GFA (sq. m.)
15, 16, 17-1	end 2008-2009	969,020
9	mid 2010	364,433
10-1	mid 2009	349,962
6-1	end 2008	84,747
19	mid 2010	341,760
4	mid 2010	532,465
35	mid 2010	238,105
3-1	mid 2010	268,999
Others	2008-2009	162,509
	TOTAL	3,312,000

MANAGEMENT DISCUSSION AND ANALYSIS

Land Development

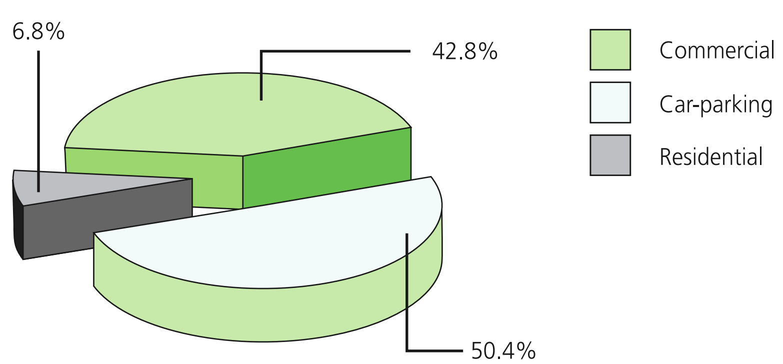
In order to diversify its source of income and to have additional advantages to secure new land banks, the Group also participates in land development. In February 2007, the Group acquired a 60% interest in a project company in Chengdu at a consideration of HK$171.0 million. The project company owns the land development rights for two projects in Dujiangyan, Chengdu, with a total site area of approximately 902,000 sq. m..

Investment Property

The Group not only develops residential properties for sale, but also intends to develop and retain some quality properties which have excellent potential for capital appreciation as long term investments. Total book value of the Group's investment properties amounted to HK$128.3 million at the end of 2006, with a corresponding attributable GFA of 62,420 sq. m. as at 31 December 2006. The portfolio comprises properties of diversified usage: Commercial (42.8%), Residential (6.8%) and Car-parking (50.4%). The overall occupancy rate for the Group's investment properties was 72.0%. Such a high occupancy rate is attributable to the prime locations of the Group's properties. A summary breakdown of the investment properties is shown below:

Property Location	Group Interest	Usage	Attributable GFA (sq. m.)	Occupancy Rate	Year of Lease Expiry
California Garden, Longxi Town, Yubei District, Chongqing, PRC	100%	Commercial	22,060	52.6%	2062
		Residential	4,244	18.5%	2062
		Car Park	15,646	100.0%	2062
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	100%	Commercial	4,685	28.4%	2062
		Car Park	12,094	100.0%	2062
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	100%	Car Park	3,691	94.8%	2062
Total GFA			62,420		

Investment property by usage



MANAGEMENT DISCUSSION AND ANALYSIS

Within 2 months of the acquisition of Chongqing Zhongyu in 2006, the total net turnover relating to the disposal of an investment property amounted to HK$0.3 million. The net rental income amounted to HK$2.1 million and the breakdowns are listed below:

Property Location	Usage	(HK$) Net Rent	(HK$/ sq. m.) Average Rental Rate for 2006	(HK$) Rent per Car Park per Month
California Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	584,008	28.91	
	Car Park	224,452		294
California City Garden, Longxi Town, Yubei District, Chongqing, PRC	Commercial	259,352	21.25	
	Car Park	216,434		265
Kechuang Building, Longxi Town, Yubei District, Chongqing, PRC	Car Park	45,766		238
Temporary leased area, Longxi Town, Yubei District, Chongqing, PRC	Commercial	757,054	2.83	
	Car Park	29,128		144
Total		2,116,194		

Chongqing City

MANAGEMENT DISCUSSION AND ANALYSIS

Land Bank

Land resource is indispensable for property developers. We have been very successful in maintaining a substantial amount of land reserves for our development plans. Before selecting a site for a project, the Group would make an in-depth assessment of the premium obtainable on sale, and the potential demand. The Group's management takes a proactive approach in supervising the various stages of all projects including site identification and acquisition, feasibility studies and implementation.

During the year, through the acquisition of Chongqing Zhongyu, the Group owns a land bank with a total site area of approximately 877,500 sq. m. and a corresponding total GFA of approximately 3,312,000 sq. m. in the Yubei District of Chongqing.

In January 2007, the Group acquired a 50% interest in a property project in Wen Jiang, Chengdu, at a consideration of HK$96 million (HK$346 per sq. m. GFA). The acquisition enables the Group to extend its land bank portfolio into another major city in Western China. The land held under the project company has a total site area of approximately 369,960 sq. m. with plot ratio of 1.5 and is zoned for an upmarket residential project with a total GFA of approximately 555,000 sq. m. (in which the Group's attributable interest is 277,500 sq. m.). Wen Jiang is located in the western side of Chengdu, about 16 km from the city center.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 15 March 2007, the Group's total land bank stood at 3,952,998 sq. m. The Group's land bank comprises a well-diversified portfolio of properties. The breakdown by usage is as follows:

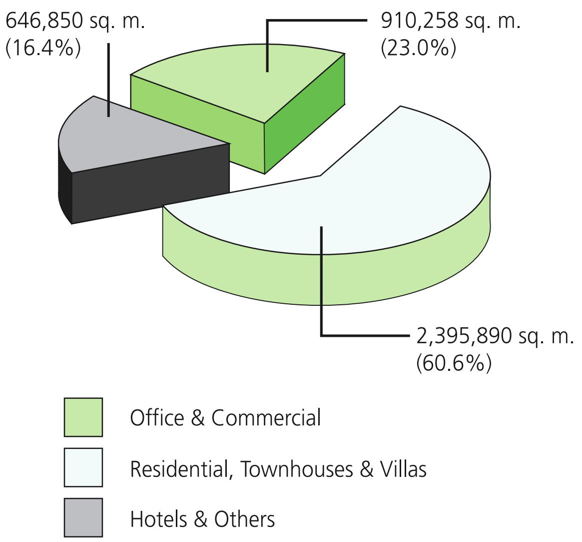
Usage	Completed Properties held for Investment GFA (sq. m.)	Properties held for Own Use GFA (sq. m.)	Completed Properties held for Sales GFA (sq. m.)	Land held for Future Development GFA (sq. m.)	Total GFA (sq. m.)
Commercial	26,745	9,128		543,674	579,547
Residential	4,244		608	2,368,408	2,373,260
Office				330,711	330,711
Hotel & serviced apartment				63,753	63,753
Townhouse & villa				22,630	22,630
Others (Car-parking spaces and other auxiliary facilities)	31,431	13,842		537,824	583,097
Total	62,420	22,970	608	3,867,000	3,952,998

The breakdown of the land bank for development by location is as follows:

Location	Total GFA (sq. m.)	The Group's Interest	Attributable GFA (sq. m.)	Percentage
Chongqing	3,312,000	100%	3,312,000	92.3%
Chengdu	555,000	50%	277,500	7.7%
Total	3,867,000		3,589,500	100.0%

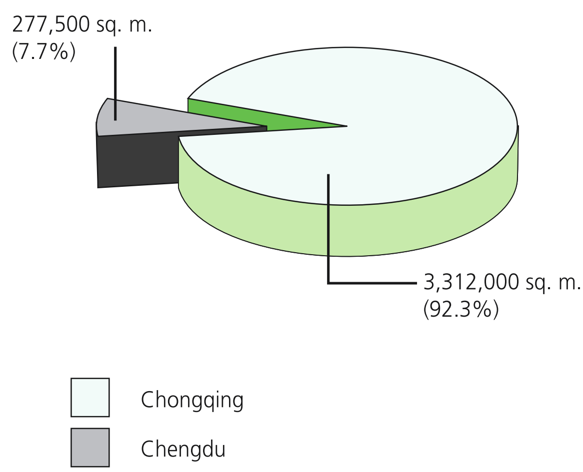
Overall Land Bank

Total GFA: 3,952,998 sq. m.



Land Bank by Location

Attributable GFA: 3,589,500 sq. m.



MANAGEMENT DISCUSSION AND ANALYSIS

MANUFACTURING BUSINESS

Packaging business

The Group's packaging business continued its strong performance and delivered another year of good results. For the year ended 31 December 2006, the turnover attributable to the packaging business was HK$316.3 million, representing an increase of 14% over that of 2005 (31 December 2005: HK$277.4 million). This accounted for approximately 39.8% of the Group's turnover. This significant growth was mainly attributed to increase orders from existing customers. The Group conducts the packaging business directly with internationally branded corporations and high-end consumer merchandise manufacturers. This enables the Group to keep abreast of the latest product developments, and to maintain a steady flow of orders and a stable profit margin. A profit of about HK$14.4 million (31 December 2005: HK$23.4 million, excluding HK$5.0 million income arising from writing back provision for doubtful debts) was recorded in the fiscal year 2006. The continued fluctuations in raw material prices, increases in labour costs and the appreciation of the RMB, dented the gross margin, which was partially offset by mild increases in the average selling prices. To strengthen competitiveness, the Group has stringent control over material usage, minimized wastage, and put considerable effort into improving production efficiency.

Geographically, 40% of sales were generated from Europe, representing the biggest market; 24% of sales from North/South America; 29% from Hong Kong; and 7% from other parts of the world.

Luggage business

Following the acquisition of a 60% interest in Hoi Tin Universal Limited ("Hoi Tin") in July 2005, our luggage business had to face the challenges of the Renminbi appreciation, cost increases for raw material and labour. However, leveraging on our proactive and positive efforts, the Group was able to keep its gross profit margin at a stable level and continued to achieve growth in turnover while streamlining production workflow and providing value-added services to customers in a timely manner. The first full-year contribution to turnover from this subsidiary amounted to HK$446.5 million (31 December 2005: HK$170 million), representing 56.2% of the Group's turnover and recording a profit of HK$7.0 million for the year. Eliminating profits attributable to minority shareholders, Hoi Tin contributed a profit of HK$4.2 million to the Group (31 December 2005: HK$2.7 million). During the year under review, luggage bags remained the major product of the luggage business, representing 89.5% of sales, followed by soft bags, representing 10.5%.

Geographically, 76.9% of sales were generated from North/South America, representing the biggest market; 16.7% of sales were generated from Europe; 2.6% from China and 3.8% from other parts of the world.

The increase in cost of sales was due to the pressure from the Renminbi appreciation, and increases in material prices and labour costs, causing the gross profit margin to decrease slightly 1% to 8% in 2006 (31 December 2005: 9%).

Finance cost for the year amounted to HK$2.4 million, an increase of HK$2.0 million as compared with last year's (31 December 2005: HK$0.4 million). The increase was caused partly by inclusion of full year cost as opposed to six months in 2005 and partly by an increase in borrowing and rises in interest rates during the year.

Other businesses

For securities trading and investment, turnover representing the net proceeds of trading in securities and investment income increased to HK$31.9 million (31 December 2005: loss of HK$2.2 million). Treasury investments recorded a segment profit of HK$47.0 million (31 December 2005: HK$4.9 million). Besides the turnover income mentioned above, other substantial attributed incomes making up the profit included bank interest income of HK$9.6 million (31 December 2005: HK$4.4 million), dividend income of HK$2.3 million (31 December 2005: HK$1.4 million), and unrealized holding gain on investments of HK$10.0 million (31 December 2005: HK$4 million).

The current year's share of profit from a 30% interest in Technical International Holdings Limited amounted to HK$4.3 million (31 December 2005: HK$5.2 million). Dividend income of HK$4.8 million was received from this associate company during the year under review.

On 5 June 2006, the disposal of an investment property in Hong Kong for HK$49.0 million to an independent third party contributed a profit of HK$3.0 million to the Group. Details of the disposal were disclosed in the Company's circular dated 19 April 2006.

PROSPECTS

1. PRC Property Development and Investment Business

In the coming year, economic growth and urbanization are expected to remain active and strong in mainland China. Occupancy rates and rentals are expected to further improve in the PRC property markets. Moving into fiscal year 2007, given the current market prices, the Renminbi appreciation and the trend of supply of and demand for real estates in Chongqing and Chengdu, the Directors expect the PRC property development business to have great prospects and will grow rapidly. Property development in Western China is now the main core business of the Group. The Group targets to develop the existing Chongqing land bank over the next five years and will focus on the major western cities, which include Chengdu, to actively look for opportunities to acquire premier land banks at good prices.

2. Manufacturing Business

The Group will put the utmost effort into maintaining the profit margin of its packaging business even though, in the long term, the surging raw materials prices and the appreciation of the RMB will continue to be critical factors affecting the performance of this business. The Group's key strategies for 2007 are to increase productivity and exercise effective cost control. We will not only enhance the value-added service to existing customers by assisting them in the development of new designs, but also expand the customer base through more active participation in trade fairs. The management is confident that the packaging business will have another successful fiscal year 2007.

Regarding the luggage business, the sale of these products is affected by the worldwide travel business. Supported by the rebound of economies throughout the world in 2006 in tandem with an expansion in consumer spending, the Group believes that the luggage business will have further growth in the year 2007. Over the past two years, the Group has streamlined manufacturing activities and implemented an effective cost control mechanism to enhance efficiency. Hoi Tin will maintain this favorable position and its existing relationships with major international brands. We expect the luggage business to be a key profit driver for the Group's manufacturing businesses in the coming years.

EMPLOYEES

At 31 December 2006, the Group had approximately 5,686 employees. The Group remunerates its staff based on their merit, qualification and competence. The Group has also established an incentive bonus scheme, in which the benefits are determined based on the performance of the individual employees. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of Directors. Other benefits include contribution to a provident fund scheme or mandatory provident fund, and medical insurance.

CHANGE OF AUDITORS

On 27 December 2006, the Company appointed Ernst & Young as auditors to fill the casual vacancy arising from the resignation of Messrs. Deloitte Touche Tohmatsu, effective 27 December 2006. The reason for the change was that, following completion of the acquisition of the Chongqing Zhongyu Property Development Co. Ltd., property development and investments has become the major core business of the Group. Since Ernst & Young have been the reporting accountants of all the component entities in the PRC property business acquired, and taking into consideration the normal corporate governance practice as adopted by the Group for the same accounting firm to audit the Company and its major subsidiaries, the Board considered it appropriate that the Company should change its auditors.

FINANCIAL ANALYSIS

Liquidity and Financial Resources

At 31 December 2006, the Group has a large equity base, with shareholders' equity increasing to HK$5,427 million (31 December 2005: HK$580 million). The significant increase was primarily due to the increase in shareholder's equity and the excess of fair value of net assets over cost on acquisition of the PRC subsidiary in November 2006. Cash on hand amounted to HK$1,312.8 million (31 December 2005: HK$195.7 million). The substantial increase was mainly due to the share placing net proceeds which amounted to HK$932.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2006, bank borrowings related to the manufacturing arm and property arm amounted to HK$34.5 million and HK$683.5 million respectively. The Group's total borrowings stood at HK$718.0 million (31 December 2005: HK$15.4 million) of these HK$591.7 million are due within one year. The gearing ratio (total borrowings to shareholders' fund) was 13.2% (2005: 2.6%). The increase of this ratio was mainly attributable to increase in total borrowings to finance the PRC subsidiary's property development projects.

The Group has a working capital ratio of approximately 1.5. Taking into account the financial resources available to the Group including internally generated funds and available facilities, the Group has sufficient working capital to finance its operation. With the borrowing by the PRC subsidiary and the rise in interest rates during the year, finance cost for the year amounted to HK$13.6 million. This amount has included HK$5.7 million imputed interest expenses on the convertible note issued as part of the consideration for the acquisition of the PRC subsidiary, and the retention money payable on the acquisition of a subsidiary and an associate. The increase in finance cost amounted to HK$12.9 million as compared with that of previous year. (31 December 2005: HK$0.7 million).

Working Capital

The stock balance as at 31 December 2006 held for the manufacturing business increased by 5.1% to HK$90.4 million (31 December 2005: HK$86.0 million) . The turnover days decreased from 70 days to 41 days. The increase in stock level is primarily to cater for the increase in demand. The trade debtors balance as at 31 December 2006 was HK$117.5 million (31 December 2005: HK$94.5 million). The turnover days decreased from 77 days to 54 days as a result of strong debt collection efforts.

Capital Structure and Use of Proceeds

During the year, the Company issued 10,714,285,710 shares (including 9,114,285,710 conversion shares issued following the exercise of the conversion rights attached to the convertible note) as consideration for the acquisition of the PRC property business. In addition, a total of 3,400,000,000 new shares were placed to raise net proceeds of approximately HK$932.8 million. It is intended that the net proceeds from the Placing will be used to finance the property development of the PRC property business and for its general working capital. As a result, the total number of issued share capital stood at 18,053,822,580 shares at 31 December 2006. On 11 January 2007, the Company consolidated its issued shares on the basis of 10 then resulting ordinary shares into 1 new ordinary share. Thereafter, the total number of issued shares is 1,805,382,258.

Investments

At 31 December 2006, the Group held a portfolio of listed securities HK$73.3 million. The dividend and interest income from these investments for the year was HK$2.8 million (31 December 2005: HK$1.9 million). The unrealized holding gain on listed securities as at 31 December 2006 amounted to HK$10.0 million (31 December 2005: HK$4.0 million). Additionally, the Group's PRC subsidiary has investments in equity securities held for long term purpose amounting to HK$46.6 million.

Capital Expenditure

For the year ended 31 December 2006, the Group invested HK$5.4 million in plant, machinery, equipment and other tangible assets, and HK$37 million in an office premise. The office premise is intended for the Group's own use. All of these expenditures were financed from internal resources. Depreciation and amortization amounted to HK$11.3 million.

Pledge of Assets

At 31 December 2006 the Group has pledged the followings:

a.	Leasehold properties as security for general banking facilities granted to the Group	HK$6.2 million
b.	Fixed deposits as security for general banking facilities granted to a subsidiary	HK$3.0 million
c.	A piece of land and the building erected thereon where a subsidiary's production facility is located as security for a revolving credit bank facilities granted to the subsidiary	HK$25.2 million
d.	Property for own use, properties under development and investment properties pledged to secure banking facilities granted to a PRC subsidiary	RMB4,267 million
e.	Time deposits as security for short term bank borrowings granted to a PRC subsidiary (for its property business)	USD20.1 million

Connected Transaction

On 22 September 2006, Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire from Thrivetrade Limited, a company wholly-owned by Mr. Cheung Chung Kiu, the entire issued share capital of Starthigh International Limited for a consideration of HK$3,317,553,000.

Exchange Risks

Sales and purchase transactions of the Group's manufacturing business are primarily denominated in United States dollars and/or Hong Kong dollars while for property business, they are denominated in Renminbi. Bank deposits are maintained in Hong Kong dollars, Renminbi and US dollars. The exposure to foreign exchange risk is thus minimal.

Post Balance Sheet Event

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

a. The Group entered into an agreement dated 18 January 2007 to acquire a 100% equity interest and take assignment of the shareholder's loan in a company, Square Ball Ltd., for an aggregate consideration of HK$96.0 million. Square Ball Ltd. owns, through a 50% interest in the registered equity capital of a PRC company, the land use right over 369,960 sq. m. of land located in Wen Jiang District, Chengdu. The acquisition enables the Group to diversify into the property market in another major city in Western China.

b. The Group entered into an agreement dated 15 February 2007 to acquire a 100% equity interest and take assignment of the shareholder's loan in a company, Dominio Mark International Limited, for an aggregate consideration of HK$171 million. Dominio Mark International Limited owns through a 60% interest in the registered equity capital of a PRC company the Land Development Rights for redevelopment of approximately 902,000 sq. m. of land located in Xujiazhen, Dujiangyan, Chengdu.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining a high standard of corporate governance practices. The Board considers such commitment essential to safeguard the interests of the Company's shareholders, employees and customers and to ensure the Company's sustained growth.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2006, except for deviations from Code Provision A.4.1 (tenure of non-executive directors), Code Provision A.4.2 (retirement of directors by rotation) which has been rectified during the year, and Code Provision A.2.1 (segregation of the function of the Chairman and the Chief Executive Officer) for a limited period of time during the year as explained in the relevant paragraphs in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Following specific enquiry by the Company, all directors have confirmed that they have complied with the required standard as set out in the Model Code during the year ended 31 December 2006.

BOARD OF DIRECTORS

The board of directors (the "Board") currently consists of 7 Executive Directors and 3 Independent Non-executive Directors. Biographical details of members of the Board are set out in the section headed "Directors' Biographies" in the Report of the Directors.

The Board formulates the overall policies and strategies, monitors the financial performance, oversees the management, and ensures good corporate governance practices of the Group. Daily operations and administration are delegated to the management.

The Chairman, assisted by the Company Secretary, has ensured that the Board adheres strictly to all rules and requirements for its meetings and the maintenance of full and proper records. Procedures are also established for every director to have access to board papers and related information, to have the services of the Company Secretary, and to seek independent professional advice at the Company's expense upon reasonable request.

CORPORATE GOVERNANCE REPORT

During the year, four full regular board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended	Attendance rate
Executive Directors:		
Mr. Cheung Chung Kiu *(Chairman)*	3/4	75%
Dr. Lam How Mun Peter *(Deputy Chairman & Managing Director)*	4/4	100%
Mr. Lam Hiu Lo	4/4	100%
Mr. Leung Chun Cheong	4/4	100%
Mr. Leung Wai Fai	4/4	100%
Ms Poon Ho Yee Agnes	3/4	75%
Mr. Wu Hong Cho *(appointed on 7 July 2006)*	2/2	100%
Independent Non-executive Directors:		
Mr. Lam Kin Fung Jeffrey	3/4	75%
Mr. Wong Wai Kwong David	2/4	50%
Mr. Wong Yat Fai *(appointed on 20 September 2006)*	1/1	100%

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the rotation of directors at the annual general meeting held on 29 May 2006 was in accordance with the Company's previous Bye-laws which stipulated that at each annual general meeting not exceeding one-third of the directors for the time being shall retire from office by rotation provided that the Chairman and/or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. To fully comply with this Code Provision, a special resolution was duly passed at the same annual general meeting to amend the Company's Bye-laws and that every director (including the Chairman and Managing Director) shall be subject to retirement by rotation at least once every three years and all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Prior to the re-allocation of the duties of the Board on 22 November 2006, Dr. Lam How Mun Peter was the Chairman and Managing Director of the Company. Nevertheless, after the re-allocation, the positions of Chairman and Managing Director are held by Mr. Cheung Chung Kiu and Dr. Lam How Mun Peter respectively. The division of responsibilities between Chairman and Managing Director is clearly defined and has approved by the Board on 8 December 2006. The Chairman provides leadership for the Board and ensures the effective operation of the Board while the Managing Director is responsible for the day-to-day management of the Company's business. As such, the Company has fully complied with such Code Provision.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject for re-election. None of the existing non-executive directors are appointed for a specific term. However, all the non-executive directors shall be subject to retirement by rotation at the annual general meetings at least once every three years pursuant to the Company's Bye-laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence to the Company pursuant to rule 3.13 of the Listing Rules, and the Company considers all of the independent non-executive directors to be independent.

Following the resignation of Mr. Lam Ping Cheung on 22 June 2006 as independent non-executive director, audit committee and remuneration committee member of the Company, the number of independent non-executive directors and of audit committee members temporarily fell below the minimum number required under the Listing Rules, and a majority of the members of the Remuneration Committee was temporarily not formed by independent non-executive directors. Nevertheless, on 20 September 2006, Mr. Wong Yat Fai was appointed as independent non-executive director, audit committee and remuneration committee member of the Company. As such, the Company has complied with the relevant Listing Rules.

BOARD COMMITTEES

The Board has set up two Committees in accordance with the Code, namely the Remuneration Committee and the Audit Committee. The Board has not set up a Nomination Committee, the establishment of which is a recommended best practice by The Stock Exchange of Hong Kong Limited, and the function of nomination of new directors is undertaken by the full Board. Under the Company's Bye-laws, the Board has the power from time to time and at any time to appoint any person as a director either to fill a causal vacancy or as an addition to the Board, subject to authorization by the shareholders in general meeting. Such power is also exercised by the full Board in accordance with the Company's Bye-laws.

In addition to the Remuneration Committee and the Audit Committee, the Board has set up an Executive Committee comprising all executive directors on the Board. Under its terms of reference, the Executive Committee is responsible for the oversight of the management of the Group and the formulation of administrative guidelines.

REMUNERATION COMMITTEE

The major roles and functions of the Remuneration Committee of the Company are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to determine the specific remuneration packages of all executive directors;

3. to review and approve performance-based remuneration;

4. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

5. to ensure that no director or any of his associates is involved in deciding his own remuneration; and

6. to advise shareholders of the Company on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules.

The Remuneration Committee currently comprises two executive directors and three independent non-executive directors. One meeting was held in 2006 and the attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Mr. Cheung Chung Kiu *(Chairman)*	0/1	0%
Dr. Lam How Mun Peter	1/1	100%
Mr. Lam Kin Fung Jeffrey	1/1	100%
Mr. Wong Wai Kwong David	1/1	100%
Mr. Wong Yat Fai *(appointed on 20 September 2006)*	1/1	100%

The Remuneration Committee has review and discussed, among other things, on the remuneration packages (including the annual performance bonus policy) of the executive directors, the remuneration of the independent non-executive directors, the existing share option policy, the retirement benefit schemes, and the long-term incentive arrangement. The Remuneration Committee also recommended to the Board the remuneration packages of the executive directors of the Company.

AUDIT COMMITTEE

The major roles and functions of the Audit Committee of the Company are as follows:

1. to review the annual report and half-year report before submission to the Board;

2. to review the Group's financial and accounting policies and practices;

3. to review the financial controls, internal control and risk management systems;

4. to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

5. to be primarily responsible for making recommendation to the Board on the appointment, of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; and

6. to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the Code.

The Audit Committee currently comprises three independent non-executive directors. Two meetings were held in 2006 and the attendance of each member is set out as follows:

Name of member	Number of meetings attended	Attendance rate
Mr. Lam Kin Fung Jeffrey *(Chairman)*	2/2	100%
Mr. Wong Wai Kwong David	2/2	100%
Mr. Lam Ping Cheung *(resigned on 22 June 2006)*	1/1	100%
Mr. Wong Yat Fai *(appointed on 20 September 2006)*	N/A	N/A

Draft and final versions of minutes of the meetings of Audit Committee meetings are sent to all members of the committee for their comment and records respectively under the reasonable time after the relevant meeting. The minutes of the meetings of Audit Committee were tabled to the Board for noting and for adoption by the Board where appropriate.

The Audit Committee has reviewed with management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of the Group's audited financial results for the year ended 31 December 2006. The Audit Committee reviews the financial statements before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young amounted to a total of HK$9,313,397, of which HK$1,800,000 was for audit services and HK$7,513,397 for non-audit services relating to acting as the reporting accountants of all the component entities in the PRC property business acquired as detailed in the Company's circular dated 20 October 2006.

In addition, the remuneration paid/payable to the Company's previous auditors, Messrs. Deloitte Touche Tohmatsu amounted to a total of HK$1,369,850, of which HK$808,200 was for audit services and HK$561,650 for non-audit services.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board recognizes its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of the Group's finance, operations, regulatory compliance and risk management.

Throughout the year 2006 the Company complied with the code provisions on internal controls as stipulated in the Code. In particular, during the year the Company conducted a review of the effectiveness of the internal control system of the Group. The directors are satisfied that the prevailing internal control systems as appropriate to the Group are in place and have been implemented properly and that no significant areas of improvement which are required to be brought to the attention to the members of the Audit Committee are revealed. The Audit Committee has reviewed the internal control and discussed the assessment bases with the management, and concurred that the Company has set up an effective internal control system to safeguard the assets of the Group.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The directors also ensure the timely publication of the financial statements of the Group. The directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company, Messrs. Ernst & Young, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 45 to 46.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a general meeting of the Company held on 10 January 2007 and approved by the Registrar of Companies of Bermuda, the name of the Company was changed from Qualipak International Holdings Limited to C C Land Holdings Limited.

The Chinese translation of the Company name for identification purposes was changed from "確利達國際控股有限公司" to "中渝置地控股有限公司".

PRINCIPAL ACTIVITIES

The principal activities of the Company comprise investment holding and the provision of corporate management services. Details of the principal activities of the subsidiaries are set out in note 19 to the financial statements. Save for the property development and investment businesses acquired in November 2006 as set out in note 43 to the financial statements, there were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 47 to 117.

The directors recommend the payment of a final dividend of HK$0.05 per share in respect of the year to the shareholders on the register of members on 11 May 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 118. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties, and properties under development of the Group during the year are set out in notes 15, 16 and 25 to the financial statements. Further details of the Group's major properties are set out on pages 4 to 9.

REPORT OF THE DIRECTORS

ASSOCIATES

Particulars of the Group's associates are set out in note 21 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND A CONVERTIBLE NOTE

Details of movements in the Company's share capital, share options and convertible note during the year are set out in notes 41, 46 and 39 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution to shareholders, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$290,979,000 of which HK$90,269,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$4,276,770,000, may be distributed in form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 51% of the total sales for the year and sales to the largest customer included therein amounted to 33%. Purchases from the Group's five largest suppliers accounted for 41% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16%.

None of the directors, their associates or shareholders, who to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company for the year were:

Executive directors:

Mr. Cheung Chung Kiu	(Chairman)
Dr. Lam How Mun Peter	(Deputy Chairman and Managing Director)
Mr. Lam Hiu Lo	
Mr. Leung Chun Cheong	
Mr. Leung Wai Fai	
Ms. Poon Ho Yee Agnes	
Mr. Wu Hong Cho	(appointed on 7 July 2006)

Independent non-executive directors:

Mr. Lam Kin Fung Jeffrey	
Mr. Wong Wai Kwong David	
Mr. Wong Yat Fai	(appointed on 20 September 2006)
Mr. Lam Ping Cheung	(resigned on 22 June 2006)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Wu Hong Cho will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. In accordance with Bye-law 87 of the Company's Bye-laws, Dr. Lam How Mun Peter, Mr. Leung Chun Cheong and Mr. Leung Wai Fai will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other remaining directors continue in office.

The Company has received annual confirmations of independence from Messrs. Lam Kin Fung Jeffrey, Wong Wai Kwong David and Wong Yat Fai and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES

Executive directors

Mr. CHEUNG Chung Kiu, aged 42, was appointed Executive Director and Chairman of the Company on 22 June 2000 and 22 November 2006 respectively. He has a wide range of experience in investment business including approximately 15 years of experience in property development and investment in the People's Republic of China (the "PRC"). Mr. Cheung is the founder and the chairman of Yugang International Limited ("Yugang"), currently a substantial shareholder of the Company, the chairman of Y.T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, the shares of all these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of all companies as disclosed under the section headed "Substantial Shareholders" on pages 42 to 43 and is a director of several subsidiaries of the Company.

Dr. LAM How Mun Peter, aged 59, was appointed Executive Director, Managing Director and Deputy Chairman of the Company on 3 June 1998, 9 April 1999 and 22 November 2006 respectively. He is the founder of the Company. Dr. Lam obtained his medical degree at the University of Hong Kong in 1972. He is also a fellow of the Royal College of Surgeons (Edinburgh), American College of Surgeons, and Hong Kong Academy of Medicine. He has over 15 years of experience in the packaging business, real estates and investment. Currently, Dr. Lam spends only a limited amount of his time on his medical practice. He is also a director of several subsidiaries of the Company.

Mr. LAM Hiu Lo, aged 45, was appointed Executive Director of the Company on 10 November 2000. He has accumulated over 20 years' experience in sales and marketing with PRC parties and has built up a strong business and personal network in the PRC. He is also an executive director of Yugang and a director of several subsidiaries of the Company.

Mr. LEUNG Chun Cheong, aged 57, was appointed Executive Director of the Company on 3 June 1998. Mr. Leung is mainly responsible for financial management of the Group. He is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in professional accounting and finance. He had held senior positions in various industries in Hong Kong, including controller of a financial group, head of internal audit of a US bank and further before, senior position in Pricewaterhouse & Co. (presently called PricewaterhouseCoopers). He is also the qualified accountant of the Company and a director of several subsidiaries of the Company.

Mr. LEUNG Wai Fai, aged 45, was appointed Executive Director of the Company on 3 December 1999. Mr. Leung is mainly responsible for financial management of the Group. He graduated from the University of Wisconsin at Madison, the United States of America with a Bachelor Degree in business administration and is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is the Group Financial Controller of Yugang and also an executive director of The Cross-Harbour (Holdings) Limited. He is also a director of several subsidiaries of the Company.

DIRECTORS' BIOGRAPHIES *(Continued)*

Executive directors *(Continued)*

Ms. POON Ho Yee Agnes, aged 39, was appointed Executive Director of the Company on 3 June 1998. Ms. Poon is mainly responsible for the Group's marketing, advertising and promotions. She holds a Master of Science in Electronic Commerce and Internet Computing Degree from the University of Hong Kong and a Bachelor Degree in Business Administration from Simon Fraser University, Canada. Ms. Poon obtained her Master of Social Science in Counselling at the University of South Australia in 2006. She is also a director of several subsidiaries of the Company.

Mr. WU Hong Cho, aged 61, was appointed Executive Director of the Company on 7 July 2006. Mr. Wu graduated from the Law School of the University of Hong Kong and had been a practicing solicitor in Hong Kong from 1989 to 2000 specialised in corporate finance. Prior to joining the Company, Mr. Wu held senior positions and was in charge of corporate financial matters in a number of public companies in Hong Kong. Mr. Wu is currently a non-executive director of NewOcean Energy Holdings Limited, a company listed on the Stock Exchange, and an independent non-executive director of Beiren Printing Machinery Holdings Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange. He is also a director of a subsidiary of the Company.

Independent non-executive directors

Mr. LAM Kin Fung Jeffrey, aged 55, was appointed Independent Non-executive Director of the Company on 3 June 1998. He holds a Bachelor Degree from Tufts University in the United States of America. He has over 25 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing and Eltee Enterprise Limited which is an investment company. He is a member of the Legislative Council, a general committee member of the Hong Kong General Chamber of Commerce and the chairman of the Hong Kong Export Credit Insurance Corporation Advisory Board. He is also an independent non-executive director of Hsin Chong Construction Group Limited, the shares of which are listed on the Stock Exchange.

Mr. WONG Wai Kwong David, aged 49, was appointed Independent Non-executive Director of the Company on 28 September 2004. He is a fellow of the Association of Chartered Certified Accountants, and a Certified Public Accountant. He has over 25 years of experience in finance, accounting, corporate and taxation affairs. He is also an independent non-executive director of Yugang, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Upbest Group Limited and UBA Investments Limited, a non-executive director of Tonic Industries Holdings Limited, and a director of Incutech Investments Limited and EganaGoldpfeil (Holdings) Limited. The shares of all these companies are listed on the Stock Exchange.

Mr. WONG Yat Fai, aged 47, was appointed Independent Non-executive Director of the Company on 20 September 2006. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of working experience with an international banking group. Mr. Wong is currently an executive director of 139 Holdings Limited, and also an independent non-executive director of Yugang, Y.T. Realty Group Limited and The Cross-Habour (Holdings) Limited. The shares of all of these companies are listed on the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with any company in the Group which is not determinable by the Group within one year without compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Cheung Chung Kiu, being the sole shareholder of Thrivetrade Limited ("Thrivetrade"), was interested in the sale and purchase agreement dated 22 September 2006 for the sale of the entire issued share capital of Starthigh International Limited, a company wholly owned by Thrivetrade, to Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company. Further details of the transactions undertaken in connection therewith are included in notes 43 and 51(b) to the financial statements.

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or its holding company, was a party during the year.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's Remuneration Committee and the board of directors with reference to duties and responsibilities and the prevailing market conditions, subject to shareholders' approval/authorisation at the annual general meetings.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Company's Human Resources Department based on the merit, qualifications and competence of employees.

A Remuneration Committee is set up for reviewing the emolument policy and structure for all remuneration of the executive directors of the Company, having regard to the Group's operating results, duties and responsibilities, and individual performance. The fee for the independent non-executive directors was determined and approved by the board of directors with reference to their duties and responsibilities with the Company. The remuneration of all directors is reviewed on an annual basis. The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in note 46 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2006, the interests and short positions of the directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, were as follows:

(a) Interests in shares of the Company (long positions)

Name of director	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate *(Notes 1 & 2)*	12,856,682,070	71.21%
Dr. Lam How Mun Peter	Personal	110,000	0.00%
Mr. Leung Chun Cheong	Personal	340,000	0.00%
Ms. Poon Ho Yee Agnes	Personal	1,040,000	0.01%

(b) Interests in the convertible note of the Company (long positions)

Name of director	Nature of interest	Number of underlying shares held	Approximate percentage of issued share capital
Mr. Cheung Chung Kiu	Corporate *(Note 3)*	3	0.00%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Continued)*

(c) Interests in share options of the Company (long positions)

Details of the directors' interests in the share options of the Company are set out in note 46 to the financial statements.

Notes:

1. 2,542,396,360 of such shares were held through Regulator Holdings Limited ("Regulator"), an indirect wholly-owned subsidiary of Yugang (which was owned by Chongqing Industrial Limited ("Chongqing") and Timmex Investment Limited ("Timmex") in aggregate as to 41.66%). Mr. Cheung Chung Kiu was deemed to be interested in the same number of shares held by Regulator by virtue of his indirect shareholding interests in Chongqing. As Mr. Cheung Chung Kiu had 100% beneficial interest in Timmex, he was also deemed to be interested in the same number of shares held by Timmex through Regulator.

   10,314,285,710 of such shares were held through Thrivetrade, a company wholly-owned by Mr. Cheung Chung Kiu. Accordingly, he was also deemed to be interested in the same number of shares in which Thrivetrade was interested.

2. Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited had 35%, 30%, 5% and 30% equity interest in Chongqing respectively. Peking Palace Limited and Miraculous Services Limited were beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects of which included Mr. Cheung Chung Kiu and his family. Prize Winner Limited was beneficially owned by Mr. Cheung Chung Kiu and his associates. Mr. Cheung Chung Kiu had 100% beneficially interest in Timmex.

3. Such interest was derived from a convertible note in the principal sum of HK$2,552,000,000 issued on 7 November 2006 to Thrivetrade in which Mr. Cheung Chung Kiu had 100% beneficial interest. As at 31 December 2006, Thrivetrade had exercised the conversion right attached to the convertible note in an amount of HK$2,551,999,998.80 and accordingly a total number of 9,114,285,710 shares were issued by the Company to Thrivetrade. Such shares were part of the shares interested by Mr. Cheung Chung Kiu as disclosed under paragraph (a) "Interests in shares of the Company (long positions)" above.

Save as disclosed above, as at 31 December 2006, the Company had not been notified of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests in Shares of the Company and its Associated Corporations" and "Directors' Interests in Contracts", and in the business combination and share option scheme disclosures set out in notes 43 and 46 to the financial statements, respectively at no time during the year was the Company, or any of its subsidiaries or its holding company, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

SHARE OPTIONS

A summary of the existing share option scheme adopted on 29 April 2005 and details of the options to subscribe for shares of the Company granted under such scheme and their movements during the year are set out in note 46 to the financial statements.

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of options:

Grantee	Number of options granted during the year	Theoretical value of share options
Dr. Lam How Mun Peter	39,390,000	10,424,725
Mr. Leung Chun Cheong	10,000,000	2,648,500
Mr. Leung Wai Fai	20,000,000	5,297,000
Ms. Poon Ho Yee Agnes	10,000,000	2,648,500
Mr. Wu Hong Cho	8,000,000	2,118,800
Other employees	74,000,000	19,598,900
	161,390,000	42,736,425

The value of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subject nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons (other than the directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held (long position)	Number of underlying shares held (long position)	Approximate percentage of issued share capital of the Company
Regulator	Beneficial interest	2,542,396,360 *(Note 1)*	—	14.08%
Yugang International (B.V.I.) Limited ("Yugang-BVI")	Interest of controlled corporation	2,542,396,360 *(Note 1)*	—	14.08%
Yugang	Interest of controlled corporation	2,542,396,360 *(Note 1)*	—	14.08%
Chongqing	Interest of controlled corporation	2,542,396,360 *(Note 1)*	—	14.08%
Palin Holdings Limited ("Palin")	Interest of controlled corporation	2,542,396,360 *(Note 1)*	—	14.08%
Thrivetrade	Beneficial interest	10,314,285,710 *(Note 2)*	3 *(Note 3)*	57.13%

Notes:

1. The interests held by Regulator, Yugang-BVI, Yugang, Chongqing and Palin respectively as shown above refer to interests in the same block of shares. Regulator is a direct wholly-owned subsidiary of Yugang-BVI, Yugang-BVI is in turn a direct wholly-owned subsidiary of Yugang. Yugang was owned by Chongqing and Timmex in aggregate as to 41.66%. Chongqing, Timmex and Palin are controlled by Mr. Cheung Chung Kiu. The said interests were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.

2. These shares were also included in the interest in shares of the Company of Mr. Cheung Chung Kiu as disclosed under the paragraph (a) "Interests in shares of the Company (long positions)" above.

3. These underlying shares were also the same block of shares held by Mr. Cheung Chung Kiu as disclosed under the paragraph (b) "Interests in convertible note of the Company (long positions)" above.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 31 December 2006, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions:

Connected Transactions

On 22 September 2006, Marvel Leader Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement to acquire from Thrivetrade, a company wholly owned by Mr. Cheung Chung Kiu, the entire issued share capital of Starthigh International Limited for a consideration of HK$3,317,553,000. Further details of the transactions undertaken in connection therewith are included in notes 43 and 51(b) to the financial statements.

On 29 September 2006, Thomas Wagner GmbH sold its entire 25% interest in Young Comfort Development Limited ("Young Comfort") to the Group for a cash consideration of approximately HK$990,000. Thereafter, Young Comfort became a wholly-owned subsidiary of a subsidiary of the Company.

Continuing Connected Transactions

On 22 February 2006, the Group entered into an agreement with Thomas Wagner GmbH, a company interested in the then 25% shareholding of Young Comfort relating to the sale of products manufactured by the Group. These transactions have been reviewed by the independent non-executive directors of the Company who have confirmed that these transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the terms of the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Further details of the transactions are included in note 51 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 December 2006 as required under the Listing Rules.

REPORT OF THE DIRECTORS

POST BALANCE SHEET EVENTS

Details of significant events which took place subsequent to the balance sheet date are set out in note 53 to the financial statements.

AUDITORS

During the year, Deloitte Touche Tohmatsu resigned as auditors of the Company and Ernst & Young were appointed auditors to fill the casual vacancy so arising. There have been no other changes of the Company's auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheung Chung Kiu
Chairman

Hong Kong, 30 March 2007

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓

To the shareholders of C C Land Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of C C Land Holdings Limited set out on pages 47 to 117, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 30 March 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
REVENUE	5	**794,984**	445,248
Cost of sales		**(667,668)**	(373,110)
Gross profit		**127,316**	72,138
Other income and gains	5	**647,122**	18,636
Selling and distribution costs		**(17,438)**	(10,794)
Administrative expenses		**(59,611)**	(35,450)
Other expenses	6	**(54,781)**	(1,642)
Finance costs	7	**(13,554)**	(704)
Share of profits and losses of associates		**4,299**	5,211
PROFIT BEFORE TAX	8	**633,353**	47,395
Tax	11	**(2,436)**	(4,374)
PROFIT FOR THE YEAR		**630,917**	43,021
Attributable to:			
Equity holders of the parent	12	**627,871**	41,203
Minority interests		**3,046**	1,818
		630,917	43,021
DIVIDEND			
Proposed final	13	**90,269**	23,637
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	14	**112.4 HK cents**	10.5 HK cents
Diluted		**105.8 HK cents**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**267,654**	161,934
Investment properties	16	**128,262**	44,670
Prepaid lease payments	17	**25,510**	25,213
Goodwill	18	**35,139**	34,553
Interests in associates	21	**33,300**	38,455
Convertible note receivable — loan portion	22	**30,983**	14,441
Available-for-sale equity investments	23	**46,612**	—
Properties under development	25	**6,424,561**	—
Total non-current assets		**6,992,021**	319,266
CURRENT ASSETS			
Properties under development held for sale	25	**82,689**	—
Completed properties for sale	26	**1,365**	—
Prepaid lease payments	17	**639**	636
Inventories	27	**90,463**	86,014
Trade receivables	28	**117,519**	94,538
Prepayments, deposits and other receivables	29	**79,565**	8,795
Equity investments at fair value through profit or loss	24	**40,581**	50,211
Conversion option derivative	22	**1,743**	226
Loans to associates	21	**8,976**	3,000
Tax recoverable		**2,486**	294
Due from a joint venture partner	30	**39,676**	—
Deposits with brokerage companies	31	**344**	33,636
Pledged time deposits	32	**160,756**	2,000
Cash and cash equivalents	32	**1,151,788**	160,049
Total current assets		**1,778,590**	439,399
CURRENT LIABILITIES			
Trade and bills payables	33	**133,837**	100,079
Other payables and accruals	34	**147,853**	30,250
Loan from minority shareholders of a subsidiary	35	**8,000**	8,000
Interest-bearing bank borrowings	36	**591,689**	15,448
Tax payable		**22,015**	11,310
Due to a related party	30	**20,013**	—
Consideration payable on acquisition of associates	37	**3,000**	—
Considerations payable on acquisitions of subsidiaries	38	**255,000**	—
Total current liabilities		**1,181,407**	165,087

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NET CURRENT ASSETS		**597,183**	274,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,589,204**	593,578
NON-CURRENT LIABILITIES			
Consideration payable on acquisition of associates	37	**—**	2,790
Consideration payable on acquisition of subsidiaries	38	**—**	4,657
Interest-bearing bank borrowings	36	**126,295**	—
Deferred tax liabilities, net	40	**2,029,474**	2,750
Total non-current liabilities		**2,155,769**	10,197
Net assets		**5,433,435**	583,381
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	41	**180,538**	39,395
Reserves	42(a)	**5,155,951**	516,697
Proposed final dividend	13	**90,269**	23,637
		5,426,758	579,729
Minority interests		**6,677**	3,652
Total equity		**5,433,435**	583,381

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Notes	Attributable to equity holders of the parent								
		Issued capital	**Share premium account**	**Surplus account**	**Exchange fluctuation reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Minority interests**	**Total**
		HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005		39,395	199,901	90,554	—	208,493	15,758	554,101	—	554,101
Exchange realignment recognised directly in equity		—	—	—	183	—	—	183	123	306
Profit for the year		—	—	—	—	41,203	—	41,203	1,818	43,021
Total income and expense for the year		—	—	—	183	41,203	—	41,386	1,941	43,327
Acquisition of subsidiaries	43	—	—	—	—	—	—	—	1,711	1,711
Final 2004 dividend declared		—	—	—	—	—	(15,758)	(15,758)	—	(15,758)
Proposed final 2005 dividend	13	—	—	—	—	(23,637)	23,637	—	—	—
At 31 December 2005		39,395	199,901	90,554	183	226,059	23,637	579,729	3,652	583,381

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

		Attributable to equity holders of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Surplus account HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006		39,395	199,901	90,554	183	226,059	–	–	23,637	579,729	3,652	583,381
Exchange realignment recognised directly in equity		–	–	–	22,811	–	–	–	–	22,811	383	23,194
Profit for the year		–	–	–	–	627,871	–	–	–	627,871	3,046	630,917
Total income and expense for the year		–	–	–	22,811	627,871	–	–	–	650,682	3,429	654,111
Acquisition of shareholding of a subsidiary		–	–	–	–	–	–	–	–	–	(404)	(404)
Issue of shares	41	50,000	1,610,865	–	–	–	–	–	–	1,660,865	–	1,660,865
Issue of convertible note	39	–	–	–	–	–	1,230,341	–	–	1,230,341	–	1,230,341
Conversion of convertible note	41	91,143	2,466,004	–	–	–	(1,230,341)	–	–	1,326,806	–	1,326,806
Final 2005 dividend declared		–	–	–	–	–	–	–	(23,637)	(23,637)	–	(23,637)
Proposed final 2006 dividend	13	–	–	–	–	(90,269)	–	–	90,269	–	–	–
Equity– settled share option arrangement	46	–	–	–	–	–	–	1,972	–	1,972	–	1,972
At 31 December 2006		180,538	4,276,770*	90,554*	22,994*	763,661*	–*	1,972*	90,269	5,426,758	6,677	5,433,435

Note: The surplus account represents the aggregate of the reserves other than the retained profits of the subsidiaries at 1 April 1998 and the excess of the nominal value of the shares issued and issuable by the Company over the nominal value of the issued share capital of the subsidiaries acquired pursuant to the group reorganisation in 1998.

* These reserve accounts comprise the consolidated reserves of HK$5,155,951,000 (2005: HK$516,697,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**633,353**	47,395
Adjustments for:			
Impairment of trade receivables/(write-back of impairment of trade receivables)	5, 6	**2,288**	(4,463)
Impairment of other receivables	6	**46,492**	—
Bank interest income	5	**(14,647)**	(5,729)
Depreciation and amortisation	8	**11,308**	9,354
Interest expenses	7	**13,554**	704
Share of profits and losses of associates		**(4,299)**	(5,211)
Fair value gains on investments at fair value through profit or loss, net	5	**(10,013)**	(3,953)
Fair value loss on conversion option derivative	6	**1,383**	1,592
Fair value gains on investment properties	5	**(4,861)**	(1)
Gain on disposal of a subsidiary	5	**(3,082)**	—
Gain arising from redemption of convertible note receivable	5	**(1,334)**	(240)
Gain on derecognition of a listed equity investment at fair value through profit or loss	5	**(17,229)**	—
Imputed interest income from convertible note receivable	5	**(454)**	(418)
Loss on disposals of items of property, plant and equipment	6	**69**	84
Excess over the cost of acquisition of subsidiaries	5	**(605,038)**	—
Equity-settled share option expense	6	**1,972**	—
Allowance for obsolete inventories	8	**334**	—
Operating cash flows before movements in working capital		**49,796**	39,114
Increase in properties under development		**(3,895)**	—
Increase in inventories		**(4,718)**	(12,179)
Decrease in due from related parties		**14,926**	—
Decrease/(increase) in trade and other receivables, prepayments and deposits		**264,032**	(18,005)
Decrease/(increase) in equity investments at fair value through profit or loss		**(1,607)**	37,968
Decrease/(increase) in deposits with brokerage companies		**33,292**	(30,736)
Increase/(decrease) in trade, bills and other payables and accruals		**(197,634)**	2,716
Redemption of convertible note receivable	22	**16,000**	—
Cash generated from operations		**170,192**	18,878
Proceed from derecognition of a listed equity investment at fair value through profit or loss		**4,825**	—
Hong Kong profits tax paid, net		**(2,722)**	(4,674)
Interest paid		**(12,463)**	(404)
NET CASH FROM OPERATING ACTIVITIES		**159,832**	13,800

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	43	**(12,317)**	(31,144)
Acquisition of minority interest of a subsidiary		**(990)**	—
Dividend received from associates		**4,796**	—
Acquisition of associates		**—**	(30,549)
Increase in pledged bank deposits		**(1,408)**	(2,000)
Purchase of investment properties	16	**—**	(44,669)
Disposal of a subsidiary	45	**49,000**	—
Purchase of property, plant and equipment	15	**(42,388)**	(42,028)
Loan to an associate		**—**	(3,000)
Interest received from bank		**14,647**	5,729
Proceeds on disposals of items of property, plant and equipment		**211**	35
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**11,551**	(147,626)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(23,637)**	(15,758)
Proceeds from issuance of share capital	41	**932,865**	—
Loan from minority shareholders of a subsidiary		**—**	3,394
Repayment of bank borrowings		**(86,805)**	(542)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**822,423**	(12,906)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**993,806**	(146,732)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**160,049**	307,058
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**(2,067)**	(277)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,151,788**	160,049
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	**215,577**	13,636
Non-pledged time deposits with original maturity of less than three months when acquired	32	**936,211**	146,413
		1,151,788	160,049

BALANCE SHEET

31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	**159,921**	159,531
CURRENT ASSETS			
Prepayments, deposits and other receivables	29	**756**	472
Due from subsidiaries	19	**4,673,870**	398,950
Tax recoverable		**71**	93
Cash and cash equivalents	32	**33**	25
		4,674,730	399,540
CURRENT LIABILITIES			
Other payables and accruals	34	**7,400**	1,309
Due to subsidiaries	19	**76,769**	26,402
Tax payable		**223**	—
		84,392	27,711
NET CURRENT ASSETS		**4,590,338**	371,829
NET ASSETS		**4,750,259**	531,360
EQUITY			
Issued capital	41	**180,538**	39,395
Reserves	42(b)	**4,479,452**	468,328
Proposed final dividend	13	**90,269**	23,637
Total equity		**4,750,259**	531,360

Cheung Chung Kiu
Director

Lam How Mun Peter
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2006

1. CORPORATE INFORMATION

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

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

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

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

(iii) treasury investment; and

(iv) property development and investment.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

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

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

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

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

(ii) Amendment for the fair value option

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

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements

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

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

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

HK(IFRIC) — Int 7, HK(IFRIC) — Int 8, HK(IFRIC) — Int 9, HK(IFRIC) — Int 10, HK(IFRIC) — Int 11 and HK(IFRIC) — Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

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

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled operations

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves is included as part of the Group's interests in associates.

Goodwill

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Excess over the cost of business combinations

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

The excess for associates is included in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

Buildings	2%-5% or over the unexpired terms of the leases, if less than 50 years
Leasehold improvements	20% or over the unexpired terms of the leases, if less than 5 years
Electricity supply system	10%
Furniture, fixtures and equipment	10%-20%
Motor vehicles	20%-25%
Plant and machinery	10%
Moulds	15%

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

Leases

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

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

Properties under development

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

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

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

Completed properties for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on investments held for trading or these financial assets are recognised in the income statement.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

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

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Financial guarantee contracts

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

Convertible note

The component of convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instrument is first recognised.

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and in selling and distribution.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Foreign currencies

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

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

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

Cash and cash equivalents

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

For the purpose of the balance sheets, cash and bank balances and time deposits represent assets which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Revenue recognition

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

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

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

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

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

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

(f) income from the sale of listed securities, on the trade date.

Dividends

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

Employee benefits

Share-based payment transactions

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Provision against obsolete and slow-moving inventories

The Group does not have a general provision policy on inventories based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of the carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether the allowance needs to be made in respect of any obsolete and defective inventories identified.

Impairment loss on trade receivables

In determining whether the allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discuss with the relevant customers and report to management on the recoverability. Specific allowance is only made for receivables that are unlikely to be collected.

Estimated impairment of goodwill

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

4. SEGMENT INFORMATION

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

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

4. SEGMENT INFORMATION *(Continued)*

Business segments

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

Year ended 31 December 2006

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

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006 *(Continued)*

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2006 *(Continued)*

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

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2005

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

4. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Year ended 31 December 2005 *(Continued)*

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

Geographical segments

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

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

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. OTHER EXPENSES

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

7. FINANCE COSTS

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

8. PROFIT BEFORE TAX

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

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

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

9. DIRECTORS' REMUNERATION

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

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**739**	600
Other emoluments:		
Salaries, allowances and benefits in kind	**6,397**	5,514
Performance related bonuses*	**7,970**	—
Employee share option benefits	**1,069**	—
Retirement benefits scheme contributions	**267**	227
	16,442	6,341

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

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

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

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

9. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

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

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

(b) Executive directors

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

10. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	HK$'000
Group:		
Current — Hong Kong		
Charge for the year	**9,880**	3,564
Underprovision/(overprovision) in prior years	**(7,136)**	1,553
	2,744	5,117
Deferred (note 40)	**(308)**	(743)
Total tax charge for the year	**2,436**	4,374

11. TAX *(Continued)*

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

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

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

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

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

13. DIVIDEND

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

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of both of the years.

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

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

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares, as adjusted to reflect the consolidation of the Company's shares after the balance sheet date (note 53(b)).

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

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

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

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

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

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

Group

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

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

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

The carrying value of buildings shown above comprises:

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

16. INVESTMENT PROPERTIES

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

At 31 December 2006, the Group's investment properties were situated in Mainland China and were held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis as at 31 December 2006. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 47.

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

17. PREPAID LEASE PAYMENTS

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

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

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

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

18. GOODWILL

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

Impairment testing of goodwill

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

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

18. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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

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

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

19. INTERESTS IN SUBSIDIARIES

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

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

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

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

19. INTERESTS IN SUBSIDIARIES *(Continued)*

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

19. INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

Notes:

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

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

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTEREST IN A JOINTLY-CONTROLLED OPERATION

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

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

21. INTERESTS IN ASSOCIATES

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

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

On 3 June 2005, the Group acquired 30% of the issued share capital of Technical International Holdings Limited ("Technical International"), a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK$33,000,000, subject to adjustment, as described in the circular of the Company dated 27 June 2005. Technical International and its subsidiaries (the "Technical Group") are principally engaged in the business of design, trading and marketing of knives, corkscrews and kitchenware in Hong Kong.

The total consideration of HK$33,000,000 shall be satisfied in cash, of which HK$30,000,000 was paid during the year ended 31 December 2005, and the remaining balance of HK$3,000,000 shall be paid after finalisation of the adjustment (as referred to in the sale and purchase agreement dated 3 June 2005) in 2007. Details of the carrying amount of the consideration payable are set out in note 37.

21. INTERESTS IN ASSOCIATES *(Continued)*

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

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

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

Impairment testing on goodwill arising from acquisition of associates

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

21. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

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

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

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2006 HK$'000	2005 HK$'000
Assets	**234,556**	48,485
Liabilities	**(222,015)**	(25,095)
Revenue	**178,878**	141,303
Profit	**20,675**	17,370

22. CONVERTIBLE NOTE RECEIVABLE

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

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

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

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

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

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

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

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

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

25. PROPERTIES UNDER DEVELOPMENT

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

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

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

26. COMPLETED PROPERTIES FOR SALE

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

27. INVENTORIES

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

28. TRADE RECEIVABLES

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

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

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

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

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

Notes:

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

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

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

31. DEPOSITS WITH BROKERAGE COMPANIES

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

32. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

33. TRADE AND BILLS PAYABLES

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

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

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

34. OTHER PAYABLES AND ACCRUALS

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

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

35. LOAN FROM MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

36. INTEREST-BEARING BANK BORROWINGS

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

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

Notes:

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

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

(b) Other interest rate information:

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

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

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

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

37. CONSIDERATION PAYABLE ON ACQUISITION OF ASSOCIATES

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

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

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

38. CONSIDERATIONS PAYABLE ON ACQUISITIONS OF SUBSIDIARIES

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

Note:

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

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

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

39. CONVERTIBLE NOTE

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

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

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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

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

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

40. DEFERRED TAX

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

Deferred tax liabilities

Group

	2006			
	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Loss available for offsetting against future taxable profit HK$'000	Total HK$'000
At 1 January 2006	—	2,942	(192)	2,750
Acquisition of subsidiaries (note 43)	2,015,861	—	—	2,015,861
Disposal of a subsidiary (note 45)	—	(87)	—	(87)
Deferred tax charged/(credited) to the income statement during the year (note 11)	1,024	—	(1,332)	(308)
Exchange realignment	11,258	—	—	11,258
Deferred tax liabilities at 31 December 2006	2,028,143	2,855	(1,524)	2,029,474

Group

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

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

41. SHARE CAPITAL

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

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

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

Note:

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

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

Share options

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

42. RESERVES

(a) Group

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

(b) Company

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

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

43. BUSINESS COMBINATION

Year ended 31 December 2005

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

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2005 *(Continued)*

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

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

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

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

43. BUSINESS COMBINATION *(Continued)*

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

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

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

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

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

Year ended 31 December 2006

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

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

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

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

43. BUSINESS COMBINATION *(Continued)*

Year ended 31 December 2006 *(Continued)*

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

The fair values of the identifiable assets and liabilities of the Starthigh Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	15	73,181	46,248
Investment properties	16	124,597	124,597
Prepaid lease payments	17	827	827
Loan to an associate		5,945	5,945
Properties under development		6,383,237	402,014
Properties under development held for sale		81,258	8,640
Completed properties for sale		1,357	704
Available-for-sale equity investments		46,367	46,367
Trade receivables		454	454
Prepayments, deposits and other receivables		469,054	469,054
Due from related parties		54,602	54,602
Inventories		65	65
Pledged time deposits		157,348	157,348
Cash and bank balances		7,683	7,683
Trade and other payables		(21,220)	(21,220)
Other payables and accruals		(327,775)	(327,775)
Due to a related party		(20,080)	(20,080)
Tax payable		(9,107)	(9,107)
Bank borrowings		(789,341)	(789,341)
Deferred tax liabilities, net	40	(2,015,861)	(8,990)
		4,222,591	148,035
Excess over the cost of acquisition of subsidiaries	5	(605,038)	
Total consideration		3,617,553	

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

43. BUSINESS COMBINATION *(Continued)*

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

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

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

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

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

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

44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

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

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

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

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

(b) Restricted cash and cash equivalent balances

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

45. DISPOSAL OF A SUBSIDIARY

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

46. SHARE OPTION SCHEME

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

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

46. SHARE OPTION SCHEME *(Continued)*

Purpose

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

Participants

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

Maximum number of shares available for subscription

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

Maximum entitlement of each participant

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

Maximum period for exercising an option

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

Basis of determining the exercise price

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

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

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

(iii) the nominal value of the shares.

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

Life of the Scheme

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

46. SHARE OPTION SCHEME *(Continued)*

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

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

46. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and some other properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**4,754**	1,464
In the second to fifth years, inclusive	**16,405**	—
	21,159	1,464

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Within one year	**1,668**	1,718
In the second to fifth years, inclusive	**3,580**	59
	5,248	1,777

48. COMMITMENTS

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

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

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

49. CONTINGENT LIABILITIES

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

		Group		Company	
		2006	2005	**2006**	2005
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to:					
Subsidiaries		**—**	—	**57,800**	35,300
Associates		**12,000**	6,000	**12,000**	6,000
Guarantees in respect of mortgage facilities for certain customers	(i)	**29,740**	—	**—**	—
		41,740	6,000	**69,800**	41,300

Note:

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

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

50. RETIREMENT BENEFITS SCHEMES

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

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

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

50. RETIREMENT BENEFIT SCHEME *(Continued)*

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

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

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

51. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

(iii) On 27 September 2006, the Group entered into an agreement with Thomas Wagner GmbH to acquire a 25% equity interest in Young Comfort for a cash consideration of approximately HK$990,000. The transaction was completed on 29 September 2006 and thereafter Young Comfort has become a wholly-owned subsidiary of an indirect non-wholly subsidiary of the Company. Details of the transactions are set out on page 43 under the section headed "Connected transactions and Continuing Connected Transactions" in the Report of the Directors.

51. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

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

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

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

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

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

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

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

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

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible note investments, trade and other receivables, trade and other payables, cash and bank balances, bank borrowings and short-term deposits. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.4.

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

Cash flow interest rate risk

The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its interest rate risk and will consider hedging significant interest rate risk should the need arise.

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

Foreign currency risk

The Group has currency exposure as the majority of its sales were denominated in U.S. dollars, which are pegged to Hong Kong dollars ("HK$"). On the other hand, the expenses or expenditure incurred in the operations of manufacturing plants are denominated in Renminbi ("RMB"), which expose the Group to foreign currency risk.

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

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

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtor and other receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

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

Price risk

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

Liquidity risk

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

53. POST BALANCE SHEET EVENTS

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

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

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

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

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

54. COMPARATIVE AMOUNTS

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

55. APPROVAL OF THE FINANCIAL STATEMENTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
REVENUE	**794,984**	445,248	294,351	202,227	222,201
PROFIT FROM OPERATING ACTIVITIES	**629,054**	42,184	57,389	33,872	27,373
Share of profits and losses of associates	**4,299**	5,211	—	—	—
PROFIT BEFORE TAX	**633,353**	47,395	57,389	33,872	27,373
Tax	**(2,436)**	(4,374)	(15,277)	(4,970)	(2,562)
PROFIT FOR THE YEAR	**630,917**	43,021	42,112	28,902	24,811
Attributable to:					
Equity holders of the parent	**627,871**	41,203	42,112	28,902	24,811
Minority interests	**3,046**	1,818	—	—	—
	630,917	43,021	42,112	28,902	24,811

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2006 HK$'000	2005 HK$'000	2004 HK$'000	2003 HK$'000	2002 HK$'000
Property, plant and equipment	**267,654**	161,934	100,036	101,393	105,798
Prepaid lease payments	**25,510**	25,213	22,832	23,404	23,976
Interests in associates	**33,300**	38,455	—	—	—
Other non-current assets	**6,665,557**	93,664	16,035	32,242	25,269
Current assets	**1,778,590**	439,399	473,004	406,140	384,230
Current liabilities	**(1,181,407)**	(165,087)	(54,562)	(36,220)	(184,327)
Net current assets	**597,183**	274,312	418,442	369,920	199,903
Non-current liabilities	**(2,155,769)**	(10,197)	(2,845)	(783)	(541)
Minority interests	**(6,677)**	(3,652)	—	—	—
Equity attributable to equity holders of the parent	**5,426,758**	579,729	554,500	526,176	354,405