ANNUAL REPORT 2006

和寶國際控股有限公司
Wealthmark International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 39

Contents

Corporate Information

EXECUTIVE DIRECTORS
Mr. LO Peter, *Chairman*
Mr. SUN David Lee, *Chief Executive Officer*
Mr. LI Wentao
Mr. FU Hui

NON-EXECUTIVE DIRECTOR
Mr. YEUNG Ting-Lap Derek Emory

INDEPENDENT NON-EXECUTIVE DIRECTORS
Dr. LOKE Yu *
Dr. LEUNG Kwan-Kwok *
Mr. ZUCHOWSKI Sam *

* *Audit Committee Members*

COMPANY SECRETARY
Ms. CHAN So Fong

AUDITORS
RSM Nelson Wheeler
Certified Public Accountants

LEGAL ADVISERS
Herbert Smith

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Industrial Bank Company Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
2116 Hutchison House
10 Harcourt Road
Hong Kong

REGISTERED OFFICE
PO Box 309GT
Ugland House
South Church Street
George Town, Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
PO Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code: 039

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Wealthmark International (Holdings) Limited (the "Company"), I would like to present to our shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

During the year, the Group recorded a turnover of approximately HK$167.4 million, up 44.6% over last year. Gross profit was approximately HK$7.3 million as opposed to gross loss of approximately HK$0.6 million last year. Loss attributable to shareholders has reduced by 4.9% to approximately HK$25.8 million.

The handbags and other accessories segment continued its recovery and recorded a 23.2% increase in turnover over last year, however, its gross profit margin remained low. Due to the slowdown of the United States economy and the rising labour cost in the PRC, the handbag industry will continue to face a keen competitive environment.

The Group's other business in dairy products was still in a preliminary investment stage and has had no impact on profit contribution. In addition, in face of the intense market competition of PRC dairy industry, the Group will have to further strengthen its advertising and marketing strategies to promote sales and more promotional expenses are expected in coming years. The management believes this business will mature gradually and contribute income to our Group in later years.

In view of the loss position of our existing businesses, the management is undergoing the review of the business operations and asset structure of the Group so as to discover any underperforming assets and assets that have no strategic and future value in developing the Group's future business. In the meantime, the management will closely monitor the operations and further reduce the overhead of the operations.

Looking forward, the management will actively search for new businesses with high growth in the PRC so as to broaden the Group's earnings base.

LO Peter
Chairman

Hong Kong, 19 April 2007

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2006, the Group's turnover was approximately HK$167.4 million, representing an increase of 44.6% over last year. The substantial increase in turnover during the year was mainly attributable to the contributions from the dairy company acquired in late 2005 and the recovery of the handbags and other accessories segment. Gross profit was approximately HK$7.3 million as opposed to gross loss of approximately HK$0.6 million last year. Loss attributable to equity holders of the Company was approximately HK$25.8 million, representing a decrease of 4.9% over last year. Loss per share for the year was HK$8.0 cents (2005: HK$11.2 cents).

The performance of the handbags and other accessories segment and dairy products segment during the year is set out below.

During the year, handbags and other accessories segment continued its recovery and remained the core business of the Group. Handbags and other accessories segment recorded a turnover of approximately HK$142.5 million, up 23.2% over last year and accounted for 85.1% of the total turnover. Gross profit was approximately HK$13.4 million as opposed to gross loss of approximately HK$0.4 million last year. The increase in the turnover and the turnaround to gross profit was mainly due to the increase in PRC sales which have relatively higher gross margin than overseas sales, and the stringent control over the cost of sales. The Group will continue to tighten controls on operating costs, aiming to enhance operational efficiency and competitiveness and thus further improve business performance.

The Group completed the acquisition of a dairy company in mid December 2005. The operation of the dairy company was ceased before the acquisition and has been restarted in late December 2005. In 2006, the first year of operation, dairy products segment recorded a turnover of approximately HK$24.9 million, representing a significant increase of 236% as compared to the turnover of approximately HK$7.4 million in the first six months of 2006, and accounted for 14.9% of the total turnover. At present, the main product of this segment is yogurt. As the Group was still in a preliminary investment stage in dairy market, it had yet to enjoy the benefits from scale of operation and market experience and hence, a gross loss of approximately HK$6.1 million was recorded. The Group will continue to strengthen its market promotion and invest in packaging facilities so as to expand the output and lower product wastage.

Prospects

In order to broaden the earnings base, the management will actively explore potential investment opportunities in the PRC that can benefit the Group in the long term. The Group will also place emphasis on the improvement of operational efficiency and cost control in order to improve its financial performance and position.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the issued share capital of the Company increased by 32,000,000 shares to 332,000,000 shares as a result of two top-up placings. On 21 April 2006, the Company raised net proceeds of approximately HK$10.4 million by way of a top-up placing of 20,000,000 shares at HK$0.54 each. On 12 June 2006, the Company raised net proceeds of approximately HK$6.3 million by way of a top-up placing of 12,000,000 shares at HK$0.54 each. The total net proceeds of approximately HK$16.7 million have been and will be used for the Group's general working capital purposes.

As at 31 December 2006, the Group has net current assets of approximately HK$24.7 million (2005: HK$26.0 million) and shareholders' equity of approximately HK$0.7 million (2005: HK$9.3 million). Bank and cash balances amounted to approximately HK$8.6 million as at 31 December 2006 (2005: HK$27.5 million).

Except for an amount due to the immediate holding company of approximately HK$76.2 million, the Group had no other borrowings as at 31 December 2006. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 54.4% as at 31 December 2006. The amount due to the immediate holding company bears interest at 1% above the Hong Kong dollar prime rate per annum and is not repayable within one year.

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, US dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

CHARGE ON ASSETS

As at 31 December 2006, there was no charge on the Group's assets (2005: Nil).

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no material contingent liabilities (2005: Nil).

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2006, the Group had approximately 2,088 (2005: 2,493) employees with total staff costs amounted to approximately HK$39.7 million (2005: HK$33.3 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

Corporate Governance Report

The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the board that shareholders can maximise their benefits from good corporate governance.

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

The board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Daily operations and execution are delegated to management. All directors give sufficient time and attention to the Group's affairs. The board believes that the balance between executive and non-executive directors is reasonable and adequate to provide checks and balances that safeguard the interests of shareholders and the Group.

At 31 December 2006, the board of the Company comprised four executive directors, namely, Mr. Lo Peter, Mr. Sun David Lee, Mr. Li Wentao and Mr. Fu Hui; one non-executive director, namely, Mr. Yeung Ting-Lap Derek Emory; and three independent non-executive directors, namely, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam.

The non-executive director provides the Group with a wide range of expertise and experience. His participation in board meetings brings independent judgment on issues relating to the Group's strategy, performance, conflicts of interest and management process, to ensure that the interests of all shareholders are taken into account.

The independent non-executive directors ensure the board accounts for the interests of all shareholders and that all issues are considered in an objective manner. The Company has received annual confirmation of independence from the three independent non-executive directors and as at the date of this report still considers them to be independent.

The board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the board and has met the recommended practice under the Code for the board to have at least one-third in number of its members comprising independent non-executive directors.

Corporate Governance Report

BOARD MEETINGS

For the year ended 31 December 2006, there were six full board meetings held by the Company to discuss the Group's development strategies, investment projects and the operational and financial performance of the Group. The attendance of the directors at the board meeting is as follows:

		Number of attendance
Executive directors		
Mr. Lo Peter		4/6
Mr. Sun David Lee		4/6
Mr. Li Wentao	(re-designated as executive director from non-executive director on 26 May 2006)	0/6
Mr. Fu Hui	(appointed on 18 July 2006)	0/1
Mr. Au Peter Jeva	(resigned on 1 January 2006)	0/0
Non-executive directors		
Mr. Yeung Ting-Lap Derek Emory		1/6
Mr. Greer Thomas	(resigned on 1 January 2006)	0/0
Mr. Chau Wai-Kau	(retired on 26 May 2006)	0/3
Independent non-executive directors		
Dr. Loke Yu		2/6
Dr. Leung Kwan-Kwok		5/6
Mr. Zuchowski Sam		5/6

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. She also keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in an actual meeting, as opposed to being dealt with by written resolution. Independent non-executive directors with no conflict of interest are present at meetings dealing with conflict issues. Board committees, including the Audit, Remuneration and Nomination Committees, all follow the applicable practices and procedures used in board meetings for committee meetings.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals so as to maintain an effective segregation of duties. Mr. Lo Peter is the Chairman of the Company and provides leadership to the board to ensure that the board works effectively and all important issues are discussed in a timely manner. Mr. Sun David Lee is the Chief Executive Officer of the Company and is responsible for supervising the implementation of the Group's strategic plans.

DIRECTORS' TERMS OF APPOINTMENTS AND RE-ELECTION

In accordance with article 116 of the Company's articles of association, one-third of the directors, including the non-executive directors, but excluding the Managing Director, shall retire from office by rotation at each annual general meeting.

Article 99 of the Company's articles of association provides that directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The board is responsible for presenting a clear, balanced assessment of the Group's performance and prospects. It is also responsible for preparing accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and financial disclosures. Management provides the board with the relevant information it needs to discharge these responsibilities.

The responsibilities of the auditors to the shareholders are set out in the Independent Auditor's Report on pages 18 and 19.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management. Meetings of the Remuneration Committee shall be held at least once a year. At 31 December 2006, the Remuneration Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2006, one meeting was held by Remuneration Committee. The attendance is as follows:

	Number of attendance
Mr. Zuchowski Sam	1/1
Dr. Loke Yu	0/1
Mr. Lo Peter	1/1

NOMINATION COMMITTEE

The Nomination Committee was established on 15 September 2005 with written terms of reference in compliance with the Code. It is responsible for making recommendations to the board on nominations, appointment of directors and board succession. Meetings of the Nomination Committee are held as and when required. At 31 December 2006, the Nomination Committee comprised one executive director, Mr. Lo Peter, and two independent non-executive directors, Mr. Zuchowski Sam and Dr. Loke Yu. Mr. Zuchowski Sam is the chairman of the committee. For the year ended 31 December 2006, two meetings were held by Nomination Committee. The attendance is as follows:

	Number of attendance
Mr. Zuchowski Sam	2/2
Dr. Loke Yu	1/2
Mr. Lo Peter	2/2

AUDIT COMMITTEE

The Company has had an Audit Committee since 2001. The Audit Committee is responsible for reviewing the Group's financial reporting, internal controls and making recommendations to the board. At 31 December 2006, the Audit Committee comprised three independent non-executive directors, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam. Dr. Loke Yu is the chairman of the committee.

Corporate Governance Report

For the year ended 31 December 2006, there were three meetings held by the Audit Committee to (i) review with external auditors the external audit findings, the accounting principles and practices adopted by the Group, and Listing Rules and statutory compliance, (ii) discuss auditing and financial reporting matters for the annual report for 2005 and interim report for 2006 before recommending them to the board for approval, and (iii) review the Group's internal control system. The attendance is as follows:

	Number of attendance
Dr. Loke Yu	3/3
Dr. Leung Kwan-Kwok	3/3
Mr. Zuchowski Sam	3/3

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditors, RSM Nelson Wheeler, amounted to HK$818,000 for audit services and HK$50,000 for tax services.

INTERNAL CONTROL

The board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interests. The board conducts regular reviews of the Group's internal control system. The board assesses the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors. The board believes that the present internal control system is adequate and effective.

The internal audit department follows a risk-and-control based approach. The department performs regular financial and operational reviews of the Group and its subsidiaries, as well as other reviews as required. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The internal audit department monitors the follow-up actions agreed upon in response to its recommendations.

COMMUNICATION WITH SHAREHOLDERS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual general meeting ("AGM") provides a forum for shareholders to exchange views directly with the board. The Company regards the AGM as an important event and all directors, senior management and external auditors make an effort to attend the AGM of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 21 days' notice of the date and venue of the AGM of the Company. The Company supports the Code's principle to encourage shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll included in circulars to shareholders despatched by the Company where applicable.

Directors' and Senior Management's Biographies

The directors and senior management of the Company as at the date of this report are as follows:

DIRECTORS

Mr. LO Peter, aged 51, was appointed a director and the chairman of the Company in May 2005. He is responsible for the overall strategic development of the Group. Mr. Lo is currently a director of China Enterprise Capital Limited, an independent non-executive director of China Infrastructure Machinery Holdings Limited and Ajisen (China) Holdings Limited, companies currently listed on the Main Board of the Stock Exchange. He was the chief executive officer and executive director of Harbin Brewery Group Limited, a company formerly listed on the Main Board of the Stock Exchange. He held senior management positions in the Hong Kong offices of several international companies and has more than 15 years' experience in doing business in the PRC. Mr. Lo received a Bachelor of Science (Economics) Degree in Mathematical Economics and Econometrics from the London School of Economics and Political Science in 1982. He received the "Directors of the Year 2004" award from The Hong Kong Institute of Directors. Mr. Lo is a member of the People's Consultative Conference of Harbin City.

Mr. SUN David Lee, aged 41, was appointed a director and the chief executive officer of the Company in May 2005. He is responsible for supervising the implementation of the Group's strategic plans. Mr. Sun is currently a director of CEC Management Limited. Prior to helping form CEC Management Limited, he was the Managing Director and General Counsel of Pacific Alliance Group Limited. Mr. Sun was the Director for Strategy and Business Development Asia at InBev (formerly known as Interbrew SA). Prior to his position at InBev, he was a consultant in the Corporate Finance and Strategy Practice of McKinsey & Company, Inc. in Hong Kong. Mr. Sun holds a Juris Doctor from the University of Illinois College of Law and a Bachelor of Art degree from Cornell University.

Mr. LI Wentao, aged 51, was appointed a non-executive director of the Company in September 2005 and re-designated as executive director of the Company in May 2006. He was a director and the chairman of Harbin Brewery Group Limited ("HB Group"), a company formerly listed on the Main Board of the Stock Exchange. Mr. Li graduated from the Light Industrial Institute of Tianjin majoring in machine and facilities for light industry. Following his graduation in 1982, he joined Harbin Brewery Factory ("HBF") in 1982, and HB Group in 1995. He was appointed as the general manager of Harbin Brewing Company Limited in 1996. He is a senior engineer with more than 20 years' experience in the brewery industry gained from working for HBF and HB Group. He has been awarded a series of awards including the National Light Industrial Labourer Model, one of the Ten Most Outstanding Young Persons in Heilongjiang Province, one of the Ten Best Enterprise Operators in Harbin City and the National "First of May" Labour Medal. He was also one of the representatives of the 11th Harbin City People's Congress.

Mr. FU Hui, aged 44, was appointed a director of the Company in July 2006. He was a director and the chief operation officer of Harbin Brewery Group Limited ("HB Group"). Mr. Fu joined Harbin Brewery Factory ("HBF") in 1983. He graduated from the Light Industrial Institute of Dalian in 1983 majoring in industrial fermentation and holds a Master Degree in Management Science and Engineering from the Polytechnic University of Harbin in 1983. He was appointed as the manager of the brewing technology, research and development department of HBF in 1993. Mr. Fu was a brewing engineer of the HB Group and a senior fermentation engineer with more than 20 years' experience in the brewery industry gained from working for HBF and HB Group.

Directors' and Senior Management's Biographies

Mr. YEUNG Ting-Lap Derek Emory, aged 34, was appointed a non-executive director of the Company in May 2005. He is currently the chief executive officer and co-founder of She Communications Limited ("she.com"), a leading Hong Kong based women's lifestyle communications company. Mr. Yeung is also a non-executive director of Nubrands Group Holdings Limited (formerly known as Wanji Pharmaceutical Holdings Limited), a company currently listed on the Main Board of the Stock Exchange. Prior to founding she.com, Mr. Yeung was an associate with Telecom Venture Group Limited and a consultant with Arthur Andersen & Company both in Boston and Hong Kong. Mr. Yeung holds a Bachelor Degree in Applied Mathematics and Economics from Brown University and a Master Degree in Business Administration and Accounting from Northeastern University, both in the United States of America. Mr. Yeung is a certified public accountant and a member of the American Institute of Certified Public Accountants.

Dr. LOKE Yu alias LOKE Hoi Lam, aged 57, was appointed an independent non-executive director and the chairman of the audit committee of the Company in June 2005. He has over 30 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration Degree from Universiti Teknologi Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Institute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants. He is currently the Chairman of MHL Consulting Limited and Habamas Limited and serves as an independent non-executive director of China Fire Safety Enterprise Group Holdings Limited, Shandong Molong Petroleum Machinery Company Limited, United Metals Holdings Limited, New Chinese Medicine Holdings Limited, Winfair Investment Company Limited, Matrix Holdings Limited and VODone Limited (formerly known as Yanion International Holdings Limited), companies currently listed on the Stock Exchange.

Dr. LEUNG Kwan-Kwok, aged 55, was appointed an independent non-executive director of the Company in May 2005. He is a director of the Quality Evaluation Centre and the Associate Professor of Department of Applied Social Studies, City University of Hong Kong. Since 1991, he has been offering consultancy/professional services to the government, public utilities, voluntary agencies, media, and private enterprises in Hong Kong.

Mr. ZUCHOWSKI Sam, aged 59, was appointed an independent non-executive director of the Company in May 2005. He has considerable experience in investment banking and other direct investments where he has held positions with Merrill Lynch International, Inc., First Pacific U.S. Securities (Aust.) Ltd and Capitalcorp Ltd. He has also been a director of a number of companies listed on the Main Board of the Stock Exchange, namely, G-Prop (Holdings) Limited, SMI Corporation Limited (formerly known as Star East Holdings Limited) and Freeman Corporation Limited (formerly known as Inner Mongolia Development (Holdings) Limited and Hansom Eastern (Holdings) Limited). Mr. Zuchowski obtained a Bachelor Degree in Law from the University of Melbourne, Australia.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. CHAN So Fong, aged 33, is the chief financial officer and company secretary of the Company. Ms. Chan has over eight years' experience in auditing, budgeting, financial and management accounting. She had worked in Ernst & Young and a company listed on the Main Board of the Stock Exchange. She is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan holds a Bachelor Degree in Business Administration with major in Professional Accountancy from The Chinese University of Hong Kong.

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.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 59.

The directors do not recommend the payment of any dividend in respect of the year.

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 and restated/reclassified as appropriate, is set out on page 60. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 25 to the financial statements.

The Company had no share options in issue during the year.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution amounted to approximately HK$19,703,000, representing the share premium account of the Company of approximately HK$83,832,000 less the accumulated losses as at 31 December 2006 of approximately HK$64,129,000. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 61% of the total sales for the year and sales to the largest customer included therein amounted to 35%. Purchases from the Group's five largest suppliers accounted for 32% of the total purchases for the year and purchases to the largest supplier included therein amounted to 9%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Lo Peter	
Mr. Sun David Lee	
Mr. Li Wentao	(re-designated as executive director from non-executive director on 26 May 2006)
Mr. Fu Hui	(appointed on 18 July 2006)
Mr. Au Peter Jeva	(resigned on 1 January 2006)

Non-executive directors:

Mr. Yeung Ting-Lap Derek Emory	
Mr. Greer Thomas	(resigned on 1 January 2006)
Mr. Chau Wai-Kau	(retired on 26 May 2006)

Independent non-executive directors:

Dr. Loke Yu
Dr. Leung Kwan-Kwok
Mr. Zuchowski Sam

In accordance with article 116 of the Company's articles of association, Mr. Lo Peter and Mr. Zuchowski Sam will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All directors (except the Managing Director) are subject to retirement by rotation under article 116 of the Company's articles of association.

Report of the Directors

In accordance with article 99 of the Company's articles of association, Mr. Fu Hui will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. Directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders under article 99 of the Company's articles of association.

The Company has received annual confirmations of independence from Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam, and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 and 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group. Details of the directors' fees are set out in note 13 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

None of the directors or chief executive had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted by the shareholders of the Company by way of written resolution passed on 29 December 2000. The Company had no share options in issue during the year and up to the date of this report. The Company had undertaken a review of the existing Scheme and note that certain provisions could be clarified and improved in light of the provisions of Chapter 17 of the Listing Rules. Accordingly, the Board proposes that the Company adopt a new share option scheme, and for the existing Scheme to be terminated. A resolution will be proposed at the forthcoming annual general meeting.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of ordinary shares held	Percentage of the Company's issued share capital
Orientelite Investments Limited (Note)	195,000,000	58.7
China Enterprise Capital Limited (Note)	195,000,000	58.7

Note: Orientelite Investments Limited is wholly owned by China Enterprise Capital Limited. Hence, China Enterprise Capital Limited is deemed to have an interest in the shares in which Orientelite Investments Limited is interested under the SFO.

Save as disclosed above, as at 31 December 2006, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 26 May 2006, Beilei (Tianjin) Dairy Co., Ltd. ("Beilei"), a 70% owned subsidiary of the Company, entered into a raw milk purchase agreement with Tianjin State Farms Agribusiness Group Company ("Tianjin Agribusiness"), the minority shareholder of Beilei holding the remaining 30% equity interest in Beilei, for the supply of raw milk to Beilei. The relevant details for the above transactions were set out in the Company's announcements dated 26 May 2006. For the year ended 31 December 2006, total purchases from Tianjin Agribusiness and its subsidiaries amounted to approximately HK$11,194,000.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected 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 independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 34 to the financial statements.

AUDITORS

RSM Nelson Wheeler retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

LO Peter
Chairman

Hong Kong, 19 April 2007

Independent Auditor's Report

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

TO THE SHAREHOLDERS OF
WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Wealthmark International (Holdings) Limited (the "Company") set out on pages 20 to 59, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and 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 (the "HKICPA") 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 auditor's 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 auditor considers 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 Auditor's Report

BASIS FOR QUALIFIED OPINION

Because of the significance of the possible effect of the limitations on the scope of our audit for the year ended 31 December 2004, we were unable to determine whether adjustments to the Group's results for the year ended 31 December 2005 and the opening accumulated losses as at 1 January 2005 might be necessary. Our auditor's report on the financial statements for the year ended 31 December 2005 dated 20 April 2006 was modified accordingly.

QUALIFIED OPINION ARISING FROM PRIOR YEAR AUDIT QUALIFICATION

In our opinion, except for the effect of the adjustments, if any, on the corresponding figures for 2005 as described above, the consolidated 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 results 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.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

19 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Turnover	6	**167,420**	115,786
Cost of sales		**(160,073)**	(116,367)
Gross profit/(loss)		**7,347**	(581)
Other income	7	**581**	46
Gain on deregistration of an associate		**–**	299
Distribution costs		**(14,124)**	(5,084)
Administrative expenses		**(21,070)**	(25,319)
Other operating expenses		**(1,159)**	(142)
Reversal of allowance for impairment of receivables		**2,155**	2,040
Loss from operations		**(26,270)**	(28,741)
Finance costs	9	**(6,570)**	(1,418)
Loss before tax		**(32,840)**	(30,159)
Income tax credit	10	**1,122**	2,441
Loss for the year	11	**(31,718)**	(27,718)
Attributable to:			
Equity holders of the Company	14	**(25,771)**	(27,089)
Minority interests		**(5,947)**	(629)
		(31,718)	(27,718)
Dividends	15	**–**	–
Loss per share – basic	16	**(8.0) cents**	(11.2) cents

Consolidated Balance Sheet

At 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	17	**46,881**	53,064
Prepaid land lease payments	18	**6,296**	6,465
Goodwill	19	**11,010**	11,010
		64,187	70,539
Current assets			
Inventories	21	**30,831**	20,918
Trade and other receivables	22	**34,225**	20,686
Due from a fellow subsidiary	23	**–**	511
Current tax assets		**2,021**	2,021
Bank and cash balances	24	**8,614**	27,472
		75,691	71,608
TOTAL ASSETS		**139,878**	142,147
Capital and reserves			
Share capital	25	**33,200**	30,000
Reserves	26	**(32,478)**	(20,746)
Equity attributable to equity holders of the Company		**722**	9,254
Minority interests		**11,771**	17,464
Total equity		**12,493**	26,718

Consolidated Balance Sheet

At 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current liabilities			
Due to immediate holding company	27	**76,150**	69,543
Deferred tax liabilities	28	**293**	290
		76,443	69,833
Current liabilities			
Trade and other payables	29	**43,650**	27,899
Due to a minority shareholder of a subsidiary	30	**3,084**	2,398
Short-term borrowings	31	**–**	10,001
Current tax payable		**4,208**	5,298
		50,942	45,596
Total liabilities		**127,385**	115,429
TOTAL EQUITY AND LIABILITIES		**139,878**	142,147
Net current assets		**24,749**	26,012
Total assets less current liabilities		**88,936**	96,551

Approved by the Board of Directors on 19 April 2007.

LO Peter
Director

SUN David Lee
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Properties revaluation reserve	Merger reserve	Statutory reserves	Exchange reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	20,000	27,645	434	2,150	2,223	202	(68,971)	(16,317)	119	(16,198)
Currency translation differences	–	–	–	–	–	(37)	–	(37)	–	(37)
Rights issue expenses	–	(1,303)	–	–	–	–	–	(1,303)	–	(1,303)
Net expense recognised directly in equity	–	(1,303)	–	–	–	(37)	–	(1,340)	–	(1,340)
Loss for the year	–	–	–	–	–	–	(27,089)	(27,089)	(629)	(27,718)
Total recognised income and expense for the year	–	(1,303)	–	–	–	(37)	(27,089)	(28,429)	(629)	(29,058)
Business combination	–	–	–	–	–	–	–	–	17,974	17,974
Rights issue	10,000	44,000	–	–	–	–	–	54,000	–	54,000
At 31 December 2005 and 1 January 2006	**30,000**	**70,342**	**434**	**2,150**	**2,223**	**165**	**(96,060)**	**9,254**	**17,464**	**26,718**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**549**	**–**	**549**	**450**	**999**
Share issue expenses	**–**	**(590)**	**–**	**–**	**–**	**–**	**–**	**(590)**	**–**	**(590)**
Net income recognised directly in equity	**–**	**(590)**	**–**	**–**	**–**	**549**	**–**	**(41)**	**450**	**409**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(25,771)**	**(25,771)**	**(5,947)**	**(31,718)**
Total recognised income and expense for the year	**–**	**(590)**	**–**	**–**	**–**	**549**	**(25,771)**	**(25,812)**	**(5,497)**	**(31,309)**
Dividend paid to minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(196)**	**(196)**
Issue of shares	**3,200**	**14,080**	**–**	**–**	**–**	**–**	**–**	**17,280**	**–**	**17,280**
At 31 December 2006	**33,200**	**83,832**	**434**	**2,150**	**2,223**	**714**	**(121,831)**	**722**	**11,771**	**12,493**

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(32,840)**	(30,159)
Adjustments for:		
Finance costs	**6,570**	1,418
Interest income	**(239)**	(40)
Gain on deregistration of an associate	**–**	(299)
Bad debts written off	**62**	–
Depreciation	**8,580**	7,674
Write down of inventories	**5,812**	–
Loss on disposal of property, plant and equipment	**944**	–
Amortisation of prepaid land lease payments	**169**	170
Property, plant and equipment written off	**152**	12
Reversal of allowance for impairment of receivables	**(2,155)**	(2,040)
Operating loss before working capital changes	**(12,945)**	(23,264)
(Increase)/decrease in inventories	**(15,725)**	5,429
(Increase)/decrease in trade and other receivables	**(11,446)**	4,927
Decrease/(increase) in amount due from a fellow subsidiary	**511**	(511)
Increase in trade and other payables	**15,751**	2,068
Cash used in operations	**(23,854)**	(11,351)
Income taxes paid	**(38)**	(520)
Interest paid	**(366)**	(1,418)
Net cash used in operating activities	**(24,258)**	(13,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary	**–**	(27,046)
Interest received	**239**	40
Purchases of property, plant and equipment	**(3,767)**	(2,893)
Proceeds from disposal of property, plant and equipment	**1,628**	511
Net cash used in investing activities	**(1,900)**	(29,388)

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from rights issue	**–**	54,000
Rights issue expenses paid	**–**	(1,303)
Proceeds from issue of shares	**17,280**	–
Share issue expenses paid	**(590)**	–
New other loan	**–**	10,000
Repayment of other loan	**(10,000)**	–
Repayment of bank loans	**–**	(45,911)
Net repayment of trust receipt loans	**–**	(26,867)
Payment of finance lease payables	**–**	(196)
Advance from immediate holding company	**–**	69,543
Advance from/(repayment to) a minority shareholder of a subsidiary	**686**	(217)
Dividend paid to minority shareholder of a subsidiary	**(196)**	–
Net cash generated from financing activities	**7,180**	59,049
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(18,978)**	16,372
Effect of foreign exchange rate changes, net	**121**	(294)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**27,471**	11,393
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**8,614**	27,471
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**8,614**	27,472
Bank overdrafts	**–**	(1)
	8,614	27,471

Balance Sheet

At 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	17	**54**	60
Investments in subsidiaries	20	**–**	–
		54	60
Current assets			
Trade and other receivables	22	**278**	240
Due from subsidiaries	20	**53,360**	53,102
Due from a fellow subsidiary	23	**–**	511
Bank and cash balances		**495**	616
		54,133	54,469
TOTAL ASSETS		**54,187**	54,529
Capital and reserves			
Share capital	25	**33,200**	30,000
Reserves	26	**19,703**	12,266
Total equity		**52,903**	42,266
Current liabilities			
Trade and other payables	29	**1,258**	2,237
Short-term borrowings	31	**–**	10,000
Current tax payable		**26**	26
Total liabilities		**1,284**	12,263
TOTAL EQUITY AND LIABILITIES		**54,187**	54,529
Net current assets		**52,849**	42,206
Total assets less current liabilities		**52,903**	42,266

Approved by the Board of Directors on 19 April 2007.

LO Peter
Director

SUN David Lee
Director

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Consolidation

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

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

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

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

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

(b) Business combination and goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currency translation (cont'd)

(iii) Translation on consolidation

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

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

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

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

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

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

(d) Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

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

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

(e) Operating leases

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

(f) Inventories

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Trade and other receivables

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

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

(h) Cash and cash equivalents

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

(i) Financial liabilities and equity instruments

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

(j) Borrowings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Trade and other payables

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

(l) Equity instruments

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

(m) Revenue recognition

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

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

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

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

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

(iii) Termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Borrowing costs

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

(p) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Related parties

A party is related to the Group if:

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

(r) Segment reporting

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Impairment of assets

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

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

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

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

(t) Provisions and contingent liabilities

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

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

(u) Events after the balance sheet date

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

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

(a) Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was approximately HK$11,010,000 (2005: HK$11,010,000). More details are given in Note 19.

(b) Deferred tax

The Group recognises deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2006 was approximately HK$141,565,000 (2005: HK$114,764,000). Further details are contained in Note 28 to the financial statements.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

Notes to the Financial Statements

For the year ended 31 December 2006

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

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

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

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

(c) Liquidity risk

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

(d) Interest rate risk

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

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

(e) Fair values

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

6. TURNOVER

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

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

7. OTHER INCOME

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

8. SEGMENT INFORMATION

(a) Primary reporting format — business segments

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

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

The Group is organised into two main business segments:

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONT'D)

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

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

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

8. SEGMENT INFORMATION (CONT'D)

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

8. SEGMENT INFORMATION (CONT'D)

(b) Secondary reporting format – geographical segments

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

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

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

9. FINANCE COSTS

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

10. INCOME TAX CREDIT

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

11. LOSS FOR THE YEAR

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

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

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

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

Notes:

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

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

Notes:

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

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

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

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

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

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

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

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

15. DIVIDENDS

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

16. LOSS PER SHARE

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

17. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

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

Company

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

18. PREPAID LAND LEASE PAYMENTS

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

Notes to the Financial Statements

For the year ended 31 December 2006

19. GOODWILL

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

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

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

Key assumptions were used in the value in use calculation of the dairy products cash-generating unit for the year. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is based on historical figures, increased for expected efficiency improvements, and expected market development.

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

20. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

20. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

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

21. INVENTORIES

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

22. TRADE AND OTHER RECEIVABLES

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

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

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

23. DUE FROM A FELLOW SUBSIDIARY

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

Notes to the Financial Statements

For the year ended 31 December 2006

24. BANK AND CASH BALANCES

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

25. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised:		
1,000,000,000 (2005: 1,000,000,000) ordinary shares of HK$0.1 each	**100,000**	100,000
Issued and fully paid:		
332,000,000 (2005: 300,000,000) ordinary shares of HK$0.1 each	**33,200**	30,000

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

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

Notes:

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

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

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

26. RESERVES

(a) Group

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

(b) Company

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

(c) Nature and purpose of reserves

(i) Share premium account

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

(ii) Properties revaluation reserve

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

(iii) Merger reserve

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

Notes to the Financial Statements

For the year ended 31 December 2006

26. RESERVES (CONT'D)

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

(iv) Statutory reserves

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

(v) Exchange reserve

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

27. DUE TO IMMEDIATE HOLDING COMPANY

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

28. DEFERRED TAX LIABILITIES

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

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

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

29. TRADE AND OTHER PAYABLES

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

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

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

30. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

31. SHORT-TERM BORROWINGS

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

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

Notes to the Financial Statements

For the year ended 31 December 2006

32. COMMITMENTS

(a) Lease commitments

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

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

(b) Capital commitments

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

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

(c) Other commitments

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

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

33. RELATED PARTY TRANSACTIONS

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

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

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

34. EVENTS AFTER THE BALANCE SHEET DATE

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

35. COMPARATIVE FIGURES

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

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

Five Year Financial Summary

The following is a summary of the published results and of the assets and liabilities of the Group:

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**167,420**	115,786	235,719	322,651	306,067
(Loss)/profit before tax	**(32,840)**	(30,159)	(106,105)	13,121	16,466
Income tax credit/(expense)	**1,122**	2,441	1,733	(1,822)	(3,412)
(Loss)/profit for the year	**(31,718)**	(27,718)	(104,372)	11,299	13,054
Attributable to:					
Equity holders of the Company	**(25,771)**	(27,089)	(104,486)	11,299	13,054
Minority interests	**(5,947)**	(629)	114	–	–
	(31,718)	(27,718)	(104,372)	11,299	13,054

	At 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Non-current assets	**64,187**	70,539	32,492	40,859	47,717
Current assets	**75,691**	71,608	58,177	160,323	108,565
Non-current liabilities	**(76,443)**	(69,833)	(288)	(17,718)	(434)
Current liabilities	**(50,942)**	(45,596)	(106,579)	(89,933)	(73,990)
Net assets/(liabilities)	**12,493**	26,718	(16,198)	93,531	81,858
Attributable to:					
Equity holders of the Company	**722**	9,254	(16,317)	93,531	81,858
Minority interests	**11,771**	17,464	119	–	–
	12,493	26,718	(16,198)	93,531	81,858