



LEE & MAN HOLDING LIMITED
理文集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

ANNUAL REPORT 2006年報

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Corporate Information

公司資料

BOARD OF DIRECTORS

Ms. WAI Siu Kee (*Chairman*)
Ms. POON Lai Ming
Ms. LEE Marina Man Wai
Mr. LEE Man Yan
Mr. WAN Chi Keung, Aaron JP*
Mr. HENG Kwoo Seng*
Mr. WONG Kai Tung, Tony*

* *Independent non-executive director*

COMPANY SECRETARY

Ms. WONG Yuet Ming

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL OFFICE

8th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (HK) Ltd

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

董事會

衛少琦女士 (*主席*)
潘麗明女士
李文慧女士
李文恩先生
尹志強先生 *太平紳士**
邢詒春先生*
王啟東先生*

* *獨立非執行董事*

公司秘書

王月明女士

註冊辦事處

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

總辦事處

香港
九龍
觀塘
敬業街 61-63 號
利維大廈 8 樓

主要往來銀行

恒生銀行有限公司
渣打銀行(香港)有限公司

核數師

德勤•關黃陳方會計師行
執業會計師

Corporate Information

公司資料

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

<http://www.leeman.com.hk>

主要股份過戶登記處

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

香港股份過戶登記分處

秘書商業服務有限公司
香港
皇后大道東 28 號
金鐘匯中心 26 樓

網址

<http://www.leeman.com.hk>

Chairman's Statement

主席報告

BUSINESS REVIEW

For the year ended 31 December 2006, the Group achieved a turnover of HK\$689 million and has recorded a net profit of HK\$102 million. This represents an increase in turnover of 2.1% and an increase in net profit of 0.9% over the same period of last year.

The Group manufactures and sells a wide range of handbag products to a broad base of various customers that are mainly located in the United States and Europe. The United States market continues to be the largest market for the Group's products. Sales to the United States and Europe accounted for 63.9% and 32.5% respectively of the turnover of the Group.

During the year under review, the Group strengthened the product design and development capabilities, in particular to focus on exploring the European market, as a result the sales volume gap between the United States and European market had been narrowed down. Moreover, the Group has developed several international well-known brand name customers as our business partner. Furthermore, with the effective cost control measurement, the Group has been able to maintain its steady results despite the increased pricing pressure.

PROSPECTS

The chemical production plant being invested and established by the Group in Changshu City of Jiangsu Province is expected to commence its production in about the 4th quarter of 2007. It is anticipated that the chemical sector will generate contributions to the Group's results in 2008. The Group will continue to maintain its strong competitive position in the handbag market and will also be full of confidence in business prospects of the chemical sector, which will bring more favorable return to the shareholders in future.

APPRECIATION

We thank all our customers, suppliers and all members of our management team and staff for their loyalty, dedication, and contribution during the year under review.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 12 April 2007

業務回顧

於截至2006年12月31日止年度，本集團錄得營業額6.89億港元及純利1.02億港元，較去年同期分別增長2.1%及0.9%。

本集團製造一系列手袋產品銷售予廣泛及各類型客戶，主要分佈在美國及歐洲。美國仍然為本集團產品之最大市場，銷售往美國及歐洲市場分別佔本集團營業額63.9%及32.5%。

就年內回顧，本集團加強產品設計及市場推廣，致力開拓歐洲市場，進一步拉近歐美的銷售差距，並加入與多個國際知名品牌建立客戶關係，加上有效控制成本，儘管面對價格競爭的壓力，經營業績仍保持平穩。

展望

本集團於江蘇省常熟市投資建立之化工廠預期將於2007年第四季投產，預期化工業務將於2008年對集團業績作出貢獻。本集團將繼續在手袋業市場上保持競爭優勢，對化工業務的前景亦充滿信心，未來將為股東帶來更理想的回報。

鳴謝

本人謹代表董事會向各客戶、供應商、集團所有管理層成員及員工在過去一年之忠誠、辛勤與貢獻，深表謝意。

代表董事會
主席
衛少琦

香港，2007年4月12日

Management Discussion and Analysis

管理層討論及分析

RESULTS OF OPERATION

This is the Group's first full year results after its change of financial year end date in 2005. Turnover grew by 29.6% to HK\$689 million. Profit attributable to shareholders increased by 16.7% to HK\$102 million. Earnings per share increased by 16.0% to HK12.3 cents. For the nine months ended 31 December 2005, turnover, profit attributable to shareholders and earnings per share were HK\$532 million, HK\$87 million and HK10.6 cents respectively. When compared with the full year results of 2005, turnover and profit attributable to shareholders grew by 2.1% and 0.9% respectively.

The United States market continued to be the largest market for the Group's products. Sales to the United States, Europe and other market constituted 63.9%, 32.5% and 3.6% of the Group's turnover whereas 69.5%, 24.6% and 5.9% were shared respectively for the nine months ended 31 December 2005.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 31 December 2006 was HK\$549 million (2005: HK\$475 million).

The Group maintains a very strong financial position with a very low level of debts and a high liquidity. The Group ended the year with a current ratio of 4.3 (2005: 4.7) and zero (2005: zero) net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity).

The Group had a net cash surplus of HK\$205 million (2005: HK\$235 million) and most of the cash balance was deposited in the leading banks in Hong Kong.

Net cash inflow provided by operating activities totaled HK\$66 million (2005: HK\$104 million). The Group generally finances its operation with internally generated cash flows. The Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments.

經營業績

此份為本集團自2005年更改年結日後首個全年業績。營業額上升29.6%至6.89億港元，股東應佔溢利上升16.7%至1.02億港元，每股盈利上升16.0%至12.3港仙。截至2005年12月31日止9個月之營業額、股東應佔溢利及每股盈利分別為5.32億港元、0.87億港元及10.6港仙。若以2005年全年業績比較，營業額及股東應佔溢利則分別上升2.1%及0.9%。

美國仍然為本集團產品之最大市場。產品銷售往美國佔本集團營業額63.9%，歐洲佔32.5%，其他市場共佔3.6%；截至2005年12月31日止9個月，產品銷往美國、歐洲及其他市場則分別佔69.5%、24.6%及5.9%。

流動資金、財務資源及資本結構

於2006年12月31日，本集團之權益總額為5.49億港元（2005：4.75億港元）。

本集團保持著一個低負債水平、高流動資金及非常穩健之財務狀況。本集團於年終的流動資產比率為4.3（2005：4.7），而淨資本負債比率（借貸總額減現金及現金等同項目除以股東權益）則為零（2005：零）。

本集團之淨現金盈餘為2.05億港元（2005：2.35億港元），而大部份現金結餘存於本港之主要銀行。

經營業務之現金流入淨額共0.66億港元（2005：1.04億港元）。本集團一般以內部產生之現金流量作為業務之營運資金。本集團具備充裕之現金及可供動用之銀行授信額以應付集團之承擔、營運資金需要及日後投資。

Management Discussion and Analysis

管理層討論及分析

HUMAN RESOURCES

At 31 December 2006, the Group had a workforce of more than 6,000 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

The Company has a share option scheme under which the executive directors and employees of the Company and its subsidiaries may be granted options to subscribe for ordinary shares in the Company. Up to 31 December 2006, no option was granted under the scheme.

人力資源

於2006年12月31日，本集團員工超過6,000名。本集團與員工關係一向良好，並為員工提供足夠培訓、優厚福利及獎勵計劃。員工酬金乃按彼等之工作表現、專業經驗及當時之市場狀況而釐定，除基本薪金外並按員工表現發放花紅。

本公司有一項購股權計劃。據此，本公司及其附屬公司之執行董事及僱員均可獲授認購本公司普通股份之購股權。截至2006年12月31日止，此計劃並無授出購股權。

Corporate Governance Report

企業管治報告

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The board of directors (the "Board") of the Company believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximizing shareholders' interests. During the year under review, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited, except where stated and explained below.

The Group has an Executive Chairman. No individual has been appointed as a chief executive officer. The Executive Chairman with the assistance of the Group's senior management team oversees and manages the Group's business. Other functions normally undertaken by a chief executive officer of a company are delegated to members of the Group's senior management team. This structure deviates from the code provision of Code that requires the roles of the chairman and the chief executive officer to be separate and not performed by the same individual. The Board has considered this matter carefully and decided not to adopt the provision. The Board believes that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. Accordingly, the Board does not consider it necessary to change the current management structure. However, the Board will review the management structure from time to time to ensure it continues to meet these objectives.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as a code of conduct regarding directors' securities transactions in 2004. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2006. The Model Code also applies to other specified senior management of the Group.

企業管治常規

本公司致力保持高水準之企業管治。本公司董事會(「董事會」)相信，對本集團成長及對保障及提高股東權益，完善及合理的企業管治常規實在不可或缺。除下文所述者外，本公司於回顧年度內一直遵守香港聯合交易所有限公司證券上市規則「(上市規則)」附錄14所載之企業管治常規守則(「守則」)。

本集團設有一位執行主席。並無任何人士獲委任為行政總裁。執行主席在本集團高級管理層協助下監督管理本集團之業務。其他一般由行政總裁處理之職務則由本集團高級管理層負責。守則之條文規定主席及行政總裁之職務需要清楚劃分，且不可由同一人擔任，而本集團之管理架構與此有所偏離。董事會已仔細考慮有關事宜，並決定不採納有關條文。董事會相信現行管理架構在過往一直有效地推動本集團及其業務之營運及發展，並已建立符合完善企業管治常規所需之審查及制衡機制。因此，董事會並不認為本集團應改變現有管理架構。然而，董事會將不時檢討管理架構，以確保其持續達致有關目標。

董事之證券交易

本公司已於2004年採納上市規則附錄10所載之上市發行人董事進行證券交易的標準守則(「標準守則」)作為董事進行證券交易之行為守則。本公司經向所有董事作出具體查詢後，全體董事皆確認於截至2006年12月31日止年度內均遵守標準守則所載之規定標準。標準守則亦適用於本集團之特定高級管理層。

Corporate Governance Report

企業管治報告

BOARD OF DIRECTORS

Composition and role

The Board comprises:

Executive Directors:

Ms. WAI Siu Kee (*Chairman*)

Ms. POON Lai Ming

Ms. LEE Marina Man Wai

Mr. LEE Man Yan

Independent Non-executive Directors:

Mr. WAN Chi Keung, Aaron JP

Mr. HENG Kwo Seng

Mr. WONG Kai Tung, Tony

The Board comprises of four executive directors (one of whom is the Chairman) and three independent non-executive directors. The three independent non-executive directors represent more than one-third of the Board. In addition, three of the independent non-executive directors possess appropriate legal, professional accounting qualifications and financial management expertise.

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

The independent non-executive directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation or confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive directors are explicitly identified in all of the Company's corporate communications.

董事會

架構及角色

董事會包括：

執行董事：

衛少琦女士 (*主席*)

潘麗明女士

李文慧女士

李文恩先生

獨立非執行董事：

尹志強先生 *太平紳士*

邢詒春先生

王啟東先生

董事會包括4位執行董事(其中1位為主席)及3位獨立非執行董事。3位獨立非執行董事佔董事會成員三分之一以上。此外，3位獨立非執行董事分別具適當之法律、專業會計師資格及財務管理經驗。

董事會主要著眼於本集團之整體策略及發展。董事會亦監察本集團之財務表現及經營業務之內部監控。

獨立非執行董事亦在確保及監察有效企業管治之架構中擔當非常重要的角色。董事會相信每一位獨立非執行董事均有其獨立性及判斷力，彼等均合乎上市規則規定之特定獨立準則。本公司已接獲各獨立非執行董事根據上市規則第3.13條規定所作出之年度獨立性確認函。而獨立非執行董事均可在本公司所有企業通訊內明確識別。

Corporate Governance Report

企業管治報告

The Chairman is primarily responsible for drawing up and approving the agenda for each board meeting in consultation with all directors. Notice of at least 14 days have been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meeting. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation.

Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year under review, full board meetings were held and the individual attendance of each director is set out below:

主席經徵詢全體董事，首要負責草擬及審批每次董事會會議之議程。開會通知最少於常務會議 14 天前發送予各董事，如需要，董事可要求在議程內加插討論事項。召開常務會議時，一套完整議程連同開會文件會在開會前之合理時間內發送予各董事。草擬的會議紀錄亦會於合理時間內送交各董事省閱，方予確認。

董事會及董事委員會之會議紀錄由相關會議所委任之秘書保存，所有董事均有權查閱董事會文件及相關資料及適時地獲提供足夠資料，使董事會可於決策事項前作出有根據的判斷。

於回顧年度，已召開全體董事會，各董事出席情況詳列如下：

Name of director	董事姓名	Number of board meetings attended 出席董事會會議次數	Attendance rate 出席率
Ms. WAI Siu Kee	衛少琦女士	5/5	100%
Ms. POON Lai Ming	潘麗明女士	3/5	60%
Ms. LEE Marina Man Wai	李文慧女士	5/5	100%
Mr. LEE Man Yan	李文恩先生	3/5	60%
Mr. WAN Chi Keung, Aaron JP	尹志強先生太平紳士	2/2	100%
Mr. HENG Kwoo Seng	邢詒春先生	1/2	50%
Mr. WONG Kai Tung, Tony	王啟東先生	2/2	100%

Corporate Governance Report

企業管治報告

AUDIT COMMITTEE

The Audit Committee was established in 2001 and its current members include:

Mr. HENG Kwo Seng (*Chairman*)
Mr. WAN Chi Keung, Aaron JP
Mr. WONG Kai Tung, Tony

The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in legal, business and accounting on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2001 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

The Audit Committee meets regularly to review the Group's financial reporting and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the accounts for the year ended 31 December 2006.

During the year, three Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of member

成員姓名

Mr. HENG Kwo Seng 邢詒春先生
Mr. WAN Chi Keung, Aaron JP 尹志強先生太平紳士
Mr. WONG Kai Tung, Tony 王啟東先生

Number of attendance

出席次數

3/3
2/3
3/3

審核委員會

審核委員會於2001年成立，其現時成員包括：

邢詒春先生（主席）
尹志強先生太平紳士
王啟東先生

董事會認為各審核委員會成員均具備廣泛營商經驗，審核委員會當中兼備合適之法律、商業及會計專業。審核委員會之架構及成員符合上市規則第3.21條之規定。為符合守則條文，描述審核委員會權限及職責之職權範圍已於2001年被採納，職權範圍全文已刊載於本公司網頁內。

審核委員會定期開會以檢討本集團之財務匯報及給予股東之其他資料、內部監控系統、風險管理及審核過程之有效性及效能。審核委員會並為董事會及公司核數師之間之重要橋樑，在其職權範圍內持續檢討核數師之獨立性及效能。

審核委員會已與管理層檢討本集團所採納之會計原則及慣例，並已就內部監控及財務匯報等事項進行討論，其中包括審閱截止2006年12月31日止年度之會計賬目。

年內，共召開3次審核委員會會議，個別成員的出席情況詳列如下：

Corporate Governance Report

企業管治報告

REMUNERATION COMMITTEE

The Remuneration Committee was established in 2005 and the current members include:

Mr. HENG Kwoo Seng (*Chairman*)
Mr. WAN Chi Keung, Aaron JP
Mr. WONG Kai Tung, Tony

All members of the Remuneration Committee are independent non-executive directors. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The Remuneration Committee ensures that no director or any of his associate is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee were adopted in 2005 to conform to the provisions of the Code, a copy of which is posted on the Company's website.

In determining the emolument payable to directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and the desirability of performance-based remuneration.

The Remuneration Committee has met during the year to determine the policy for the remuneration of directors and assess performance of executive directors and certain senior management and all members have attended in the meeting.

AUDITORS' REMUNERATION

For the year ended 31 December 2006, the auditors of the Company only provided audit services to the Company.

薪酬委員會

薪酬委員會於2005年成立，現時成員包括：

邢詒春先生（主席）
尹志強先生太平紳士
王啟東先生

所有薪酬委員會成員均為獨立非執行董事。薪酬委員會為本集團董事及高級管理層之薪酬之整體政策及架構向董事會作出建議。薪酬委員會確保概無董事或其任何聯繫人參與釐定其本身之薪酬。為符合守則條文，薪酬委員會的職權範圍已於2005年被採納，並已刊載於本公司網頁內。

在釐定應付予董事之酬金時，薪酬委員會乃考慮各項因素，包括同業薪金水平，董事所奉獻之時間及其職責，集團內部的僱傭情況及與表現掛鈎之酬金。

薪酬委員會已於本年度開會以釐定董事之酬金政策及評估執行董事及若干高級管理層之表現，所有成員均有出席會議。

核數師薪酬

於截止2006年12月31日止年度，本公司的核數師只向本公司提供核數服務。

Corporate Governance Report

企業管治報告

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2006, the directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

INVESTOR RELATIONS AND COMMUNICATION

The Board is committed to providing clear and full information about the Group's performance to shareholders through the publication of interim results and annual results in a timely manner. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the website of the Company.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 days' notice. The Chairman and Directors and external auditors are available to answer questions on the Company's businesses at the meeting.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors. In addition, procedures for demanding a poll are included in the circular to shareholders dispatched together with the annual report.

內部監控

董事會全面負責本集團之內部監控系統及檢討其是否有效。董事會致力實行有效及完善之內部監控系統以保障股東利益及本集團資產。董事會已指派執行管理層在設定之範圍內實行內部監控系統及檢討所有相關財政、營運、遵守法則監控及風險管理功能。

董事的職責

董事須負責編制各財政期間能真實與公正地反映本集團之財政狀況及該期間之業績及現金流量之賬目。在編制截止2006年12月31日止年度之賬目時，董事已貫徹採用合適之會計政策，採納合適的香港財務報告準則及香港會計準則，作出審慎及合理的調整及評估，及在持續進行有關業務之基準而編制。董事並須負責保存適當之會計紀錄，以能合理準確地披露本集團任何時候之財務狀況。

與投資者交流及溝通

董事會致力透過刊發中期業績及年度業績，適時地將本集團之表現清晰及全面地提供予股東。除發送通函、通告及財務報告予股東，股東亦可透過本公司網頁獲取額外資訊。

股東週年大會提供一個良好的平台讓股東向董事會發表及交流意見。本公司發出不少於21天之通告以鼓勵股東出席股東週年大會。主席、董事及外聘核數師均會列席會議以便回答本公司業務上之提問。

各重大獨立事項(包括個別董事之選任)均會於股東週年大會上單獨提呈決議案。此外，載有投票表決程序之通函會與年報一併寄發予股東。

Profile of Directors and Senior Management

董事及高級管理層簡介

EXECUTIVE DIRECTORS

Ms. WAI Siu Kee, aged 62, is the chairman of the Company who joined the Group since its establishment in 1976. Ms. Wai has more than 42 years of experience in the handbag business. She is responsible for the development of corporate strategies, corporate planning and overall management of the Group and in particular the marketing and development of the business of the Group.

Ms. POON Lai Ming, aged 51, joined the Group in 1976. She has over 29 years of experience in the handbag industry. She is responsible for the overall management and the operation of the Group's manufacturing activities in the PRC.

Ms. LEE Marina Man Wai, aged 35, joined the Group in 1993. She graduated from the University of British Columbia, Canada with a bachelor's degree in arts. She is responsible for marketing and development of the business in the United States market.

Mr. LEE Man Yan, aged 29, joined the Group in 2000. He graduated from the University of British Columbia, Canada with a bachelor's degree in commerce. He is responsible for the development and overall planning of the chemical business of the Group. Mr. Lee is a son of Ms. Wai Siu Kee, the Group's chairman.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WAN Chi Keung, Aaron JP, aged 57, is an associate of the Institution of Business Agents, a member of the Land Institute (London), an associate of the Chartered Institute of Arbitrators and a fellow of The Institute of Administrative Accounting. He is engaged in the business of property valuation and property auction and has over 26 years of related experience.

Mr. HENG Kwoo Seng, aged 59, is the managing partner of Morison Heng, Chartered Accountants and Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has worked with a number of companies listed on The Stock Exchange of Hong Kong Limited either in the capacity of company secretary or as an independent non-executive director.

執行董事

衛少琦女士，62歲，本公司之主席，於本集團在1976年成立時加入。衛女士於手袋行業積逾42年經驗。彼負責本集團之策略及策劃以至集團整體管理之發展，尤其整體業務之市場推廣及發展。

潘麗明女士，51歲，於1976年加入本集團。彼擁有逾29年手袋業經驗，負責本集團在中國之製造業務之整體管理及營運。

李文慧女士，35歲，於1993年加入本集團。彼畢業於加拿大英屬哥倫比亞大學，持有文學士學位。彼負責美國市場業務之市場推廣及發展。

李文恩先生，29歲，於2000年加入本集團。彼畢業於加拿大英屬哥倫比亞大學，持有商學士學位。彼負責本集團化工業務之開拓及整體規劃。李先生為本集團主席衛少琦女士之子。

獨立非執行董事

尹志強先生太平紳士，57歲，為英國商業經紀學會會員、英國倫敦土地學會會員、英國皇家仲裁學會會員及英國管理會計師學會之資深會員。彼從事物業估值及物業拍賣業務，並具有超過26年相關經驗。

邢詒春先生，59歲，為香港華利信會計師事務所之執行合夥人，亦為英格蘭及威爾斯特許會計師公會資深會員及香港會計師公會會員。彼曾替若干於香港聯合交易所有限公司上市之公司工作，出任公司秘書或獨立非執行董事。

Profile of Directors and Senior Management

董事及高級管理層簡介

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. WONG Kai Tung, Tony, aged 64, has been a practicing lawyer in Hong Kong since 1968 and has also been admitted as a solicitor in England and Wales. He is currently a consultant at Messrs. Hastings & Co., Solicitors and Notaries.

SENIOR MANAGEMENT

Mr. NG Yu Hung, aged 52, is the senior manager of the Group. He joined the Group in 1977. He has over 31 years of experience in the handbag industry. He is responsible for the marketing and development of the Group's business in the European market.

Mr. CHIU Shun King, aged 44, is the production manager of the Group. He joined the Group in 1984 and has over 22 years of experience in the handbag industry. He is responsible for production planning and overall production management of the Group's factory in Gao Bu Industrial Park.

Ms. WONG Yuet Ming, aged 42, is the financial controller and company secretary of the Group. She joined the Group in 2004 and has over 19 years of experience in the field of auditing and accounting. She holds a master's degree in business administration from the University of Surrey, United Kingdom. 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. She is responsible for the supervision and management of the Group's financial matters.

Ms. LI Yuen Ling, aged 45, is the finance manager of the Group. She joined the Group in 1984 and has over 22 years of experience in accounting and finance for manufacturing operations. She is responsible for the Group's accounting activities.

獨立非執行董事(續)

王啟東先生，64歲，自1968年以來為香港之執業律師，亦為英格蘭及威爾斯執業事務律師。彼現任希仕廷律師行之顧問。

高級管理層

伍于鴻先生，52歲，本集團之高級經理，於1977年加入本集團。彼擁有逾31年手袋業經驗，負責本集團歐洲市場業務之市場推廣及發展。

趙順景先生，44歲，本集團生產經理，於1984年加入本集團。彼擁有逾22年手袋業經驗，負責本集團在高步工業城之廠房之生產計劃及整體生產管理。

王月明女士，42歲，本集團財務總監兼公司秘書，於2004年加入本集團。彼擁有逾19年核數及會計經驗，持有英國倫敦蘇里大學之工商管理學碩士學位。彼為英國特許公認會計師公會之資深會員，亦為香港會計師公會會員。彼負責本集團之財政監督及管理。

李婉玲女士，45歲，本集團財務經理，於1984年加入本集團。彼擁有逾22年製造業務之會計及財務經驗，負責本集團之會計事務。

Profile of Directors and Senior Management 董事及高級管理層簡介

SENIOR MANAGEMENT (CONTINUED)

Ms. TSUI Chin Wai, Jennifer, aged 42, is the sales manager of the Group. She joined the Group in 1990. She graduated from the State University of New York with a master's degree in business administration. She is responsible for the sales and marketing of the Group's business in the European market.

Ms. TAI Miu Fong, aged 42, is the senior manager of the group. She joined the Group in 2003 and has over 12 years of experience in marketing and development. She is responsible for the sales and marketing of the Group's business in the United States and European market.

Ms. FUNG Wai Yee, aged 38, is the deputy operations controller of the Group. She joined the Group in 2005. She graduated from the Hawaii Pacific University of USA with a bachelor's degree of science. She is responsible for the overall operation and management of the Group's factory in Gao Bu Industrial Park.

Mr. CHAN Kam Bun, aged 58, is the business manager of the Group. He joined the Group in 1982 and has over 41 years of experience in the handbag business. He is responsible for the business development of the Group.

高級管理層(續)

徐展慧女士，42歲，本集團營業經理，於1990年加入本集團。彼畢業於紐約州立大學，持有工商管理學碩士學位。彼負責本集團歐洲市場之銷售及市場推廣。

戴妙芳女士，42歲，本集團高級經理，於2003年加入本集團。彼擁有逾12年市場推廣經驗，負責本集團在美國及歐洲市場之銷售及市場推廣。

馮偉儀女士，38歲，本集團副營運總監，於2005年加入本集團。彼畢業於夏威夷太平洋大學，持有理學士學位。彼負責本集團在高埗工業城之整體營運及管理。

陳鑫彬先生，58歲，本集團業務經理，於1982年加入本集團。彼擁有逾41年手袋業經驗，負責本集團之業務發展。

Directors' Report

董事會報告

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 26.

An interim dividend of HK\$0.025 per share amounting to HK\$20,625,000 was paid to the shareholders during the year.

The directors now recommend the payment of a final dividend of HK\$0.035 per share to the shareholders on the register of members on 21 May 2007, amounting to HK\$28,875,000, and the retention of the remaining profit for the year of HK\$52,365,000.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 24 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment were revalued at 31 December 2006. The revaluation resulted in a surplus over book values of HK\$10,381,000 which has been credited directly to the asset revaluation reserve.

董事會謹此提呈截至2006年12月31日止年度之董事會報告及經審核綜合財務報表。

主要業務

本公司為一間投資控股公司。其主要附屬公司之業務概況載於財務報表附註30。

業績及分派

本集團截至2006年12月31日止年度之業績載於第26頁之綜合收益表。

年內已向股東派發中期股息每股2.5港仙，總額20,625,000港元。

董事建議派發末期股息每股3.5港仙予於2007年5月21日名列股東名冊之股東，總額為28,875,000港元，年內保留溢利之保留額為52,365,000港元。

股本

本公司股本之詳情載於綜合財務報表附註23。

購股權

本公司購股權計劃之詳情載於綜合財務報表附註24。

物業、廠房及設備

本集團之物業、廠房及設備已於2006年12月31日進行重估。因重估產生超出賬面值之盈餘共10,381,000港元已直接計入資產重估儲備中。

Directors' Report

董事會報告

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$12,837,000 for the purpose of expanding its business. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Furthermore, at 31 December 2006, the Group paid deposits of approximately HK\$51,500,000 to acquire property, plant and equipment for its chemical production plant in Jiangsu, the People's Republic of China. Details of the capital commitments are set out in note 26 to the consolidated financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Ms. Wai Siu Kee (*Chairman*)
 Ms. Poon Lai Ming
 Ms. Lee Marina Man Wai
 Mr. Lee Man Yan

Independent non-executive directors

Mr. Wan Chi Keung, Aaron JP
 Mr. Heng Kwo Seng
 Mr. Wong Kai Tung, Tony

In accordance with Article 87(1) of the Company's Articles of Association, Ms. Lee Marina Man Wai and Mr. Heng Kwo Seng retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Ms. Wai Siu Kee, Ms. Lee Marina Man Wai and Ms. Poon Lai Ming have entered into a service agreement with the Company on 1 September 2005 for 3 years unless and until terminated by either party by three months' prior written notice.

物業、廠房及設備(續)

年內本集團添置約12,837,000港元之物業、廠房及設備以擴充本集團業務。上述及本集團物業、廠房及設備於年內其他變動之詳情載於綜合財務報表附註14。

此外，本集團為其於中國江蘇之化工廠房支付約51,500,000港元之訂金購置物業、廠房及設備。資本承擔詳情載於綜合財務報表附註26。

董事

於本年度及截至本報告日止，本公司之董事為：

執行董事

衛少琦女士(主席)
 潘麗明女士
 李文慧女士
 李文恩先生

獨立非執行董事

尹志強先生太平紳士
 邢詒春先生
 王啟東先生

根據本公司組織章程細則第87(1)條細則，李文慧女士及邢詒春先生均須告退，惟彼等均有資格並願意膺選連任。

獨立非執行董事之任期，直至其須根據本公司組織章程細則之規定退任為止。

董事之服務合約

衛少琦女士、李文慧女士及潘麗明女士已於2005年9月1日與本公司訂立為期3年之服務協議，除非及直至任何一方向另一方發出三個月事前書面通知予以終止為止。

Directors' Report

董事會報告

DIRECTORS' SERVICE CONTRACTS (CONTINUED)

Mr. Lee Man Yan has entered into a service agreement with the Company for an initial period of three years commencing 16 August 2004, which will continue thereafter unless and until terminated by either party by three months' prior written notice.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2006, the interests and short positions of directors and chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

(a) Long positions in shares of the Company

Ordinary shares of HK\$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
董事姓名	身份	所持已發行普通股數目	佔本公司已發行股本百分比
Wai Siu Kee 衛少琦	Discretionary object 全權受益人	618,750,000 (Note) (附註)	75%
Lee Man Yan 李文恩	Discretionary object 全權受益人	618,750,000 (Note) (附註)	75%
Lee Marina Man Wai 李文慧	Discretionary object 全權受益人	618,750,000 (Note) (附註)	75%

Note: 618,750,000 ordinary shares in the Company were held by Fortune Star Tradings Ltd. ("Fortune Star"), a company wholly-owned by Trustcorp Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust that the discretionary objects of which include Wai Siu Kee, Lee Man Yan and Lee Marina Man Wai.

董事之服務合約 (續)

李文恩先生已與本公司訂立服務協議，年期由2004年8月16日起計初步為期3年，此後一直存續，除非及直至任何一方向另一方發出三個月事前書面通知予以終止為止。

董事於股份、相關股份及債權證中之權益

於2006年12月31日，本公司董事及最高行政人員及彼等之聯繫人於本公司或其相聯法團(定義見證券及期貨條例第XV部)之股份、相關股份或債權證中，擁有根據證券及期貨條例第XV部第7及8分部已知會本公司及香港聯合交易所有限公司(「聯交所」)、或已記錄於根據證券及期貨條例第352條須存置之登記冊、或已根據聯交所證券上市規則(「上市規則」)之上市公司董事進行證券交易之標準守則(「標準守則」)知會本公司及聯交所之權益及淡倉如下：

(a) 於本公司股份之好倉

本公司每股0.1港元之普通股

附註：本公司之618,750,000普通股份乃由一項全權信託 The Fortune Star 1992 Trust 之受託人 Trustcorp Limited 全資擁有之公司 Fortune Star Tradings Ltd. (「Fortune Star」) 持有，而該項信託之全權受益人包括衛少琦、李文恩及李文慧。

Directors' Report

董事會報告

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

(b) Long positions in shares of the associated corporations of the Company

Name of Director	Capacity	Name of associated company	Number of issued ordinary shares held	Percentage of the issued shares of the associated company
董事姓名	身份	相聯法團名稱	所持已發行普通股數目	佔相聯法團已發行股份之百分比
Wai Siu Kee 衛少琦	Discretionary object 全權受益人	Fortune Star	100 (Note) (附註)	100%
Lee Man Yan 李文恩	Discretionary object 全權受益人	Fortune Star	100 (Note) (附註)	100%
Lee Marina Man Wai 李文慧	Discretionary object 全權受益人	Fortune Star	100 (Note) (附註)	100%

Note: As Fortune Star owns more than 50% of the Company, Fortune Star is an associated corporation of the Company under the SFO. The entire issued share capital of Fortune Star is owned by Trustcorp Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Wai Siu Kee, Lee Man Yan and Lee Marina Man Wai, both of whom are directors of the Company, certain of their family members and other charitable objects.

Other than disclosed above, none of the directors or the chief executive, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

董事於股份、相關股份及債權證中之權益 (續)

(b) 於本公司相聯法團之股份好倉

附註：由於 Fortune Star 擁有本公司 50% 以上權益，根據證券及期貨條例，Fortune Star 為本公司之相聯法團。Fortune Star 之全數已發行股本由 Trustcorp Limited 以 The Fortune Star 1992 Trust 之信託人身份持有，The Fortune Star 1992 Trust 為一項全權信託，其全權受益人包括本公司董事衛少琦、李文恩及李文慧，以及彼等若干家庭成員及其他慈善團體。

除上文所披露，概無本公司董事或最高行政人員或彼等之聯繫人於本公司或其任何相聯法團之股份、相關股份或債權證中，擁有根據證券及期貨條例第 XV 部第 7 及 8 分部已知會本公司及聯交所、或根據證券及期貨條例第 352 條須記錄於該條例所指之登記冊、或根據標準守則須知會本公司及聯交所之任何權益或淡倉。

Directors' Report

董事會報告

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

A share option scheme which as detailed in note 24 to the consolidated financial statements was adopted by the Company on 14 December 2001, under which the directors or the chief executive of the Company or their associates may be granted options to subscribe for shares in the Company. No options were granted by the Company under the scheme since its adoption.

Other than disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, shareholders (other than directors and chief executive of the Company) who had interests and short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
股東名稱	身份	所持已發行普通股數目	佔本公司已發行股本之百分比
Fortune Star	Beneficial owner 實益擁有人	618,750,000	75%

Other than disclosed above, as at 31 December 2006, the Company has not been notified by any persons (other than directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

購買股份或債券之安排

本公司於2001年12月14日採納一項購股權計劃(詳情載於綜合財務報表附註24)，據此本公司之董事或最高行政人員或彼等之聯繫人可獲授予購股權以認購本公司股份。自計劃採納以來，本公司並無根據計劃授出購股權。

除上文所披露外，本公司、其控股公司、或其任何附屬公司或同系集團附屬公司於本期間任何時間內，概無參與任何安排，使本公司董事藉購入本公司或任何其他法人團體之股份或債券而獲得利益。

主要股東

於2006年12月31日，股東(本公司董事或最高行政人員除外)於本公司之股份及相關股份中，擁有根據證券及期貨條例第XV部第2及3分部已向本公司披露、或已記錄於根據證券及期貨條例第336條須由本公司存置之登記冊之權益及淡倉如下：

好倉

本公司每股0.1港元之普通股

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
股東名稱	身份	所持已發行普通股數目	佔本公司已發行股本之百分比
Fortune Star	Beneficial owner 實益擁有人	618,750,000	75%

除上文所披露，於2006年12月31日，概無任何其他人士(本公司董事或最高行政人員除外)通知本公司，指其在本公司之股份或相關股份中，擁有任何根據證券及期貨條例第XV部第2及3分部須向本公司披露、或已記錄於根據證券及期貨條例第336條須由本公司存置之登記冊之權益及淡倉。

Directors' Report

董事會報告

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 28 to the consolidated financial statements. In the opinion of the independent non-executive directors, these transactions entered into by the Group were:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either (a) on normal commercial terms; or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
- (iii) either (a) in accordance with the terms of the agreements; or (b) where there are no such agreements, on terms no less favourable than those available to or from independent third parties; and
- (iv) within the relevant cap amounts as agreed by the Stock Exchange.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "Connected transactions", no contracts of significance to which the Company, its holding company or any of its fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

關連交易

有關本年度須予披露之關連交易之詳情載於綜合財務報表附註28。各獨立非執行董事認為，本集團進行該等交易乃：

- (i) 在本集團日常及一般業務中進行；
- (ii) 按(a)正常商業條款；或(b)當無可比較例子，其條款對本公司股東而言乃屬公平合理；
- (iii) 按(a)協議條款；或(b)當無此等協議時，不遜於給予或自獨立第三者所得之條款；及
- (iv) 所涉及金額不超逾與聯交所所議定之有關最高限額。

除上文所披露外，並無任何其它交易須按上市規則之要求須予披露為關連交易。

董事於重大合約中之權益

除「關連交易」一段所披露外，本公司、其控股公司或其任何同系集團附屬公司於年終或年內任何時間概無參與訂立與本公司董事有直接或間接重大權益之重要合約。

Directors' Report

董事會報告

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 49% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

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

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

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

PRE-EMPTIVE RIGHTS

There are no provision 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.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

主要客戶及供應商

年內本集團五大客戶之累計銷貨佔本集團之總營業額約49%，而本集團最大客戶之銷貨佔本集團總營業額約15%。

年內本集團之五大供應商之累計購貨佔本集團總購貨額少於30%。

概無董事、彼等之聯繫人或董事所知擁有本公司已發行股本5%以上之任何股東，擁有本集團五大客戶任何股本權益。

購買、出售或贖回本公司之上市證券

本公司及其任何附屬公司於年內概無購買、出售或贖回本公司之上市證券。

優先購股權

本公司之組織章程細則或開曼群島法例均無有關優先購股權之條文，規定本公司須按持股比例向現有股東發售新股份。

委任獨立非執行董事

根據上市規則第3.13條之指引，每名獨立非執行董事已向本公司確認其年度之獨立性，本公司認為所有獨立非執行董事確屬獨立人士。

Directors' Report

董事會報告

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme are set out in note 24 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 31 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Wai Siu Kee
Chairman

Hong Kong, 12 April 2007

酬金政策

本集團僱員之酬金政策由薪酬委員會設立，乃按僱員之功績、專業資格及才能而釐定。

本公司董事之酬金由薪酬委員會按本公司之經營業績、其個人之工作表現及相對之市場狀況而釐定。

本公司已採納一項購股權計劃，作為對董事及合資格僱員之獎勵，計劃詳情載於綜合財報表附註24。

足夠公眾持股量

本公司於截至2006年12月31日止整個年度內皆保持足夠公眾持股量。

結算日後事項

結算日後發生之重大事項詳情載於綜合財務報表附註31。

核數師

有關續聘德勤•關黃陳方會計師行為本公司核數師之決議案將於股東週年大會上提呈。

代表董事會

主席
衛少琦

香港，2007年4月12日

Independent Auditors' Report

獨立核數師報告

Deloitte.

德勤

TO THE MEMBERS OF LEE & MAN HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Lee & Man Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 75, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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 consolidated 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

致理文集團有限公司股東

(於開曼群島註冊成立之有限公司)

本核數師行已審核載於第26頁至第75頁理文集團有限公司(「貴公司」)及其附屬公司(「貴集團」)之綜合財務報表，其包括於2006年12月31日之綜合資產負債表，與截至該日止年度之綜合收益表、綜合權益變動表及綜合現金流量表，以及主要會計政策概要及其他附註解釋。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒布之香港財務報告準則及香港公司條例之披露規定編制及真實而公平地呈列此等綜合財務報表。該等責任包括設計、實施及執行與編制及真實而公平地呈列綜合財務報表相關之內部監控，以使綜合財務報表不存在由於欺詐或錯誤而導致之重大錯誤陳述；選擇及應用合適之會計政策；以及作出對有關情況而言屬合理之會計估計。

核數師之責任

本核數師行之責任是根據吾等之審核，對該等綜合財務報表作出意見，並僅向整體股東報告，而非作其他用途。本核數師行概不就本報告之內容向任何其他人士負責或承擔任何責任。本核數師行已根據香港會計師公會頒布的香港核數準則進行審核工作。該等準則要求我們遵守道德規範並規劃及執行審核，以合理確定此等綜合財務報表是否不存有任何重大錯誤陳述。

Independent Auditors' Report

獨立核數師報告

AUDITOR'S RESPONSIBILITY (CONTINUED)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 12 April 2007

核數師之責任 (續)

審核涉及執执行程序以獲取有關綜合財務報表所載金額及披露資料之審核憑證。所選定之程序取決於核數師之判斷，包括評估由於欺詐或錯誤陳述之風險。在評估該等風險時，核數師考慮與該公司編制及真實並公平地呈列綜合財務報表相關之內部監控，以設計適當之審核程序，但並非為對公司之內部監控效能發表意見。審核亦包括評價董事所採用之會計政策之合適性及所作出之會計評估之合理性，以及評價綜合財務報表之整體呈報方式。

本核數師行相信，本行所獲得之審核憑證是充足和適當地為本行之審核意見提供基礎。

意見

本核數師行認為，本綜合財務報表足以真實並公平地反映貴集團於2006年12月31日之財務狀況及貴集團截至該日止年度之溢利及現金流量，並已按照香港財務報告準則及香港公司條例之披露規定而妥善編制。

德勤•關黃陳方會計師行
執業會計師

香港，2007年4月12日

Consolidated Income Statement

綜合收益表

For the year ended 31 December 2006 截至2006年12月31止年度

			Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
Turnover	營業額	7	689,247	531,965
Cost of sales	銷售成本		(480,813)	(361,174)
Gross profit	毛利		208,434	170,791
Other income	其他收入		10,401	8,011
Distribution costs	銷售費用		(26,795)	(23,322)
Administrative expenses	行政費用		(79,666)	(59,512)
Interest on bank borrowing wholly repayable within five years	須於五年內全數償還之銀行借款利息		(67)	(23)
Profit before taxation	除稅前溢利		112,307	95,945
Income tax expenses	所得稅支出	8	(10,442)	(8,648)
Profit for the year/period	年/期內溢利	9	101,865	87,297
Dividends recognised as distributions during the year/period	年/期內已確認為分派之股息	10	39,600	66,000
Proposed final dividend of HK\$0.035 (2005: HK\$0.023) per share	擬派末期股息每股3.5港仙 (2005: 2.3港仙)		28,875	18,975
Earnings per share	每股盈利	11	HK12.3 cents 港仙	HK10.6 cents 港仙

Consolidated Balance Sheet

綜合資產負債表

At 31 December 2006 於2006年12月31日

		Notes 附註	2006 HK\$'000 千港元	2005 HK\$'000 千港元
NON-CURRENT ASSETS				
非流動資產				
Property, plant and equipment	物業、廠房及設備	14	143,272	133,017
Prepaid lease payments	預付租賃款項	15	27,520	27,745
Deposits paid for acquisition of property, plant and equipment	購置物業、廠房及設備 之已付訂金		51,500	2,506
Defined benefit assets	界定利益資產	27	3,277	3,282
			225,569	166,550
CURRENT ASSETS				
流動資產				
Inventories	存貨	16	89,611	72,061
Prepaid lease payments	預付租賃款項	15	490	490
Trade and other receivables	應收貿易及其他款項	17	128,975	85,667
Derivative financial instruments	衍生金融工具	18	163	–
Bank balances and cash	銀行結餘及現金	17	206,114	236,503
			425,353	394,721
CURRENT LIABILITIES				
流動負債				
Trade and other payables	應付貿易及其他款項	19	95,101	72,770
Amounts due to a related company	應付關連公司款項	20	1,023	920
Taxation payable	應付稅項		2,501	8,706
Unsecured bank borrowings	無抵押銀行借款	21	119	1,175
Bank overdrafts	銀行透支	21	865	1,227
			99,609	84,798
NET CURRENT ASSETS				
流動資產淨值				
			325,744	309,923
TOTAL ASSETS LESS CURRENT LIABILITIES				
資產減流動負債合計				
			551,313	476,473
NON-CURRENT LIABILITY				
非流動負債				
Deferred taxation	遞延稅項	22	1,938	1,294
			549,375	475,179
CAPITAL AND RESERVES				
資本及儲備				
Share capital	股本	23	82,500	82,500
Reserves	儲備		466,875	392,679
			549,375	475,179

The financial statements on pages 26 to 75 were approved and authorised for issue by the Board of Directors on 12 April 2007 and are signed on its behalf by:

第26頁至第75頁所載之財務報表已於2007年4月12日經董事會通過及授權刊發，並由下列董事代表簽署：

Wai Siu Kee
衛少琦
Chairman
主席

Lee Marina Man Wai
李文慧
Director
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2006 截至2006年12月31止年度

		Share capital	Share premium	Asset revaluation reserve	Translation reserve	Special reserve	Accumulated profits	Total
		股本	股份溢價	重估儲備	匯兌儲備	特別儲備	累計溢利	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元
At 1 April 2005	於2005年4月1日	82,500	20,307	30,369	927	(67,990)	386,296	452,409
Surplus arising on revaluation of property, plant and equipment	物業、廠房及設備之重估盈餘	-	-	2,350	-	-	-	2,350
Deferred tax liability arising on revaluation of property, plant and equipment	由重估物業、廠房及設備所產生之遞延稅項負債	-	-	(26)	-	-	-	(26)
Exchange differences arising on translation of foreign operations	海外財務報表之滙兌差額	-	-	-	(851)	-	-	(851)
Net income (expense) recognised directly in equity	直接於權益確認之收益(支出)	-	-	2,324	(851)	-	-	1,473
Realised on depreciation of property, plant and equipment	物業、廠房及設備之折舊變現	-	-	(1,486)	-	-	1,486	-
Realised on disposal of property, plant and equipment	出售物業、廠房及設備變現	-	-	(176)	-	-	176	-
Profit for the period	本期溢利	-	-	-	-	-	87,297	87,297
Total recognised income and expense for the period	本期確認之收入及支出總額	-	-	662	(851)	-	88,959	88,770
Dividends	股息	-	-	-	-	-	(66,000)	(66,000)
At 31 December 2005	於2005年12月31日	82,500	20,307	31,031	76	(67,990)	409,255	475,179
Surplus arising on revaluation of property, plant and equipment	物業、廠房及設備之重估盈餘	-	-	10,381	-	-	-	10,381
Deferred tax liability arising on revaluation of property, plant and equipment	由重估物業、廠房及設備所產生之遞延稅項負債	-	-	(644)	-	-	-	(644)
Exchange differences arising on translation of foreign operations	海外財務報表之滙兌差額	-	-	-	2,194	-	-	2,194
Net income recognised directly in equity	直接於權益確認之收益	-	-	9,737	2,194	-	-	11,931
Realised on depreciation of property, plant and equipment	物業、廠房及設備之折舊變現	-	-	(1,695)	-	-	1,695	-
Realised on disposal of property, plant and equipment	出售物業、廠房及設備變現	-	-	(192)	-	-	192	-
Profit for the year	本年度溢利	-	-	-	-	-	101,865	101,865
Total recognised income and expense for the year	本年度確認之收入及支出總額	-	-	7,850	2,194	-	103,752	113,796
Dividends	股息	-	-	-	-	-	(39,600)	(39,600)
At 31 December 2006	於2006年12月31日	82,500	20,307	38,881	2,270	(67,990)	473,407	549,375

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2006 截至2006年12月31止年度

The special reserve of the Group represents:

- (i) the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to a group reorganisation in December 2001; and
- (ii) the special reserve of a subsidiary, Lee & Man Development Company Limited ("Lee & Man Development"), which represents the difference between the nominal value of the share capital issued by Lee & Man Development and the nominal amount of the share capital of subsidiaries acquired by it pursuant to a group organisation in 1993.

本集團之特別儲備乃：

- (i) 本公司透過2001年12月之集團重組所收購之附屬公司之股本面值與本公司已發行股本面值之差額；及
- (ii) 附屬公司Lee & Man Development Company Limited(「理文發展」)之特別儲備乃其根據一項於1993年之集團重組所收購附屬公司之股本面值與理文發展已發行股本面值之差額。

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31 December 2006 截至2006年12月31止年度

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
OPERATING ACTIVITIES	經營業務		
Profit before taxation	除稅前溢利	112,307	95,945
Adjustments for:	調整		
Amortisation of prepaid lease payments	預付租賃款項攤銷	490	368
Bad debts written off	壞賬撇除	13	92
Deficit (surplus) arising on revaluation of property, plant and equipment	重估物業、廠房及設備所產生之虧絀(盈餘)	6	(5)
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	12,361	9,105
Gain on derivative financial instruments	衍生金融工具之收益	(163)	—
Interest expenses	利息支出	67	23
Interest income	利息收入	(5,982)	(4,900)
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	2,532	9
Operating cash flows before movements in working capital	未計營運資金變動前之經營業務現金流量	121,631	100,637
Increase in prepaid lease payments	預付租賃款項增加	(265)	(7,535)
Increase in inventories	存貨增加	(17,550)	(6,065)
Decrease in defined benefit assets	界定利益資產減少	5	84
(Increase) decrease in trade and other receivables	應收貿易及其他款項(增加)減少	(43,328)	7,091
Increase in trade and other payables	應付貿易及其他款項增加	22,331	11,516
Increase in amount due to a related company	應付關連公司款項增加	103	920
Decrease in amounts due to fellow subsidiaries	應付同系集團附屬公司款項減少	—	(544)
Cash generated from operations	經營業務所得現金	82,927	106,104
Interest paid	已付利息	(67)	(23)
Hong Kong Profits Tax paid	已付香港利得稅	(16,647)	(2,316)
NET CASH FROM OPERATING ACTIVITIES	經營業務所得現金淨額	66,213	103,765

Consolidated Cash Flow Statement

綜合現金流量表

For the year ended 31 December 2006 截至2006年12月31止年度

		Year ended	9 months ended
		31.12.2006	31.12.2005
		31.12.2006 止	31.12.2005 止
		年度	9個月
		HK\$'000	HK\$'000
		千港元	千港元
INVESTING ACTIVITIES	投資活動		
Deposits paid on acquisition of property, plant and equipment	購置物業、廠房及設備之訂金支出	(48,994)	(2,506)
Purchase of property, plant and equipment	購置物業、廠房及設備	(12,837)	(6,903)
Interest received	利息收入	5,982	4,900
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	265	174
NET CASH USED IN INVESTING ACTIVITIES	投資活動所耗現金淨額	(55,584)	(4,335)
FINANCING ACTIVITIES	融資活動		
Dividends paid	已付股息	(39,600)	(66,000)
Net bank borrowings raised	新籌集銀行借款	-	1,175
Repayment of bank borrowings	償還銀行借款	(1,056)	-
NET CASH USED IN FINANCING ACTIVITIES	融資活動所耗現金淨額	(40,656)	(64,825)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	現金及等同現金項目 (減少) 增加淨額	(30,027)	34,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	於年/期初之現金及等同現金項目	235,276	200,671
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	於年/期終之現金及等同現金項目	205,249	235,276
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	現金及等同現金項目 結餘分析		
Bank balances and cash	銀行結餘及現金	206,114	236,503
Bank overdrafts	銀行透支	(865)	(1,227)
		205,249	235,276

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Fortune Star Tradings Ltd. ("Fortune Star"), a company which is incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporation Information to the annual report.

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

The Company acts as an investment holding company and the principal activities of its principal subsidiaries are set out in note 30.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the current year cover a period of twelve months ended 31 December 2006. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and related notes cover a period of nine months from 1 April 2005 to 31 December 2005 and therefore may not be comparable with amounts shown for the current year. Last year's reporting period was less than twelve months because the directors determined to bring the balance sheet date from 31 March to 31 December which is in line with that of the subsidiaries established in the People's Republic of China, other than Hong Kong (the "PRC"). No further change to reporting date is anticipated.

1. 一般資料

本公司根據開曼群島公司法(經修訂)第22章於開曼群島註冊成立為一家獲豁免有限公司，其股份於香港聯合交易所有限公司(「聯交所」)上市。其最終控股公司為Fortune Star Tradings Ltd. (「Fortune Star」)，一間於英屬維爾京群島註冊成立之公司。本公司註冊辦事處及主要營業地點於本年報「公司資料」中披露。

本綜合財務報表以港元列示，港元亦為本公司之功能貨幣。

本公司為一間投資控股公司。其主要附屬公司之主要業務載於附註30。

2. 編制綜合財務報表基準

本年度之綜合財務報表涵蓋截至2006年12月31日止12個月。而綜合收益表、綜合權益變動表、綜合現金流量表及有關附註所示之相對金額涵蓋由2005年4月1日至2005年12月31日期間之9個月，因此未能與本年度所示之金額作比較。去年之報告期間少於12個月乃由於董事決定將結算日由3月31日更改至12月31日，與在中國(香港除外)設立之附屬公司之結算日一致。預期報告日期將不再有變動。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

3. 採納新及經修訂之香港財務報告準則 (「香港財務報告準則」)

於本年度，本集團首次採納多項由香港會計師公會(「會計師公會」)頒布之新準則、修訂及詮釋(「新香港財務報告準則」)，該等準則於2005年12月1日或2006年1月1日或以後開始之會計期間生效。採用新香港財務報告準則，並無對現行或過往會計期間之業績及財務狀況產生重大影響。因此，毋須對過往期間作出任何調整。

本集團並無提早採用以下已頒布但尚未生效之新準則、修訂及詮釋。本公司董事預期，採用該等新準則、修訂及詮釋將不會對本集團之業績及財務狀況產生重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC)-Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁵
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁶
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions ⁷
HK(IFRIC)-Int 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007

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

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

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

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

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

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

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

3. 採納新及經修訂之香港財務報告準則 (「香港財務報告準則」)(續)

香港會計準則 第1號(修訂)	資本披露 ¹
香港財務報告 準則第7號	金融工具：披露 ¹
香港財務報告 準則第8號	營運分類 ²
香港(國際財務報告詮釋 委員會)詮釋第7號	根據香港會計準 則第29號惡性通 貨膨脹經濟下之 財務報告採用重 列法 ³
香港(國際財務報告詮釋 委員會)詮釋第8號	香港財務報告準則 第2號之範圍 ⁴
香港(國際財務報告詮釋 委員會)詮釋第9號	重估嵌入式衍生 工具 ⁵
香港(國際財務報告詮釋 委員會)詮釋第10號	中期財務報告 及減值 ⁶
香港(國際財務報告詮釋 委員會)詮釋第11號	香港財務報告準則 第2號-集團及庫 存股份交易 ⁷
香港(國際財務報告詮釋 委員會)詮釋第12號	服務經營權安排 ⁸

¹ 於2007年1月1日或之後開始之年度
期間生效

² 於2009年1月1日或之後開始之年度
期間生效

³ 於2006年3月1日或之後開始之年度
期間生效

⁴ 於2006年5月1日或之後開始之年度
期間生效

⁵ 於2006年6月1日或之後開始之年度
期間生效

⁶ 於2006年11月1日或之後開始之年
度期間生效

⁷ 於2007年3月1日或之後開始之年度
期間生效

⁸ 於2008年1月1日或之後開始之年度
期間生效

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

4. 主要會計政策

綜合財務報表乃按歷史成本基準編制，惟若干按重估金額或公平值計算之物業、廠房及設備以及財務工具則除外，其會計政策於下文解釋。

綜合財務報表乃根據會計師公會頒布之香港財務報告準則編制。此外，綜合財務報表載有聯交所證券上市規則及香港公司條例規定之適用披露事項。

綜合基準

綜合財務報表包括本公司及由本公司控制之實體（其附屬公司）。倘本公司有權控制該實體之財務及經營政策，以從其活動中獲取利益則視為擁有控制權。

年內收購或出售附屬公司之業績乃由收購生效日期起計或計至出售生效日期止（倘適用）計入綜合收益表。

倘需要，本集團會對附屬公司之財務報表作出調整，使其會計政策與本集團其他成員公司所採用者保持一致。

所有集團內交易、結餘、收入及支出均於綜合賬目時對銷。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

Service income is recognised when services are rendered.

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

4. 主要會計政策(續)

收入確認

收入按已收或應收代價之公平值計量，即日常業務過程中已提供貨物或服務扣除折扣及銷售有關稅項後之應收款項。

貨物銷售於貨物付運及擁有權轉移後確認。

服務收入於提供服務後確認。

財務資產之利息收入乃以時間為基準按未償還本金及適用實際利率累計，而實際利率為透過財務資產之預期可用年期將估計日後所收現金實際折讓至該資產之賬面淨值之比率。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, other than buildings under construction, are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Buildings under construction are stated at cost which includes all construction costs and other direct costs, attributable to the buildings under construction. They are not depreciated or amortised until completion of construction. Costs of completed buildings under construction are transferred to the category of land and buildings.

Any surplus arising on revaluation of property, plant and equipment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is charged to the consolidated income statement to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent disposal, retirement and depreciation of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

4. 主要會計政策(續)

物業、廠房及設備

除在建中樓宇外，物業、廠房及設備乃按重估值(指有關資產於重估當日按其當時用途之基準評估之公平價值減去其後之累計折舊及攤銷及任何減值虧損)於資產負債表中列示。重估乃按照足夠之守則進行，以確保其賬面值與於結算日之公平價值並無重大差額。

在建中樓宇乃按成本值入賬，成本值包括在建中樓宇應佔之所有建築成本及其他直接成本。在建中樓宇在落成前不作折舊或攤銷。在建中樓宇落成後其成本將轉入土地及樓宇類別內。

因重估物業、廠房及設備而產生之盈餘撥作資產重估儲備。除非有關資產於過往曾因重估虧絀而在綜合收益表中確認為費用，則現時之重估盈餘將撥作收入，惟不能超過以往之累計虧絀。因重估一項資產令其賬面淨值減少至超過於過往重估該資產之資產重估儲備結餘(如有)時，差額計入綜合收益表中。經重估資產日後之出售、棄用及折舊，其應佔重估盈餘乃轉入保留溢利中。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Freehold land is not amortised.

Depreciation and amortisation is provided to write off the valuation of buildings and leasehold improvements over their estimated useful lives, using the straight line method.

Depreciation is provided to write off the valuation of other property, plant and equipment over their estimated useful lives, using the reducing balance method.

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

Prepaid lease payments

Prepaid lease payments which represents up-front payments to acquire leasehold land interests are stated at cost and amortised over the period of the lease on a straight-line basis.

Leasing

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

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

4. 主要會計政策(續)

物業、廠房及設備(續)

永久業權土地並無攤銷。

樓宇及租賃物業裝修之折舊及攤銷，乃按其估計可使用年期，以直線法撇銷其估值。

其他物業、廠房及設備之折舊乃按其估計可使用年期以遞延減值法撇銷其估值。

物業、廠房及設備項目於出售時或當繼續使用該資產預期不會產生任何日後經濟效益時取消確認。資產取消確認產生之任何收益或虧損(按該項目之出售所得款項淨額與賬面值間之差額計算)於該項目取消確認之年度計入綜合收益表。

預付租賃款項

預付租賃款項指用作購入租賃土地權益之已付款項，乃按成本列示並按租賃年期以直線法攤銷。

租賃

凡租賃之條款規定擁有權所附帶之一切風險及回報實質上轉移至承租人者，該租賃即歸類為融資租賃。其他租賃全部列作經營租賃。

根據經營租賃之應付租金乃按相關租賃年期以直線法於損益表扣除。因訂立一項經營租賃作為獎勵之已收及應收福利乃以直線法按租賃年期確認作租金支出減少。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of impairment loss is treated as revaluation increase under that other standard.

Inventories

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

4. 主要會計政策(續)

減值

本集團於每個結算日審閱其資產之賬面值，判斷是否有任何跡象顯示該等資產蒙受任何減值虧損。倘估計資產之可收回價值低於其賬面值，則該資產之賬面值須減低至其可收回價值。減值虧損會即時確認為支出，除非相關資產乃按重估價值列賬，則減值虧損根據該準則視為重估減值。

倘減值虧損其後撥回，則該資產之賬面值須增加至其經修訂之估計可收回價值，惟所增加之賬面值不得超過於過往年度並無就該資產確認任何減值虧損下而釐定之賬面值。減值虧損撥回會即時確認為收入，除非相關資產乃按重估價值列賬，則減值虧損撥回根據該準則視為重估升值。

存貨

存貨乃按成本或可變現淨值兩者之較低者入賬。成本乃按加權平均法計算。

Notes to the Consolidated Financial Statements

綜合財務報表附註

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the consolidated balance sheet represents the fair value of plan assets as adjusted for unrecognised actuarial gains and losses, and as reduced by the present value of the defined benefit obligation. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

4. 主要會計政策(續)

退休福利成本

根據香港強制性公積金計劃條例規定之強制性公積金計劃(「強積金計劃」)之付款於僱員提供服務使其可享有供款時計入為開支。

就界定利益退休福利計劃而言，提供福利之成本乃按照預估單位利益法釐定，並於每個結算日進行精算估值。精算估值產生之盈虧倘超出界定利益責任之現值與計劃資產之公平值兩者之較高者10%，則有關盈虧須在參與計劃之僱員之預期剩餘平均工作年期內攤銷。倘有關福利已獲授予，過往之服務成本會即時確認入賬，否則則按直線法在平均年期內攤銷，直至經修訂之利益獲授予為止。

在綜合資產負債表內確認之金額呈示計劃資產之公平值，並已為未確認之精算估值盈虧作出調整及已扣減界定利益責任之現值。據此計算之任何資產乃受限於未確認之精算虧損及過往服務成本，加上計劃之可退回現值及未來供款之削減。

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綜合財務報表附註

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period.

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

4. 主要會計政策(續)

外幣

於編制各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易均按交易當日之適用匯率換算為功能貨幣(即該實體經營所在主要經濟地區之貨幣)記賬。於各結算日，以外幣定值之貨幣項目均按結算日之適用匯率重新換算。按公平值列賬之非貨幣項目倘以外幣定值，於釐定公平值當日之適用匯率重新換算。非貨幣項目倘以外幣之歷史成本計量則不會重新換算。

於結算及換算貨幣項目時產生之匯兌差額均於彼等產生期間內於損益表確認。按公平值列賬之非貨幣項目於重新換算時產生之匯兌差額於該期間之損益表確認。

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣(即港元)，而其他收入及支出乃按該年度之平均匯率進行換算，除非匯率於該期間內出現大幅波動則作別論。於此情況下，則採用於換算當日之適用匯率。所產生之匯兌差額(如有)乃確認作權益之獨立部份(匯兌儲備)。該等匯兌差額乃於海外業務被出售之期間內於損益表確認。

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綜合財務報表附註

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit 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. Deferred tax is charged or credited in 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.

4. 主要會計政策(續)

所得稅項

所得稅支出指現時應付稅項及遞延稅項之總和。

現時應付稅項乃根據年內應課稅溢利計算。應課稅溢利有別於綜合收益表所報溢利，因應課稅溢利不包括於其他年度應課稅或可扣稅之收入或開支項目，亦不包括綜合收益表內永遠毋須課稅或不可扣稅之項目。本集團之即期稅項負債乃按結算日已實行或大致上已實行之稅率計算。

遞延稅項乃根據綜合財務報表內資產及負債賬面值與計算應課稅溢利所採用相應稅基之間的差額而確認，並採用資產負債表負債法計入。遞延稅項負債一般就所有應課稅暫時差異確認，遞延稅項資產則於可扣減暫時差異有可能用以抵銷應課稅溢利時予以確認。倘暫時差異由初次確認一項不影響應課稅溢利或會計溢利之交易之其他資產及負債所產生，有關資產及負債不予以確認。

遞延稅項負債須就投資於附屬公司所產生應課稅暫時差異予以確認，除非本集團可控制暫時差異回撥及暫時差異在可預見之將來可能不會撥回。

遞延稅項資產之賬面值乃於各個結算日進行檢討，並在不可能有足夠應課稅溢利以收回全部或部份資產之金額時作調減。

遞延稅項按預期適用於清償負債或變現資產期間之稅率計算。遞延稅項在收益表內扣除或計入收益表，除非遞延稅項與關乎直接從權益扣除或直接計入權益之項目，在該情況下遞延稅項亦於權益中處理。

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綜合財務報表附註

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

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

4. 主要會計政策(續)

金融工具

財務資產及財務負債乃當某集團實體成為工具合同條文之訂約方時在綜合資產負債表確認。財務資產及財務負債按公平值初步計量。收購或發行財務資產及財務負債直接應佔之交易成本於損益表(按公平值計算之財務資產及財務負債除外)乃於初步確認時加入財務資產或財務負債之公平值或自財務資產或財務負債之公平值內扣除(倘適用)。收購於損益表按公平值計算之財務資產或財務負債直接應佔之交易成本即時於損益表內確認。

財務資產

本集團之財務資產主要為貸款及應收款項，財務資產於損益表按公平值處理。所有定期購入或出售之財務資產於交易日確認或取消確認。定期購入或出售乃指按市場規則或協調所設定之既定時間內規定交收資產而購入或出售財務資產。各類財務資產所採納之會計政策概述如下。

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Loans and receivables

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

Derivative financial instruments

Derivative financial instruments of the Group do not qualify for hedge accounting thus they are deemed as held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

4. 主要會計政策(續)

財務資產(續)

貸款及應收款項

貸款及應收款項乃於現行市場所報之固定或可釐定付款之非衍生財務資產。於初步確認後之各結算日，貸款及應收款項(包括應收貿易及其他款項及銀行結餘)均按採用實際利率法計算之已攤銷成本減任何已識別減值虧損入賬。減值虧損於可客觀證明資產減值時於損益表確認，並按該資產之賬面值與按原先實際利率折讓之估計未來現金流量之現值間的差額計量。當資產之可收回數額增加確實與於確認減值後所引致之事件有關時，則減值虧損會於隨後會計期間予以回撥，惟該資產於減值被回撥之日之賬面值不得超過未確認減值時之已攤銷成本。

衍生金融工具

本集團之衍生金融工具並不符合對沖會計法，因此被視為持作貿易用途。此衍生之公平值之變動直接於損益表確認。

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Group's financial liabilities mainly include bank borrowings, bank overdrafts, trade and other payables and amount due to a related company. They are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

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

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

4. 主要會計政策(續)

財務負債及權益

集團實體發行之財務負債及股本工具乃根據合同安排之性質與財務負債及股本工具之定義分類。

股本工具乃證明本集團於扣減所有負債後之資產中擁有剩餘權益之任何合同。本公司發行之股本工具乃按已收所得款項扣除直接發行成本記賬。

本集團之財務負債主要包括銀行借款、銀行透支、應付貿易及其他款項及應付關連公司款項，乃隨後採用實際利率法按已攤銷成本計量。

取消確認

倘從資產收取現金流之權利已到期，或本集團已將其於財務資產擁有權之絕大部份風險及回報轉移，則財務資產將被取消確認。於取消確認財務資產時，資產賬面值與已收代價及已直接於股本權益確認之累計損益之總和之差額，將於損益表確認。

就財務負債而言，其於有關合約之特定責任獲解除、取消或到期時，財務負債將被取消確認。取消確認之財務負債賬面值與已付及應付代價之差額於損益表確認。

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For the year ended 31 December 2006 截至2006年12月31止年度

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in Note 4, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Impairment loss on trade receivables

The assessment of the impairment loss on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Impairment is made based on the estimation of the future cash flow discounted at the original effective rate to calculate the present value. As at 31 December 2006, the carrying value of trade receivables (net of impairment loss) is HK\$122,272,000.

5. 估計不確定性之主要來源

於應用本集團之會計政策(如附註4所述)時,管理層根據過往經驗、預期未來狀況及其他資料作出各方面之估計。主要可影響於綜合財務報表確認數額之估計不確定性之主要來源概述如下。

應收貿易款項之減值虧損

本集團應收貿易款項之減值虧損之評估以可收回性、賬齡分析及管理層判斷為基礎。評估該等應收款項之最終變現能力需要進行大量判斷,包括各客戶之現時信譽。倘本集團客戶財務狀況日趨惡化,削弱其付款能力,則須提撥額外準備。減值乃按估計日後現金流量以原來實際利率貼現以計算現值。於2006年12月31日,應收貿易款項之賬面值(扣除減值虧損後)為122,272,000港元。

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綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Allowances for inventories

Management reviews the inventories listing at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Allowance was made by reference to the latest market value for those inventories identified. As at 31 December 2006, the carrying amount of inventories (net of allowances) is HK\$89,611,000.

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK\$3,919,000 in relation to unused tax losses has not been recognised in the Group's balance sheet due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

5. 估計不確定性之主要來源(續)

存貨準備

本集團管理層於各個結算日審閱存貨清單，並對確認為不再適合用於生產之過時及滯銷庫存品進行撥備。撥備乃參照最近期之市場價值就該等已識別存貨計提準備。於2006年12月31日，存貨之賬面值(扣除準備後)為89,611,000港元。

所得稅

由於未來溢利之流入不可預測，於2006年12月31日，有關未動用稅項虧損之遞延稅項資產約3,919,000港元並無於本集團之資產負債表中確認。遞延稅項資產之變現主要有賴於是否有足夠未來溢利或將來可供利用之應課稅暫時差額而定。倘產生之未來實際溢利乃多於預期溢利，遞延稅項資產可能會予以實質撥回，而該未來溢利會於有關撥回發生期間之綜合收益表內確認。

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綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

6. FINANCIAL INSTRUMENTS

6a. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, trade and other payables, amount due to a related company and bank borrowings and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The sales transactions of the Group are mainly denominated in United States Dollars and Euro. At the balance sheet date, certain trade receivable and bank balances are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group is also exposed to concentration of credit risk as a substantial portion of its sales is generated from a limited number of customers. At the balance sheet date, the top five customers of the Group accounted for about 54% (2005: 53%) of the Group's trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. 金融工具

6a. 財務風險管理目標及政策

本集團之主要金融工具包括應收貿易及其他款項、銀行結餘、應付貿易及其他款項、應付關連公司款項、銀行借款及銀行透支。該等金融工具詳情於相關附註披露。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時有效地採取適當之措施。

貨幣風險

本集團之銷售交易主要以美元及歐元定值。於結算日，若干應收貿易款項及銀行結餘乃以外幣定值。本集團現時尚無外幣對沖政策，然而，管理層監控外匯風險，並會考慮於必要時對沖重大外幣風險。

信貸風險

倘對方未能履行彼等於2006年12月31日之承擔，則本集團就每類已確認財務資產須承擔之最大信貸風險為已於綜合資產負債表列賬之該等資產之賬面值。由於大部份銷售乃源於較少數量之客戶，本集團同時承受集中信貸風險。於結算日，本集團五大客戶佔集團應收貿易款項約54% (2005: 53%)。為把信貸風險減至最低，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保爭取跟進措施收回逾期未付之債項。此外，管理層於各個結算日檢討各項個別應收貿易款項之可收回金額，以確保就不可收回金額作出足夠減值虧損。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

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6. FINANCIAL INSTRUMENTS (CONTINUED)

6a. Financial risk management objectives and policies (continued)

Credit risk (continued)

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

Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's bank balances also have exposure to cash flow interest rate due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure of the short term bank deposits and fixed bank borrowings to fair value interest rate risk is not significant as interest bearing bank balances and borrowings are within short maturity periods.

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on ongoing basis and will consider hedging interest rate risk should the need arise.

6b. Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve.

6. 金融工具(續)

6a. 財務風險管理目標及政策(續)

信貸風險(續)

本集團銀行存款之信貸風險有限，由於對方均為獲國際信貸評級機構授予較高信貸評級之銀行。

利率風險

本集團之公平值及現金流量利率風險主要涉及分別以固定及浮動利率計息之借款。由於市場銀行存款利率波動，本集團之銀行結餘承受現金流量利率風險。董事認為本集團於短期銀行存款及銀行借款所承受之公平值利率風險不大，因需計息之銀行結餘及借款乃於短期期滿。

本集團現時尚無涉及公平值及現金流量利率風險有關之利率對沖政策，董事將持續監控本集團之狀況並會考慮於必要時對沖利率風險。

6b. 公平值

財務資產及財務負債之公平值乃釐定如下：

- 財務資產及財務負債之公平值(衍生工具除外)，乃根據基於貼現現金流量分析之公認定價模式，使用可觀察當前市場交易之價格釐定。
- 衍生工具之公平值乃按市場報價計算。倘無可用報價，無選擇權衍生之公平值乃按貼現現金流量分析及適用回報率估算。

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS

No business segment analysis is provided as all of the Group's turnover and contribution to results were derived from the manufacture and sales of handbags and luggage for both year/period.

An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by geographical segments based on customers location, irrespective of the origin of the goods, is presented below:

Geographical segments

		Sales revenue by geographical market 按地區市場之銷售收入		Contribution to profit before taxation 除稅前溢利貢獻	
		Year ended	9 months ended	Year ended	9 months ended
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
		31.12.2006 止	31.12.2005 止	31.12.2006 止	31.12.2005 止
		年度	9個月	年度	9個月
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
United States of America ("USA")	美國	440,395	369,496	69,173	64,777
Europe	歐洲	224,312	130,675	42,266	23,731
South America	南美洲	10,922	6,684	1,723	1,260
Others	其他地區	13,618	25,110	1,509	3,838
		689,247	531,965	114,671	93,606
(Deficit) surplus arising on revaluation of property, plant and equipment	重估物業、廠房及設備產生之(虧絀)盈餘			(6)	5
Unallocated corporate expenses	未分配公司開支			(8,273)	(2,543)
Interest income	利息收入			5,982	4,900
Interest on bank borrowing wholly repayable within five years	須於五年內全數償還之銀行借款利息			(67)	(23)
Profit before taxation	除稅前溢利			112,307	95,945
Income tax expenses	所得稅支出			(10,442)	(8,648)
Profit for the year/period	年/期內溢利			101,865	87,297

Since the goods sold to various geographical markets were produced from the same production facilities, an analysis of assets and liabilities by geographical market is not presented.

7. 業務及地區分類

由於本集團所有之營業額及業績貢獻均源自年/期內手袋及行李箱之製造及銷售，按業務分類之分析並無提供。

本集團按客戶所在地區(不論貨品之來源地)劃分之收入及經營業績貢獻及分類資產及負債分析，呈列如下：

地區分類

		Sales revenue by geographical market 按地區市場之銷售收入		Contribution to profit before taxation 除稅前溢利貢獻	
		Year ended	9 months ended	Year ended	9 months ended
		31.12.2006	31.12.2005	31.12.2006	31.12.2005
		31.12.2006 止	31.12.2005 止	31.12.2006 止	31.12.2005 止
		年度	9個月	年度	9個月
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
United States of America ("USA")	美國	440,395	369,496	69,173	64,777
Europe	歐洲	224,312	130,675	42,266	23,731
South America	南美洲	10,922	6,684	1,723	1,260
Others	其他地區	13,618	25,110	1,509	3,838
		689,247	531,965	114,671	93,606
(Deficit) surplus arising on revaluation of property, plant and equipment	重估物業、廠房及設備產生之(虧絀)盈餘			(6)	5
Unallocated corporate expenses	未分配公司開支			(8,273)	(2,543)
Interest income	利息收入			5,982	4,900
Interest on bank borrowing wholly repayable within five years	須於五年內全數償還之銀行借款利息			(67)	(23)
Profit before taxation	除稅前溢利			112,307	95,945
Income tax expenses	所得稅支出			(10,442)	(8,648)
Profit for the year/period	年/期內溢利			101,865	87,297

由於銷售往不同地區市場之產品乃產自相同之生產設施，故按地區市場劃分之資產及負債分析並無呈列。

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7. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Geographical segments (continued)

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

		Carrying amount of segment assets 分類資產之賬面值		Additions to property, plant and equipment 物業、廠房及設備之添置	
		At 31.12.2006 於31.12.2006	At 31.12.2005 於31.12.2005	Year ended 31.12.2006 年度 31.12.2006止	9 months ended 31.12.2005 9個月 31.12.2005止
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Hong Kong	香港	284,055	313,015	901	305
The PRC	中國	338,198	218,268	11,936	6,598
Thailand	泰國	6,658	21,447	-	-
USA	美國	22,011	8,541	-	-
		650,922	561,271	12,837	6,903

8. INCOME TAX EXPENSES

The charge comprises:

Hong Kong Profits Tax	香港利得稅
Overprovision of Hong Kong Profits Tax in prior year	往年度超額撥備之香港利得稅

A substantial portion of the Group's profits neither arises in, nor is derived from, Hong Kong and therefore is not subject to Hong Kong Profits Tax.

7. 業務及地區分類 (續)

地區分類 (續)

按資產所在地區劃分之分類資產之賬面值及物業、廠房及設備之添置之分析如下：

		Carrying amount of segment assets 分類資產之賬面值		Additions to property, plant and equipment 物業、廠房及設備之添置	
		At 31.12.2006 於31.12.2006	At 31.12.2005 於31.12.2005	Year ended 31.12.2006 年度 31.12.2006止	9 months ended 31.12.2005 9個月 31.12.2005止
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Hong Kong	香港	284,055	313,015	901	305
The PRC	中國	338,198	218,268	11,936	6,598
Thailand	泰國	6,658	21,447	-	-
USA	美國	22,011	8,541	-	-
		650,922	561,271	12,837	6,903

8. 所得稅支出

Year ended 31.12.2006 31.12.2006止 年度 31.12.2006止	9 months ended 31.12.2005 31.12.2005止 9個月 31.12.2005止
HK\$'000 千港元	HK\$'000 千港元

10,459	8,648
(17)	-
10,442	8,648

本集團大部份溢利並非產自或源自香港，故毋須繳納香港利得稅。

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8. INCOME TAX EXPENSES (CONTINUED)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year/period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year/period can be reconciled to the profit before taxation per the consolidated income statement as follows:

8. 所得稅支出(續)

香港利得稅乃按年/期內估計應課稅溢利按 17.5% 計算。

其他司法權區之稅項乃按有關司法權區之課稅率而計算。

年/期內稅項開支與綜合收益表所列除稅前溢利對賬如下：

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
Profit before taxation	除稅前溢利	112,307	95,945
Tax at the domestic income tax rate of 17.5%	按本地所得稅率 17.5% 之稅項	19,654	16,790
Tax effect of expenses that are not deductible in determining taxable profit	釐定應課稅溢利時不可扣稅支出之稅務影響	2,023	877
Tax effect of income that is not taxable in determining taxable profit	釐定應課稅溢利時毋須課稅收入之稅務影響	(1,175)	(884)
Tax effect of tax losses not recognised	未確認稅項虧損之稅務影響	418	541
Tax effect of profit subjects to 50:50 appointment basis	按 50:50 溢利比例基準之稅務影響	(10,419)	(8,644)
Overprovision in prior year	往年度超額撥備	(17)	-
Utilisation of tax losses not previously recognised	動用過往未確認之稅項虧損	(42)	(32)
Income tax expense for the year/period	年/期內之所得稅支出	10,442	8,648

Details of deferred taxation at the balance sheet date and during the year/period are set out in note 22.

遞延稅項於結算日及於年/期內之詳情載於附註 22。

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9. PROFIT FOR THE YEAR/PERIOD

9. 年/期內溢利

		Year ended	9 months ended
		31.12.2006	31.12.2005
		31.12.2006 止	31.12.2005 止
		年度	9 個月
		HK\$'000	HK\$'000
		千港元	千港元
Profit for the year/period has been arrived at after charging:	年/期內溢利已扣除：		
Directors' emoluments (note 12)	董事酬金(附註 12)	3,104	2,384
Other staff costs	其他職員成本	125,425	87,096
Other retirement benefits scheme contributions	其他退休福利計劃供款	874	618
Total staff costs	職員成本合計	129,403	90,098
Amortisation of prepaid lease payments	預付租賃款項攤銷	490	368
Auditors' remuneration	核數師酬金	773	700
Bad debts written off	壞賬撇除	13	92
Cost of inventories recognised as expenses	存貨成本確認為費用	323,494	242,448
Deficit arising on revaluation of property, plant and equipment	重估物業、廠房及設備所產生之虧絀	6	-
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	12,361	9,105
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	2,532	9
Net exchange loss	匯兌淨虧損	4,954	7,389
and after crediting:	並已計入：		
Interest income	利息收入	5,982	4,900
Surplus arising on revaluation of property, plant and equipment	重估物業、廠房及設備所產生之盈餘	-	5
Gain on derivative financial instruments	衍生金融工具之收益	163	-

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10. DIVIDENDS

Dividends recognised as distributions during the year/period:	年/期內已確認 為分派之股息：
Final dividend of HK\$0.05 per share for the year ended 31 March 2005	截至2005年3月31日 止年度末期股 息每股5.0港仙
Interim dividend of HK\$0.03 per share for the nine months ended 31 December 2005	截至2005年12月31日 止9個月中期股 息每股3.0港仙
Final dividend of HK\$0.023 per share for the nine months ended 31 December 2005	截至2005年12月31日 止9個月末期股 息每股2.3港仙
Interim dividend of HK\$0.025 per share for the year ended 31 December 2006	截至2006年12月31日 止年度中期股 息每股2.5港仙

10. 股息

Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
-	41,250
-	24,750
18,975	-
20,625	-
39,600	66,000

A final dividend of HK\$0.035 (2005: HK\$0.023) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

董事會已建議派發末期股息每股3.5港仙(2005: 2.3港仙)，惟須待股東於週年大會上批准。

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$101,865,000 (2005: HK\$87,297,000) and 825,000,000 (2005: 825,000,000) shares in issue during the year/period.

11. 每股盈利

每股基本盈利乃按年內溢利101,865,000港元(2005: 87,297,000港元)除以年/期內已發行股份825,000,000股(2005: 825,000,000股)而計算。

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12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the seven (2005: seven) directors were as follows:

12. 董事酬金

已付或應付予7位(2005: 7位)董事之酬金如下:

		Other emoluments				Total
		Fees	Salaries and other benefits	Contributions to retirement benefits schemes	Performance related incentive payments	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Year ended 31.12.2006	截至2006年12月31日止年度					
<i>Executive directors</i>	<i>執行董事</i>					
Wai Siu Kee	衛少琦	–	1,170	12	–	1,182
Poon Lai Ming	潘麗明	–	606	12	101	719
Lee Marina Man Wai	李文慧	–	507	12	42	561
Lee Man Yan	李文恩	–	390	12	–	402
<i>Independent non-executive directors</i>	<i>獨立非執行董事</i>					
Wan Chi Keung, Aaron	尹志強	80	–	–	–	80
Heng Kwo Seng	邢詒春	80	–	–	–	80
Wong Kai Tung, Tony	王啟東	80	–	–	–	80
		240	2,673	48	143	3,104
9 months ended 31.12.2005	截至2005年12月31日止9個月					
<i>Executive directors</i>	<i>執行董事</i>					
Wai Siu Kee	衛少琦	–	855	9	45	909
Poon Lai Ming	潘麗明	–	443	9	124	576
Lee Marina Man Wai	李文慧	–	344	9	57	410
Lee Man Yan	李文恩	–	285	9	15	309
<i>Independent non-executive directors</i>	<i>獨立非執行董事</i>					
Wan Chi Keung, Aaron	尹志強	60	–	–	–	60
Heng Kwo Seng	邢詒春	60	–	–	–	60
Wong Kai Tung, Tony	王啟東	60	–	–	–	60
		180	1,927	36	241	2,384

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For the year ended 31 December 2006 截至2006年12月31止年度

12. DIRECTORS' EMOLUMENTS (CONTINUED)

Note: The performance related incentive payment is determined with regards to the Company's operating results, individual performance and comparable market statistics.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2005: two) were directors of the Company whose emoluments are disclosed in note 12 above. The emoluments of the remaining three (2005: three) individuals were as follows:

Salaries and other benefits	薪金及其他福利
Contributions to retirement benefits schemes	退休福利計劃供款
Performance related incentive payments	表現相關獎金

12. 董事酬金(續)

附註：表現相關獎金乃按本公司經營業績、個人表現及相對市場統計而釐定。

13. 僱員酬金

在本集團5位最高薪酬之人士中，包括2位(2005：2位)本公司董事，其薪酬已載於上文附註12。而其餘3位(2005：3位)最高薪酬人士之酬金如下：

Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
2,210	1,958
24	—
183	—
2,417	1,958

The emoluments were within the following bands:

HK\$nil to HK\$1,000,000	截至1,000,000港元
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元

酬金介乎下列幅度：

Year ended 31.12.2006 31.12.2006 止 年度 Number of employees 僱員人數	9 months ended 31.12.2005 31.12.2005 止 9個月 Number of employees 僱員人數
2	3
1	—
—	—

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For the year ended 31 December 2006 截至2006年12月31止年度

14. PROPERTY, PLANT AND EQUIPMENT**14. 物業、廠房及設備**

		Land and buildings 土地 及樓宇 HK\$'000 千港元	Buildings under construction 在建中 樓宇 HK\$'000 千港元	Furniture, fixtures and equipment 傢俬、裝置 及設備 HK\$'000 千港元	Leasehold improve- ments 租賃物業 裝修 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Moulds 模具 HK\$'000 千港元	Plant and machinery 廠房及 機器 HK\$'000 千港元	Total 合計 HK\$'000 千港元
COST OR VALUATION	成本或估值								
At 1 April 2005	於2005年4月1日	94,074	6,228	7,336	9,449	2,527	123	14,155	133,892
Currency realignment	貨幣調整	(782)	-	-	-	-	-	(63)	(845)
Additions	添置	-	3,635	1,516	-	1,246	-	506	6,903
Disposals	出售	-	-	(13)	-	(94)	-	(76)	(183)
Adjustment arising on revaluation	因重估產生 之調整	(2,919)	-	(1,249)	(1,034)	(304)	(12)	(1,232)	(6,750)
Reclassification	分類轉賬	9,863	(9,863)	-	-	-	-	-	-
At 31 December 2005	於2005年12月31日	100,236	-	7,590	8,415	3,375	111	13,290	133,017
Currency realignment	貨幣調整	2,010	-	10	-	14	-	167	2,201
Additions	添置	-	7,342	993	-	1,151	-	3,351	12,837
Disposals	出售	(2,034)	-	(22)	-	(530)	-	(211)	(2,797)
Adjustment arising on revaluation	因重估產生 之調整	2,029	-	(1,015)	87	(832)	(12)	(2,243)	(1,986)
At 31 December 2006	於2006年12月31日	102,241	7,342	7,556	8,502	3,178	99	14,354	143,272
DEPRECIATION	折舊								
At 1 April 2005	於2005年4月1日	-	-	-	-	-	-	-	-
Provided for the period	本期撥備	4,649	-	1,245	608	581	31	1,991	9,105
Eliminated on revaluation	重估時對銷	(4,649)	-	(1,245)	(608)	(581)	(31)	(1,991)	(9,105)
At 31 December 2005	於2005年12月31日	-	-	-	-	-	-	-	-
Provided for the year	本年度撥備	6,243	-	1,645	797	801	37	2,838	12,361
Eliminated on revaluation	重估時對銷	(6,243)	-	(1,645)	(797)	(801)	(37)	(2,838)	(12,361)
At 31 December 2006	於2006年12月31日	-	-	-	-	-	-	-	-
CARRYING VALUE	賬面值								
At 31 December 2006	於2006年12月31日	102,241	7,342	7,556	8,502	3,178	99	14,354	143,272
At 31 December 2005	於2005年12月31日	100,236	-	7,590	8,415	3,375	111	13,290	133,017

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For the year ended 31 December 2006 截至2006年12月31止年度

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a reducing balance method at the following rates per annum except for the buildings and leasehold improvements are depreciated on a straight line at the rate of 5% per annum:

Furniture, fixtures and equipment	20%
Motor vehicles	25%
Moulds	33 $\frac{1}{3}$ %
Plant and machinery	20%

The Group's property, plant and equipment excluding buildings under construction, other than property interests situated in Thailand, were revalued at 31 December 2006 by Sallmanns (Far East) Limited, an independent firm of professional property, plant and machinery valuers, on the basis of fair market value in continued use as part of an on-going business.

The Group's property interests situated in Thailand were revalued at 31 December 2006 by Thai Property Appraisal Lynn Philips Co., Ltd., an independent firm of professional property valuers, on the basis of open market value in existing use.

The net surplus of HK\$10,375,000 (2005: HK\$2,355,000) arising on the above revaluation has been dealt with as follows:

- (i) a surplus of HK\$10,381,000 (2005: HK\$2,350,000) has been credited to the asset revaluation reserve; and
- (ii) a deficit of HK\$6,000 (2005: surplus of HK\$5,000) has been charged to the consolidated income statement.

14. 物業、廠房及設備(續)

除樓宇及租賃物業裝修之折舊乃以直線法按年率5%折舊外，上述物業、廠房及設備項目乃以其遞減結餘按下列年率折舊：

傢俬、裝置及設備	20%
汽車	25%
模具	33 $\frac{1}{3}$ %
廠房及機器	20%

本集團之物業、廠房及設備，除設於泰國之物業權益外，均由獨立專業物業、廠房及機器估值師，西門(遠東)有限公司，於2006年12月31日以公平市值，並按有關資產將繼續使用作原來業務運作之基準重估。

本集團設於泰國之物業權益於2006年12月31日由獨立專業物業估值師，Thai Property Appraisal Lynn Philips Co., Ltd.，按其現有用途之公開市場價值基準重估。

因上述重估而產生的淨盈餘10,375,000港元(2005: 2,355,000港元)已處理入賬如下：

- (i) 10,381,000港元(2005: 2,350,000港元)盈餘已撥入資產重估儲備；及
- (ii) 6,000港元虧損(2005: 5,000港元盈餘)已計入綜合收益表內。

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If the above property, plant and equipment had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation at the following amounts:

		Land and buildings	Buildings under construction	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Moulds	Plant and machinery	Total
		土地及樓宇	在建中樓宇	傢俬、裝置及設備	租賃物業裝修	汽車	模具	廠房及機器	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Cost	成本	118,741	7,342	18,752	17,195	6,689	887	41,319	210,925
Accumulated depreciation and amortisation	累計折舊及攤銷	(45,252)	-	(14,257)	(9,887)	(4,473)	(887)	(33,516)	(108,272)
Net book value	賬面淨值								
At 31 December 2006	於2006年12月31日	73,489	7,342	4,495	7,308	2,216	-	7,803	102,653
At 31 December 2005	於2005年12月31日	79,160	-	4,932	8,106	2,319	-	6,371	100,888

14. 物業、廠房及設備(續)

倘上述之物業、廠房及設備並無進行重估，其將會按歷史成本減去累計折舊以下列數額於綜合財務報表呈列：

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
The carrying values of the Group's property interests comprises:	本集團物業權益之賬面值包括：		
- freehold land in Thailand	- 在泰國以永久業權持有土地	8,740	7,680
- buildings on freehold land in Thailand	- 在泰國以永久業權持有土地上之樓宇	13,180	12,100
- buildings on land under medium-term land use rights in the PRC	- 在中國享有中期土地使用權土地上之樓宇	80,321	80,456
		102,241	100,236

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綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease:

Analysed for reporting purposes as: 為呈報目的作出分析：

Non-current asset 非流動資產
Current asset 流動資產

15. 預付租賃款項

本集團之預付租賃款項包括於中國按中期租賃持有之租賃土地。

2006	2005
HK\$'000	HK\$'000
千港元	千港元
27,520	27,745
490	490
28,010	28,235

16. INVENTORIES

Raw materials and consumables 原材料及耗用品
Work in progress 在製品
Finished goods 製成品

16. 存貨

2006	2005
HK\$'000	HK\$'000
千港元	千港元
42,249	29,018
37,759	24,893
9,603	18,150
89,611	72,061

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17. OTHER FINANCIAL ASSETS

(a) TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period ranged from 30 to 60 days to its trade customers.

Included in trade and other receivables are trade and bills receivables of HK\$122,272,000 (2005: HK\$77,418,000). The aged analysis of trade and bills receivables at the balance sheet date is as follows:

Less than 30 days	少於30天
31-60 days	31至60天
61-90 days	61至90天
Over 90 days	90天以上
Other receivables	其他應收款

(b) BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The deposits carry at prevailing market average interest rate of 4.3% (2005: 4.1%) per annum. An aggregate of HK\$203,290,000 included in bank balances and cash is denominated in foreign currencies, comprising US\$11,621,000, Yen1,353,861,000, RMB20,911,000 and Euro312,000.

17. 其他財務資產

(a) 應收貿易及其他款項

本集團一般給予貿易客戶之除賬期平均30天至60天。

應收貿易及其他款項包括應收貿易款項及票據約122,272,000港元(2005:77,418,000港元)。應收貿易款項及票據於結算日之賬齡分析如下：

2006	2005
HK\$'000	HK\$'000
千港元	千港元
59,778	37,450
35,663	19,264
13,028	10,170
13,803	10,534
122,272	77,418
6,703	8,249
128,975	85,667

(b) 銀行結餘及現金

銀行結餘及現金包括本集團持有之現金及原本為3個月或少於3個月到期之短期銀行存款。該等存款按市場平均年息率4.3% (2005: 4.1%) 計息。銀行結餘及現金中包括合共203,290,000港元乃以外幣定值，內含11,621,000美元、1,353,861,000日圓、人民幣20,911,000元及312,000歐元。

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18. DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents the fair value of foreign exchange contract held by the Group with the terms stated as follows:

Notional amount 概念金額	Maturity 到期日	Exchange rate 兌換率
Sell USD349,440 出售 349,440 美元	28.02.2007	1 EURO: 1.248 USD 1 歐元 : 1.248 美元

The contract will be matured within one year and the change in its fair value is recognised in the consolidated income statement.

18. 衍生金融工具

金額呈示本集團持有外幣兌換合約之公平值，其條款列載如下：

合約將於一年內到期及其公平值之變動於綜合收益表中確認。

19. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

Included in trade and other payables are trade and bills payables of HK\$69,942,000 (2005: HK\$48,801,000). The aged analysis of trade and bills payables at the balance sheet date is as follows:

19. 應付貿易及其他款項

應付貿易及其他款項主要包括貿易購貨及持續開支成本之未付金額。貿易購貨之平均除賬期為30天。

應付貿易及其他款項包括應付貿易款項及票據約69,942,000港元(2005:48,801,000港元)，應付貿易款項及票據於結算日之賬齡分析如下：

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Less than 30 days	少於30天	40,822	26,865
31-60 days	31至60天	25,316	17,679
61-90 days	61至90天	2,549	1,829
Over 90 days	90天以上	1,255	2,428
		69,942	48,801
Other payables	其他應付款	25,159	23,969
		95,101	72,770

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20. AMOUNT DUE TO A RELATED COMPANY

At 31 December 2006, the balance represented an amount due to Lee & Man Industrial Manufacturing Limited which is beneficially owned by Mr. Lee Wan Keung, the associate of the Group. The amount is unsecured, non-interest bearing and repayable on demand.

At 31 December 2005, the balances represented amounts due to Lee & Man Industrial Manufacturing Limited and Lee & Man Manufacturing Co. Ltd, in which Ms. Lee Marina Man Wai, a director of the Company, is also a director. The amount due to Lee & Man Manufacturing Co. Ltd. was fully repaid during the year.

21. UNSECURED BANK BORROWINGS AND BANK OVERDRAFTS

The bank loans are denominated in USD and carry fixed interest at 5.95% per annum. The bank overdrafts carry variable interest rates. Both amounts are repayable on demand or within one year.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting year/period.

		Accelerated tax depreciation 加速 稅務折舊 HK\$'000 千港元	Revaluation of property, plant and equipment 物業、廠房 及設備重估 HK\$'000 千港元	Tax losses 稅項虧損 HK\$'000 千港元	Total 合計 HK\$'000 千港元
At 1 April 2005	於2005年及4月1日	124	1,268	(124)	1,268
Credit to equity for the period	期內計入權益	–	26	–	26
At 31 December 2005	於2005年12月31日	124	1,294	(124)	1,294
Credit to equity for the year	年內計入權益	–	644	–	644
At 31 December 2006	於2006年12月31日	124	1,938	(124)	1,938

20. 應付關連公司款項

於2006年12月31日，結餘乃應付Lee & Man Industrial Manufacturing Limited(由本集團之聯繫人李運強先生實益擁有)之款項。該款項乃無抵押、免息及須於應要求時償還。

於2005年12月31日，結餘乃應付Lee & Man Industrial Manufacturing Limited及理文製造廠有限公司(本公司董事李文慧女士為其董事)之款項。應付理文製造廠有限公司之款項已於年內全數付清。

21. 無抵押銀行借款及銀行透支

銀行貸款乃以美元定值並以固定年利率5.95%計息。銀行透支以浮動利率計息。兩者均須於應要求時或1年內償還。

22. 遞延稅項

本年度及過往報告期間已確認之主要遞延稅項負債及資產及其變動概述如下：

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22. DEFERRED TAXATION (CONTINUED)

At the balance sheet date, the Group had unutilised tax losses of HK\$23,108,000 (2005: HK\$20,964,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$711,000 (2005: HK\$711,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$22,397,000 (2005: HK\$20,253,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

23. SHARE CAPITAL

22. 遞延稅項 (續)

於結算日，本集團尚未動用但可用作抵扣未來課稅溢利之稅項虧損為23,108,000港元(2005：20,964,000港元)。其中就該虧損確認了711,000港元(2005：711,000港元)之遞延稅項資產。由於未來溢利之流入不可預測，餘下之22,397,000港元(2005：20,253,000港元)稅項虧損並無確認為遞延稅項資產。稅項虧損可無限期結轉。

23. 股本

		Number of ordinary shares 普通股份數目	Amount 金額 HK\$'000 千港元
Ordinary shares of HK\$0.10 each:	每股面值0.1港元之普通股：		
Authorised:	法定：		
At 1 April 2005, 31 December 2005 and 31 December 2006	於2005年4月1日、2005年12月31日及2006年12月31日	5,000,000,000	500,000
Issued and fully paid:	發行及繳足：		
At 1 April 2005, 31 December 2005 and 31 December 2006	於2005年4月1日、2005年12月31日及2006年12月31日	825,000,000	82,500

There was no movement in the Company's share capital for both year/period.

本公司之股本於兩個年度／期間並無變動。

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For the year ended 31 December 2006 截至2006年12月31止年度

24. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 14 December 2001 for the purpose of providing incentives to directors and eligible persons. The Scheme will remain in force for a period of 10 years from adoption of such scheme and will expire on 13 December 2010.

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company ("Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any customer, supplier or adviser as may be determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 21 days of the date of grant. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company at any point in time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors (which shall be less than ten years from the date of issue of the relevant option). Options may be granted without initial payment. The exercise price is equal to the highest of (i) nominal value of the Shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options.

No options were granted by the Company under the Scheme since its adoption.

24. 購股權計劃

本公司根據一項於2001年12月14日通過之決議案，已採納購股權計劃（「計劃」），以獎勵董事及合適人士。計劃從採納後10年內有效，並於2010年12月13日屆滿。

根據計劃，本公司董事會（「董事會」）可酌情向(i)本集團、本集團擁有股本權益之公司或該公司之附屬公司（「聯屬公司」）之任何董事、僱員或顧問；或(ii)受益人包括本集團或其聯屬公司之任何董事、僱員或顧問之任何全權信託；或(iii)由本集團或其聯屬公司之任何董事、僱員或顧問實益擁有之公司；或(iv)由董事會於不時決定之任何客戶、供應商或顧問授予購股權以認購本公司股份（「股份」）。

獲授予之購股權必須於獲授日起計21天內接納。有關根據計劃所授出之購股權所涉及之股份數目，在任何時候最高不得超過本公司已發行股本之10%。除非根據上市規則獲得本公司股東批准，否則於任何12個月期間授予任何個別人士之購股權之最高股份數目，不得超過於該12個月期間之最後一日已發行股份之1%。

購股權可於董事會釐定之有關期間（該期間將由發行有關購股權起計10年內，並包括購股權可予行使前必須持有之最短期限（如有）內行使。購股權可在毋須作出初期付款之情況下授出，並可按下述三項中之最高者作為行使價格(i)股份之面值；(ii)股份於授出購股權當日聯交所每日報價表所列之每股收市價；及(iii)股份於緊貼授出日期前5個交易日在聯交所之每日報價表所列之平均每股收市價。

自計劃採納以來，本公司並無根據計劃授出購股權。

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For the year ended 31 December 2006 截至2006年12月31止年度

25. OPERATING LEASES

Minimum lease payments paid under operating leases in respect of land and buildings during the year/period

年/期內有關土地及樓宇經營租約之最低租賃付款

25. 經營租約

Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9 個月 HK\$'000 千港元
1,645	1,466

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

於結算日，本集團就不可註銷經營租約之未來最低租賃付款承擔如下：

Within one year 一年內
In the second to fifth year inclusive 於第二至第五年內

2006 HK\$'000 千港元	2005 HK\$'000 千港元
145	622
26	105
171	727

The commitments for operating lease payments represent rentals payable by the Group for office properties. Leases are negotiated for an average term of two years. Rentals are based on the terms specified in the lease agreements.

經營租賃付款承擔指本集團就其辦公室物業應付之租金。租賃之平均租期為兩年，租金乃根據租賃協議內之指定條款釐定。

26. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:

– the acquisition of property, plant and equipment 已訂約但未於綜合財務報表中撥備之資本性支出：

– the acquisition of land use right 一購置物業、廠房及設備
一購入土地使用權

26. 資本承擔

2006 HK\$'000 千港元	2005 HK\$'000 千港元
163,487	57,786
44,200	42,465

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綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

27. RETIREMENT BENEFIT SCHEMES

Defined benefit scheme

The Group is a member of a defined benefit scheme which was open to qualified employees of companies under the control of Fortune Star. In December 2000, all the then existing members of the defined benefit scheme were enrolled into a MPF Scheme and their accrued benefits for the past services under the defined benefit scheme were frozen as at 30 November 2000. The defined benefit scheme was closed to new employees from December 2000 onwards.

Under the defined benefit scheme, employees are entitled to retirement benefits varying between 0 and 100% of their salary as at 30 November 2000 multiplied by the pensionable service up to 30 November 2000 on attainment of a retirement age of 55. No other post-retirement benefits are provided.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 December 2006 by HSBC Life (International) Limited. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

Discount rate	貼現率
Expected return on plan assets	計劃資產預期回報
Expected rate of salary increases	薪酬預期增幅

The actuarial valuation shows that the market value of plan assets at 31 December 2006 was HK\$9,443,000 (2005: HK\$9,387,000) and that the actuarial value of these assets represented 123% (2005: 116%) of the benefits that were accrued to members.

27. 退休福利計劃

界定利益計劃

本集團為一項界定利益計劃之成員，該計劃專為受 Fortune Star 控制之公司之合資格僱員而設。於 2000 年 12 月，界定利益計劃當時之所有成員已登記加入強積金計劃，其於界定利益計劃下過往服務之累積利益已於 2000 年 11 月 30 日被凍結，界定利益計劃亦由 2000 年 12 月起不再接受新僱員加入。

根據界定利益計劃，僱員於年屆 55 歲退休之齡時，可收取之退休福利乃相等於其於 2000 年 11 月 30 日之薪酬之 0% 至 100% 不等，並乘以截至 2000 年 11 月 30 日止之應計算退休金之服務年資。本集團並未提供其他退休後福利。

計劃資產及界定利益承擔現值之最近期精算評估乃由匯豐人壽保險(國際)有限公司於 2006 年 12 月 31 日作出評估。界定利益承擔現值、相關之現時服務成本及過往服務成本乃採用預估單位利益法計算。

所採用之主要精算假設如下：

Year ended	9 Months ended
31.12.2006	31.12.2005
31.12.2006 止	31.12.2005 止
年度	9 個月
Per annum	Per annum
年率	年率
Discount rate	4.25%
Expected return on plan assets	5.0%
Expected rate of salary increases	0%

精算評估顯示計劃資產於 2006 年 12 月 31 日之市值為 9,443,000 港元 (2005 : 9,387,000 港元)，而該等資產之精算價值乃相當於計劃成員應得利益之 123% (2005 : 116%)。

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For the year ended 31 December 2006 截至2006年12月31止年度

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Defined benefit scheme (continued)

The charge recognised in the consolidated income statement in respect of the defined benefit scheme is as follows:

Interest cost	利息成本	
Expected return on plan assets	計劃資產預期回報	
Contributions	供款	
Net actuarial gains	精算淨收益	
Total, included in administrative expenses	合計，已包括入行政費用	

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit retirement benefit plan is as follows:

Present value of funded defined benefit obligations	界定利益承擔款項之現值	
Fair value of plan assets	計劃資產之公平價值	
Net actuarial losses not recognised	未確認之精算虧損	
Net asset arising from defined benefit obligation	界定利益承擔產生之淨資產	

27. 退休福利計劃(續)

界定利益計劃(續)

在綜合收益表內就界定利益計劃已確認之開支如下：

Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
336	297
(461)	(340)
(3)	–
133	127
5	84

已列入綜合資產負債表中本集團於界定利益退休福利計劃之承擔所產生之數額如下：

2006 HK\$'000 千港元	2005 HK\$'000 千港元
7,657	8,085
(9,443)	(9,387)
(1,786)	(1,302)
(1,491)	(1,980)
(3,277)	(3,282)

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For the year ended 31 December 2006 截至2006年12月31止年度

27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Defined benefit scheme (continued)

Movements in the present value of the defined benefit obligations in the current year were as follows:

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9 個月 HK\$'000 千港元
Opening balance	期初結餘	8,085	7,923
Interest cost	利息成本	336	297
Benefit paid	已付利益	(349)	–
Transfer out to other employers	轉往其他僱主	(57)	–
Actuarial gains	精算收益	(358)	(135)
Closing balance	期末結餘	7,657	8,085

Movements in the fair value of the plan assets in the current year were as follows:

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9 個月 HK\$'000 千港元
Opening balance	期初結餘	9,387	9,046
Expected return on plan assets	計劃資產預期回報	461	340
Contributions from the employers	僱主供款	3	–
Benefit paid	已付利益	(349)	–
Transfer out to other employers	轉往其他僱主	(57)	–
Actuarial (losses) gains	精算(虧損)收益	(2)	1
Closing balance	期末結餘	9,443	9,387

27. 退休福利計劃(續)

界定利益計劃(續)

年內界定利益承擔現值變動如下：

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9 個月 HK\$'000 千港元
Opening balance	期初結餘	8,085	7,923
Interest cost	利息成本	336	297
Benefit paid	已付利益	(349)	–
Transfer out to other employers	轉往其他僱主	(57)	–
Actuarial gains	精算收益	(358)	(135)
Closing balance	期末結餘	7,657	8,085

年內計劃資產之公平值變動如下：

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 Months ended 31.12.2005 31.12.2005 止 9 個月 HK\$'000 千港元
Opening balance	期初結餘	9,387	9,046
Expected return on plan assets	計劃資產預期回報	461	340
Contributions from the employers	僱主供款	3	–
Benefit paid	已付利益	(349)	–
Transfer out to other employers	轉往其他僱主	(57)	–
Actuarial (losses) gains	精算(虧損)收益	(2)	1
Closing balance	期末結餘	9,443	9,387

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27. RETIREMENT BENEFIT SCHEMES (CONTINUED)

Defined benefit scheme (continued)

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, is as follows:

		Expected return		Fair value of plan assets	
		預期回報		計劃資產之公平值	
		2006	2005	2006	2005
		%	%	HK\$'000	HK\$'000
		%	%	千港元	千港元
Debt instruments	債券	4	4	7,473	7,891
Other assets	其他資產	2	2	184	194
Weighted average expected return	預期回報加權平均	6	6	7,657	8,085

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected return is based on historical return trends and analysis predictions of the market for the asset in the next twelve months.

The actual return on plan assets for the year was HK\$459,000 (2005: HK\$341,000).

The fair value of the plan assets does not include any equity shares in the Company or property held by the Group.

The history of experience adjustments is as follows:

		31.12.2006	31.12.2005	31.3.2005
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
Present value of defined benefit obligation	界定利益承擔現值	7,657	8,085	7,923
Fair value of plan assets	計劃資產之公平值	(9,443)	(9,387)	(9,046)
Surplus	盈餘	(1,786)	(1,302)	(1,123)
Experience adjustment on plan liabilities	計劃負債過往調整	(358)	(135)	1,838
Experience adjustment on plan assets	計劃資產過往調整	(2)	1	(20)

Defined contribution scheme

The Group operates a MPF Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes monthly the lower of HK\$1,000 or 5% of the relevant monthly payroll costs to the MPF Scheme, which contribution is matched by employees.

27. 退休福利計劃(續)

界定利益計劃(續)

計劃資產之主要分類及預期回報率於結算日分類如下：

整體之預期回報率乃持有之不同類別計劃資產預期回報之加權平均。董事對預期回報之評估乃基於以往回報記錄及市場對資產於未來十二個月之預計分析。

本年度計劃資產之實際回報為459,000港元(2005：341,000港元)。

計劃資產之公平價值並無包含本公司之股本權益或本集團持有之物業。

過往調整實況如下：

界定供款計劃

本集團為所有合資格的僱員設立一項強積金計劃。該計劃之資產與本集團之資產分開持有，並由受託人控制。本集團向強積金計劃供款1,000港元或有關每月薪酬成本之5%(以較低者為準)，而僱員之供率比率相同。

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28. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

The Group had significant transactions and balances with related parties which are also deemed to be connected persons pursuant to the Listing Rules, during the year/period and at the balance sheet date as follows:

28. 關連交易及結餘

本集團與相關各方，當中包括根據上市規則同時被界定為關連人士於年／期內所進行之重大交易及於年結日之結餘如下：

Name of party	Relationship	Nature of transactions/balance	Year ended 31.12.2006 31.12.2006止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005止 9個月 HK\$'000 千港元
Connected parties 關連人士				
Capital Nation Investments Limited	A company beneficially owned by Mr. Lee Wan Keung 由李運強先生實益擁有之公司	Corrugated cardboard and carton boxes purchased 購買瓦楞紙板及紙箱	2,579	4,415
		Management fee income received 管理費收入	71	348
		Balance at the balance sheet date – trade payable 於結算日之結餘 – 應付貿易款項	1,023	899
Lee & Man Paper Manufacturing Limited 理文造紙有限公司	An associate of Fortune Star Fortune Star之聯繫人	Management fee income received 管理費收入	–	39
Lee and Man Manufacturing Co. Ltd. 理文製造廠有限公司	A company beneficially owned by Ms. Lee Marina Man Wai, a director of the Company 由本公司董事李文慧女士實益擁有之公司	Management fee income received 管理費收入	130	108
		Licence fee received 已收使用權費	723	561
		Plastic accessory purchased 購買塑膠配件	–	121
		Balance at the balance sheet date – trade payable 於結算日之結餘 – 應付貿易款項	–	31
Lee & Man Realty Investment Limited 理文置業有限公司	A company beneficially owned by Mr. Lee Man Yan, a director of the Company and Mr. Lee Wan Keung 由李文恩先生(本公司董事)及李運強先生實益擁有之公司	Licence fee paid 已付使用權費	965	808

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28. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

		Year ended 31.12.2006 31.12.2006 止 年度 HK\$'000 千港元	9 months ended 31.12.2005 31.12.2005 止 9個月 HK\$'000 千港元
Short-term benefits	短期福利	6,940	4,797
Post-employment benefits	退休福利	132	90
		7,072	4,887

28. 關連交易及結餘 (續)

董事及其他主要管理層成員於年／期內之酬金如下：

29. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY

The summarised financial information of the Company is as follows:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
ASSETS	資產		
Investments in subsidiaries	於附屬公司之投資	215,145	215,145
Amount due from a subsidiary	附屬公司欠款	97,545	97,543
Prepayments	預付款項	174	209
Bank balance	銀行結餘	599	400
		313,463	313,297
LIABILITIES	負債		
Other payables	其他應付款項	664	668
		312,799	312,629
CAPITAL AND RESERVES	股本及儲備		
Share capital	股本	82,500	82,500
Reserves	儲備	230,299	230,129
		312,799	312,629

29. 本公司財務資料概要

本公司財務資料概要如下：

Notes
附註

(a)

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For the year ended 31 December 2006 截至2006年12月31止年度

29. SUMMARISED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Notes:

(a) Reserves

		Share premium	Contributed surplus	Accumulated profits	Total
		股份溢價	實繳盈餘	累計溢利	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
At 1 April 2005	於2005年4月1日	20,307	112,338	41,414	174,059
Profit for the period	期內溢利	–	–	122,070	122,070
Dividends	股息	–	–	(66,000)	(66,000)
At 31 December 2005	於2005年12月31日	20,307	112,338	97,484	230,129
Profit for the year	年內溢利	–	–	39,770	39,770
Dividends (note 10)	股息(附註 10)	–	–	(39,600)	(39,600)
At 31 December 2006	於2006年12月31日	20,307	112,338	97,654	230,299

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company pursuant to a group reorganisation in December 2001 and the nominal value of the Company's shares issued for the acquisition.

本公司之實繳盈餘乃本公司透過2001年12月之集團重組所收購之附屬公司之有形資產淨值總和與本公司因該收購而發行之股本面值之差額。

29. 本公司財務資料概要(續)

附註：

(a) 儲備

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30. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Nominal value of issued and fully paid share capital/ paid-in capital 已發行及 繳足股本面值/ 實繳股本	Attributable equity interest	Principal activities #
附屬公司名稱	註冊 成立地點		所佔權益	主要業務 #
Lee & Man Development 理文發展	British Virgin Islands 英屬維爾京群島	Shares – US\$90 股份 – 90 美元	100%	Investment holding 投資控股
Lee & Man Company Limited 理文洋行有限公司	Hong Kong 香港	Ordinary shares – HK\$1,000,000 普通股份 – 1,000,000 港元 Non-voting deferred shares – HK\$1,000,000 無投票權遞延股份 – 1,000,000 港元	100%	Manufacture and sales of handbags and luggage 製造及銷售手袋及行李箱
Lee & Man Handbag Manufacturing Company Limited 理文手袋廠有限公司	Hong Kong 香港	Ordinary shares – HK\$10,000 普通股份 – 10,000 港元 Non-voting deferred shares – HK\$500,000 無投票權遞延股份 – 500,000 港元	100%	Manufacture and sales of handbags and luggage 製造及銷售手袋及行李箱
Lee & Man Management Company Limited 理文管理有限公司	Hong Kong 香港	Ordinary shares – HK\$2 普通股份 – 2 港元	100%	Provision of management and administration services 提供管理及行政服務
Lee & Man (Jiangsu) Investment Limited 理文(江蘇)投資有限公司	British Virgin Islands 英屬維爾京群島	Ordinary shares – US\$1 普通股份 – 1 美元	100%	Investment holding 投資控股
Jiangsu Lee & Man Chemical Limited 江蘇理文化工有限公司	PRC 中國	Paid-in capital – RMB59,478,763 實繳股本 – 人民幣 59,478,763 元	100%	Production and sales of chloromethane products 生產及銷售甲烷氯化物產品

30 主要附屬公司

本公司於2006年12月31日之主要附屬公司之詳情如下：

The principal activities are carried out in the PRC and Hong Kong.

主要業務均在中國及香港進行。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006 截至2006年12月31止年度

30. PRINCIPAL SUBSIDIARIES (CONTINUED)

Only Lee & Man Development is directly held by the Company.

The deferred shares practically carry no rights to participate in profits or surplus assets or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

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

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

31. POST BALANCE SHEET EVENT

On 10 March 2007, the Group entered into an agreement with an independent third party to purchase the plant and equipment at a consideration of JPY1,330 million (approximately HK\$88 million).

30 主要附屬公司(續)

只有理文發展由本公司直接持有。

遞延股份並無權利參與分派溢利或盈餘資產或接收各有關公司任何股東大會之通告或出席大會或於會上投票或參與清盤之任何分派。

董事認為上表載列之本公司附屬公司，乃主要影響本集團之業績或資產之公司。董事認為若提供其他附屬公司之詳情將導致篇幅冗長。

附屬公司於年終或年內任何時間概無任何未贖回之債務證券。

31. 結算日後事項

於2007年3月10日，本集團與一獨立第三方簽訂協議以13.3億日圓(約0.88億港元)之代價購買廠房與設備。

Financial Summary

財務概要

		Year ended 31 March 截至3月31日止年度			9 months ended 31 December 12月31日止 9個月	Year ended 31 December 12月31日止 年度
		2003 HK\$'000 千港元	2004 HK\$'000 千港元	2005 HK\$'000 千港元	2005 HK\$'000 千港元	2006 HK\$'000 千港元
RESULTS	業績					
Turnover	營業額	919,261	955,750	942,045	531,965	689,247
Profit before taxation	除稅前溢利	128,299	112,920	159,001	95,945	112,307
Income tax expenses	所得稅支出	(12,616)	(9,876)	(12,197)	(8,648)	(10,442)
Profit for the year/period	年/期內溢利	115,683	103,044	146,804	87,297	101,865
Attributable to:	應佔：					
Equity holders of the Company	本公司權益持有人	115,683	102,161	133,586	87,297	101,865
Minority interests	少數股東權益	–	883	13,218	–	–
		115,683	103,044	146,804	87,297	101,865

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		At 31 March 於3月31日			At 31 December 於12月31日	
		2003 HK\$'000 千港元	2004 HK\$'000 千港元	2005 HK\$'000 千港元	2005 HK\$'000 千港元	2006 HK\$'000 千港元
ASSETS AND LIABILITIES	資產及負債					
Total assets	資產總額	436,914	514,636	520,083	561,271	650,922
Total liabilities	負債總額	(109,368)	(131,618)	(67,674)	(86,092)	(101,547)
Net assets	資產淨額	327,546	383,018	452,409	475,179	549,375
Assets attributable to equity holders of the Company	本公司權益持有人 應佔資產	327,546	366,471	452,409	475,179	549,375
Minority interests	少數股東權益	–	16,547	–	–	–
		327,546	383,018	452,409	475,179	549,375

LEE & MAN HOLDING LIMITED

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