

NOTES TO THE FINANCIAL STATEMENTS

財務報表附註

FOR THE YEAR ENDED 31ST DECEMBER, 2005

截至二零零五年十二月三十一日止年度

1. GENERAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent is Hop Fung Industries Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Hop Fung Industries (Holdings) Limited, a company also incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed under Corporate Information section of the annual report.

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

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 31.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

1. 一般資料

本公司根據開曼群島法例第22章公司法(一九六一年第3條法例, 經綜合及修訂)於開曼群島註冊成立為獲豁免有限公司, 其股份於香港聯合交易所有限公司(「聯交所」)上市。本公司之母公司為於英屬處女群島註冊成立之Hop Fung Industries Limited, 而最終控股公司則為於英屬處女群島註冊成立之Hop Fung Industries (Holdings) Limited。本公司之註冊辦事處及主要營業地點之地址載於本年報公司資料部份內。

財務報表均以港元呈列, 港元為本公司之功能貨幣。

本公司為投資控股公司, 其附屬公司之主要業務載於附註31。

2. 採用香港財務報告準則／會計政策之變更

在本年度, 本集團首次採用多項由香港會計師公會發出之新香港財務報告準則、香港會計準則及詮釋(文內統稱為「新香港財務報告準則」), 此等準則於二零零五年一月一日或之後開始之會計年度生效。採用新香港財務報告準則已導致收益表、資產負債表及權益變動報表之呈報方式有所變動。呈報方式之變動已追溯應用。採用新香港財務報告準則導致本集團在以下領域之會計政策出現變動, 影響本年度及以往之會計年度之業績之編製及呈報方式。

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2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Share-based Payments

In the current year, the Group has applied HKFRS 2 "Share-based payments" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group has not applied HKFRS 2 to share options that were granted after 7th November, 2002 and had vested before 1st January, 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st January, 2005. Comparative figures have been restated (see below for the financial impact).

2. 採用香港財務報告準則／會計政策之變更 (續)

以股份支付之支出

在本年度，本集團採用了香港財務報告準則第2號「以股份支付之支出」，規定本集團如以股份或就股份增設之權利（「股權結算交易」）作為購買貨物或取得服務，須列為開支處理。香港財務報告準則第2號對本集團之主要影響為須將董事及僱員之購股權按授出購股權日期釐定之公平值在歸屬期間列為開支。於採用香港財務報告準則第2號前，本集團並無確認此等購股權之財務影響，直至該等購股權被行使為止。本集團已對於二零零五年一月一日或之後授出之購股權採用香港財務報告準則第2號。就於二零零五年一月一日前授出之購股權而言，本集團根據有關之過渡性條文，並無對於二零零二年十一月七日後授出及於二零零五年一月一日前已歸屬之購股權採用香港財務報告準則第2號。然而，本集團仍須對於二零零二年十一月七日後授出但於二零零五年一月一日為止仍未歸屬之購股權追溯採用香港財務報告準則第2號。比較數字已予重列（請參考以下財務影響）。

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2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: disclosure and presentation" and HKAS 39 "Financial Instruments: recognition and measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on the presentation of financial instruments in the financial statement of the Group. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of the financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method. Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the results for the current or prior accounting periods. As at 1st January 2005, the equity-linked deposit was classified as "loans and receivables" under HKAS 39.

2. 採用香港財務報告準則／會計政策之變更 (續)

金融工具

在本年度，本集團採用香港會計準則第32號「金融工具：披露及呈報」及香港會計準則第39號「金融工具：確認及計算」。香港會計準則第32號規定須追溯應用。採用香港會計準則第32號並無對本集團財務報表內之金融工具之呈列造成重大影響。於二零零五年一月一日或之後開始之會計年度生效之香港會計準則第39號一般不允許按追溯基準確認、不確認或計量財務資產及負債。因採用香港會計準則第39號之主要影響綜合如下：

財務資產及財務負債 (不包括債券及股本證券)

由二零零五年一月一日起，本集團根據香港會計準則第39號之規定，對除股本證券以外之財務資產及財務負債 (以往並不在會計實務準則第24號之範圍內) 進行分類及計算。根據香港會計準則第39號，財務資產分類為「在損益表內按公平值列值之財務資產」、「可供出售之財務資產」、「貸款及應收款項」或「持有至到期之財務資產」。分類視乎資產購買目的而定。「在損益表內按公平值列值之財務資產」及「可供出售之財務資產」按公平值列值，公平值之變動分別在損益及權益內確認。「貸款及應收款項」及「持有至到期之財務資產」運用實際利率法按攤銷成本計算。財務負債一般分類為「在損益表內按公平值列值之財務負債」或「除在損益表內按公平值列值之財務負債以外之財務負債 (其他財務負債)」。「其他財務負債」運用實際利率法按攤銷成本列值。採用香港會計準則第39號對本年度或以前之會計年度之業績並無重大影響。於二零零五年一月一日，根據香港會計準則第39號，股本聯繫存款乃分類為「貸款及應收款項」。

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2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Derivatives

By 31st December, 2004, the Group did not recognise derivative embedded in a non-derivative host contract on its financial statements.

From 1st January, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. In the opinion of the directors of the Company, the fair value of the embedded derivative from the equity-linked deposit as at 1st January, 2005 is immaterial.

2. 採用香港財務報告準則／會計政策之變更 (續)

金融工具 (續)

衍生工具

於二零零四年十二月三十一日前，本集團在其財務報表中沒有確認非衍生主合約內之附屬衍生工具。

由二零零五年一月一日起，所有在香港會計準則第39號範圍內之衍生工具須按於每一結算日之公平值列賬，不論其是否被視為持作交易用途或指定為有效對沖工具。根據香港會計準則第39號，衍生工具(包括與主合約分開獨立地列賬之附屬衍生工具)被視為持作交易用途之財務資產或財務負債，除非其符合資格及被指定為有效對沖工具。對公平值變動作出相應之調整須視乎該等衍生工具是否被指定為有效對沖工具而定，如是，亦須視乎所對沖之項目性質而定。就被視為持作交易用途之衍生工具而言，該等衍生工具公平值之變動在其產生之年度於損益表內確認。

本集團已應用香港會計準則第39號之有關過渡規定。本公司董事認為，股本聯繫存款投資之附屬衍生工具於二零零五年一月一日之公平值並無重大影響。

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2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Owner-occupied Leasehold Interest in Land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. The financial impact is set out in note 2A. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

The Hong Kong (IFRIC) Interpretation 4 ("HK(IFRIC) – INT 4") provides guidance for determining whether arrangements, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments are, or contain, leases that should be accounted for in accordance with HKAS 17. The classification of such lease as finance lease or operating lease is dealt with under HKAS 17. During the year, the Group reassessed the "Prepayments under processing arrangements" under HK(IFRIC) – INT 4 and considered that it contains a lease which should be classified under HKAS 17. Accordingly, the elements related to a finance lease of factory premises in the PRC are reclassified to property, plant and equipment and the remaining balance of the prepayments under processing arrangement is an operating lease of land use rights. This change has been applied retrospectively. There is no material impact on the results for the current or prior years.

2. 採用香港財務報告準則／會計政策之變更 (續)

業主佔用之土地租賃權益

於以往年度，業主佔用之租賃土地及樓宇列入物業、廠房及設備，並以成本模式計量。於本年度，本集團採用香港會計準則第17號「租賃」。根據香港會計準則第17號，為租賃分類目的，土地及樓宇租賃將土地及樓宇部份分開考慮，除非租金支出無法可靠地在土地及樓宇部份之間作出分配，在此情況下，整項租賃一般按融資租賃處理。倘可以可靠地分開土地及樓宇部份之租賃款項，土地中之租賃權益將重新分類至經營租賃下之預付租賃款項，並按成本列值及於租約期內按直線法攤銷。會計政策之變動已追溯應用。有關之財務影響已載於附註2A。相反，倘若不能可靠地分開土地及樓宇部份，土地中之租賃權益將繼續列入物業、廠房及設備。

香港(國際財務報告詮釋委員會)詮釋第4號(「香港國際財務報告詮釋委員會」—詮釋第4號)提供指引，以釐定包括了一宗交易或一系列相關交易(並無具備租賃之法律形式，但賦予權利可透過付款或支付一系列款項而使用資產)之安排，是否屬於根據香港會計準則第17號須作為租賃處理或包括有關租賃。將有關租賃分類為融資租賃或經營租賃時，須根據香港會計準則第17號處理。年內，本集團重新評估香港(國際財務報告詮釋委員會)—詮釋第4號項下之「根據加工安排之預付款項」，並認為其包括須根據香港會計準則第17號而分類之租賃。因此，與中國工廠物業之融資租賃有關之部分均重新分類為物業、廠房及設備，而根據加工安排之預付款項之結餘則屬於土地使用權之經營租賃。這變動已獲追溯應用。本年度或以前之業績並無受到重大影響。

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2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Recognition of share-based payments as expenses	確認以股份作支付之支出	1,923	221
Gain arising from fair value changes in derivative financial instruments	衍生金融工具公平值變動所產生之收益	(474)	–
Decrease in profit for the year	年度利潤減少	1,449	221

2A. 會計政策變動之影響概要

以上所述會計政策變動對本年度及上年度業績之影響如下：

Analysis of decrease in profit for the year by line items presented according to their function:

按項目功能分析年度利潤減少如下：

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Increase in administrative expenses	行政開支增加	1,923	221
Increase in other income	其他收入增加	(474)	–
Decrease in profit for the year	年度利潤減少	1,449	221

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2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The cumulative effects of the application of the new HKFRSs on 31st December, 2004 and 1st January, 2005 are summarised below:

2A. 會計政策變動之影響概要 (續)

於二零零四年十二月三十一日及二零零五年一月一日，採用新香港財務報告準則的累計影響概述如下：

		As at 31st December, 2004 (originally stated) 於二零零四年 十二月三十一日 (原列) HK\$'000 千港元	Adjustments 調整 HK\$'000 千港元	As at 31st December, 2004 and 1st January, 2005 (restated) 於二零零四年 十二月三十一日 及二零零五年 一月一日 (經重列) HK\$'000 千港元
Balance sheet items	資產負債表項目			
<i>Impact of HKAS 17 and HK(IFRIC) – INT 4</i>	香港會計準則第17號及香港(國際財務報告詮釋委員會) – 詮釋第4號之影響			
Property, plant and equipment	物業、廠房及設備	151,563	(3,083)	148,480
Prepaid lease payments on land use rights	土地使用權預付租賃款項	–	17,585	17,585
Prepayments under processing arrangement	根據加工安排之預付款項	16,803	(14,502)	2,301
Total effects on assets and liabilities	對資產及負債之影響總計	168,366	–	168,366
<i>Impact of HKFRS 2</i>	香港財務報告準則第2號之影響			
Retained profits	保留利潤	185,337	(221)	185,116
Share options reserve	購股權儲備	–	221	221
Total effects on equity	對權益之影響總計	185,337	–	185,337

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2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

2A. 會計政策變動之影響概要 (續)

The application of the new HKFRSs has no effect on the Group's equity on 1st January, 2004.

於二零零四年一月一日應用新香港財務報告準則對本集團之權益概無影響。

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

本集團並無提早應用下列已頒佈但未生效之新準則或詮釋。本公司董事預期，應用此等準則或詮釋將不會對本集團財務報表造成任何重大影響。

HKAS 1 (Amendment) 香港會計準則第1號(修訂本)	Capital Disclosures ¹ 資本披露 ¹
HKAS 19 (Amendment) 香港會計準則第19號(修訂本)	Actuarial Gains and Losses, Group Plans and Disclosures ³ 精算損益、集團計劃及披露 ³
HKAS 21 (Amendment) 香港會計準則第21號(修訂本)	Net Investment in a Foreign Operation ³ 境外業務投資淨額 ³
HKAS 39 (Amendment) 香港會計準則第39號(修訂本)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ³ 預測集團內部交易之現金流量對沖會計處理法 ³
HKAS 39 (Amendment) 香港會計準則第39號(修訂本)	The Fair Value Option ³ 期權之公平價值 ³
HKAS 39 & HKFRS 4 (Amendments) 香港會計準則第39號及香港 財務報告準則第4號(修訂本)	Financial Guarantee Contracts ³ 財務擔保合約 ³
HKFRS 6 香港財務報告準則第6號	Exploration for and Evaluation of Mineral Resources ³ 礦物資源之勘探及評估 ³
HKFRS 7 香港財務報告準則第7號	Financial Instruments: Disclosures ¹ 金融工具：披露 ¹
HK(IFRIC) – INT 5 香港(IFRIC) – 詮釋第5號	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ³ 解除運作、復原及環境修復基金所產生權益之權利 ³
HK(IFRIC) – INT 6 香港(IFRIC) – 詮釋第6號	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ⁴ 參與特定市場所產生之負債 – 廢料、電力及電子設備 ⁴
HK(IFRIC) – INT 7 香港(IFRIC) – 詮釋第7號	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² 根據香港會計準則第29號惡性通貨膨脹經濟中之財務報告採用重述法 ²

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2A. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

- ¹ Effective for annual periods beginning on or after 1st January 2007.
- ² Effective for annual periods beginning on or after 1st March 2006.
- ³ Effective for annual periods beginning on or after 1st January 2006.
- ⁴ Effective for annual periods beginning on or after 1st December 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments, which are measured at fair values, and in accordance with HKFRSs.

The consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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 into line with those used by other members of the Group.

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

2A. 會計政策變動之影響概要 (續)

- ¹ 於二零零七年一月一日或其後開始之年度期間生效。
- ² 於二零零六年三月一日或其後開始之年度期間生效。
- ³ 於二零零六年一月一日或其後開始之年度期間生效。
- ⁴ 於二零零五年十二月一日或其後開始之年度期間生效。

3. 主要會計政策

綜合財務報表根據歷史成本基準及新香港財務報告準則編製，惟若干金融工具按公平值計算者除外。

綜合財務報表載列香港聯合交易所有限公司證券上市規則及香港公司條例規定之適用披露，所採納之主要會計政策如下：

綜合基準

綜合財務報表包括本公司及其附屬公司每年結算至十二月三十一日止之財務報表。

於年內所收購或出售附屬公司之業績由收購生效之日起計入綜合收益表或結算至出售生效之日止(視適用情況而定)。

如有需要，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、收入及開支均於綜合賬目時對銷。

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3. 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.

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

Service income is recognised when services are rendered.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation and accumulated impairment losses, if any.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method.

No depreciation is provided on construction in progress until such time when construction work is completed and the costs of construction are transferred to the appropriate category of property, plant and equipment.

3. 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算，即日常業務中所提供貨品及服務之應收款項扣減折扣的數額。

貨品銷售於貨品交付客戶並轉移所有權時確認。

服務收入於提供服務時確認。

利息收入乃按時間基準，並參照尚未償還本金額及按所適用之實際利率釐生，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折讓至該資產之賬面淨值之利率。

物業、廠房及設備

物業、廠房及設備按成本減累計折舊及攤銷以及累計減值虧損(如有)呈列。

物業、廠房及設備項目(在建工程除外)於其估計可使用年期以直線法就沖銷其成本作出折舊及攤銷撥備。

於在建工程完工時，並將建設成本轉撥至適當類別之物業、廠房及設備後，方就在建工程作出折舊撥備。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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 income statement in the year in which the item is derecognised.

Investment in equity-linked deposit

Investment in equity-linked deposit is stated at cost, less any impairment loss that is other than temporary.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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.

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.

Inventories

Inventories are stated at the lower of cost and net realisable value and is calculated using the first-in, first-out method.

3. 主要會計政策 (續)

物業、廠房及設備 (續)

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利益時取消確認。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及賬面值間之差額計算)於該項目取消確認之年度計入收益表。

股本聯繫存款投資

股本聯繫存款投資以成本減任何非暫時性減值虧損列賬。

減值

於各結算日，本集團會審閱其有形資產賬面值，以確定有否任何跡象顯示該等資產出現減值虧損。倘資產之可收回金額估計低於其賬面值，則將該資產賬面值減至其可收回金額。減值虧損即時確認為開支。

倘其後撥回減值虧損，則將該資產之賬面值增至經修訂之估計可收回金額，惟增加的賬面值不得超過假如該資產於過往年度未有確認減值虧損而原應釐定之賬面值。減值虧損之撥回即時確認為收入。

存貨

存貨以成本及可變現淨值之較低者列賬，且採用先進先出法計算。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the 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 loans and receivables.

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, deposits and prepayments and bank balances and cash) 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.

3. 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資產負債表上確認。財務資產及財務負債按公平值初步確認。首次確認時，收購或發行財務資產及財務負債產生之直接交易成本(以公平值計入損益表之財務資產及財務負債除外)將視乎情況加入或扣除財務資產或財務負債之公平值。收購以公平值計入損益之財務資產或財務負債產生之直接交易成本即時在損益表確認。

財務資產

本集團之財務資產為貸款及應收款項。

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。於初步確認後各結算日，貸款及應收款項(包括貿易及其他應收款項、按金及預付款及銀行結餘及現金)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。減值虧損乃當可實質證明資產減值時於損益中確認，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乃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。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (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.

Equity instruments

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.

Financial liabilities

The Group's financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method after initial recognition.

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and 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.

3. 主要會計政策 (續)

金融工具 (續)

財務負債及股本

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

股本投資工具

股本投資工具乃證明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。

財務負債

本集團財務負債(包括貿易及其他應付款項及銀行借貸)乃隨後採用實際利率法按已攤銷成本計量。

不適合對沖會計法之衍生工具

不適合對沖會計法之衍生工具視為持作交易之財務資產或持作交易之財務負債。該等衍生工具之公平值變動直接於損益中確認。

取消確認

若從資產收取現金流量之權利已到期，或財務資產已轉讓及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，將於損益中確認。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

For financial liabilities, they are removed from the Group's balance sheet (i.e. 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 or payable is recognised in profit or loss.

Share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group.

All other leases are classified as operating leases and the rentals payable under operating leases are charged to the income statements on a straight line basis over the lease terms. 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.

3. 主要會計政策 (續)

金融工具 (續)

取消確認 (續)

就財務負債而言，則於本集團之資產負債表中移除（即倘於有關合約之特定責任獲解除、取消或到期）。取消確認之財務負債賬面值與已付或應付代價之差額乃於損益中確認。

以股份支付之支出交易

本公司僱員獲授之購股權

所獲服務按購股權授出日公平值釐定之公平值，在歸屬期間隨股權有相應增加以直線法列作開支（購股權儲備）。

購股權獲行使時，先前於購股權儲備中確認之數額將轉移至股份溢價。當購股權被收回或於屆滿日仍未獲行使，先前於購股權儲備中確認之數額將繼續留存於購股權儲備。

租賃

當租賃條款將有關資產擁有權之絕大部分風險及收益轉移給本集團，租賃便列為融資租賃。

所有其他租賃列為經營租賃，而根據經營租賃之應付租金採用直線法按租賃期間於收益表支銷。作為促使訂立經營租約之已收及應收利益，於租約期以直線法確認為租金支出扣減。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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 income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

3. 主要會計政策 (續)

稅項

所得稅開支為即期應付稅項及遞延稅項之總和。

即期應付稅項乃按本年度應課稅溢利計算。應課稅溢利不包括已撥往其他年度的應課稅或可扣減之收入及開支項目，亦不包括收益表內可免稅或不可扣稅之項目，故與收益表所列純利不同。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。

遞延稅項指就財務報表資產及負債賬面值與計算應課稅溢利所用相應稅基間之差額而確認，並以資產負債表負債法列賬。遞延稅項負債一般就所有應課稅暫時差額確認，遞延稅項資產則於很可能以可扣減暫時差額對銷應課稅溢利時確認。如暫時差額由商譽或由初次確認一項不影響稅項溢利或會計溢利之交易之其他資產及負債(業務合併除外)所產生，有關資產及負債則不予確認。

遞延稅項資產之賬面值於各個結算日檢討，並予以相應扣減，直至並無足夠應課稅溢利以收回全部或部分遞延稅項資產為止。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 consolidated 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.

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 retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

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 Company (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.

3. 主要會計政策 (續)

稅項 (續)

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。遞延稅項從綜合收益表扣除或計入綜合收益表，除非遞延稅項關乎從股本權益直接扣除或直接計入股本權益之項目，在該情況下，遞延稅項亦於股本權益處理。

外幣

於編製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日期之適用匯率換算為功能貨幣(如該實體經營所在主要經濟地區之貨幣)記賬。於各結算日，以外幣為定值之貨幣項目均按結算日之適用匯率重新換算。按外幣過往成本計量之非貨幣項目毋須重新換算。

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賬中確認。

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(如港元)，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動大幅波動則作別論，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)乃確認作股本之獨立部分(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賬內確認。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit scheme

The retirement benefit costs charged in the consolidated income statement represent the contributions payable in respect of the current year to the Group's retirement benefit scheme.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in note 28.

3. 主要會計政策 (續)

借貸成本

收購、建造或生產未完成資產之直接應佔借貸成本撥充資本作為該等資產之部份成本。有關借貸成本在資產大致可作擬定用途或銷售時不再撥充資本。特定借貸有待用於未完成資產時作臨時投資所賺取之投資收入，於可撥充資本之借貸成本扣除。

所有其他借貸成本乃於產生之期間於損益賬內確認。

退休福利計劃

於綜合收益表支銷之退休福利成本指本年度就本集團退休福利計劃應付之供款。

4. 不明朗因素之主要來源

涉及日後之主要假設及於結算日估計不明朗因素之其他主要來源(彼等均擁有導致下個財政年度之資產及負債之賬面值出現大幅調整之重大風險)載於附註28。

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and bank borrowings. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st December, 2005 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's principal financial assets are trade receivables and bank balances and cash. The Group's credit risk is primarily attributable to its trade receivables and bank deposits. It is the Group's policy to enter into transactions with credit-worthy parties. Also, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Bank deposits are placed directly with reputable financial institutions. In this regard, the directors of the Company consider that the Group credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

5. 財務風險管理目標及政策

本集團之主要財務工具包括貿易及其他應收款項、銀行結餘及現金、貿易及其他應付款項及銀行借貸。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。

信貸風險

倘對方於二零零五年十二月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險為已於綜合資產負債表列值之資產之賬面金額反映。

本集團之主要財務資產為貿易應收款項及銀行結餘及現金。本集團之主要信貸風險來自其貿易應收款項及銀行存款。本集團之政策是與信譽可靠之人士進行交易。此外，於各結算日，本集團會評估每項個別貿易應收款項之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。銀行存款則直接存於享譽盛名之金融機構。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

本集團之信貸風險承擔分散於數目眾多之交易對手及客戶，故本集團並無重大集中之信貸風險。

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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

Interest-bearing financial liabilities are mainly bank borrowings which are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. However, the management monitors the interest rate exposure and considers hedging significant interest exposure should the need arises.

Foreign currency risk

Certain trade payables of the Group are denominated in foreign currencies. The Group currently does not have a formal currency hedging policy. However, the management monitors foreign exchange exposure and consider hedging significant foreign currency exposure should the need arises.

6. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the net amount received and receivable for goods sold during the year.

Segment information

All of the Group's turnover and contribution to operating profit are attributable to the manufacturing and sales of paper ware products and over 90% of the Group's turnover and contribution to operating profit is attributable to customers who have their manufacturing base in the PRC. Accordingly, no analysis of segment is presented.

As at 31st December, 2004 and 31st December, 2005, all the Group's assets and liabilities are located in the PRC, including Hong Kong and Macau.

5. 財務風險管理目標及政策 (續)

利率風險

本集團之財務負債主要為以浮動利率安排之銀行借貸，故本集團須承受現金流量利率變動風險。不過，管理人員控制利率風險及考慮必要時對沖重大利率風險。

外幣風險

本集團若干貿易應付款項乃以外幣計值。本集團現時尚無正式貨幣對沖政策。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。

6. 營業額及分部資料

營業額

營業額指年內銷售貨品而已收及應收款淨額。

分部資料

本集團所有營業額及經營溢利貢獻均來自紙品生產與銷售，本集團超過90%營業額及經營溢利來自在中國設有生產基地之客戶。因此，並無呈列分部分析。

於二零零四年十二月三十一日及二零零五年十二月三十一日，本集團之資產及負債全部位於中國，包括香港及澳門。

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7. OTHER INCOME

7. 其他收入

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Claims received from suppliers	自供應商索償所得	477	785
Exchange gain, net	貨幣兌換收益淨值	1,807	603
Fair value changes in derivative financial instruments	衍生金融工具公平值之變動	474	-
Gain on disposal of property, plant and equipment	出售物業、廠房及設備收益	155	-
Interest income	利息收入	1,618	309
Realised gain on investment in securities	證券投資已實現收益	-	7
Scrap sales	廢料銷售	4,337	5,039
Service income from customers	自顧客收取服務收入	2,232	1,951
Sundry income	雜項收入	5,102	2,860
		16,202	11,554

8. FINANCE COSTS

8. 財務成本

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Interest on bank borrowings wholly repayable within five years	須於五年內清付之銀行借貸之利息	8,121	1,523
Interest on discounted bills	貼現票據利息	458	253
Total borrowing costs	借貸成本總額	8,579	1,776
Less: amounts capitalised to property, plant and equipment	減：撥充物業、廠房及設備之資本金額	(2,655)	-
		5,924	1,776
Finance charges on obligations under finance leases	融資租賃承擔之融資費用	-	95
		5,924	1,871

Borrowing costs capitalised during the year ended 31st December, 2005 arising on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 2.342% to expenditure on the qualifying assets.

於截至二零零五年十二月三十一日止年度內由本集團一般借貸金撥充資本之借貸成本將發展中物業開支按資本化比率2.342%計算而得出。

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9. TAXATION

9. 稅項

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
The charge comprises:	稅項包括：		
Current taxation	即期稅項		
– Hong Kong Profits Tax	– 香港利得稅	8,921	2,719
Deferred taxation (note 24)	遞延稅項(附註24)	(7,825)	5,000
		1,096	7,719

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

香港利得稅按期內估計應課稅溢利及按17.5%(二零零四年：17.5%)稅率計算。

A portion of the Group's profits are earned by the Macau subsidiaries of the Group incorporated under the Macau SAR's Offshore Law. Pursuant to the Macau SAR's Offshore Law, such portion of profits are exempted from Macau complimentary tax, which is currently at 12% of the profits. Further, in the opinion of the Directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

本集團部分利潤乃由本集團根據澳門特別行政區離岸法律註冊成立之澳門附屬公司所賺取。根據澳門特別行政區離岸法律，該部分利潤毋須繳付澳門優惠稅(目前按利潤之12%徵收)。此外，董事認為，目前本集團該部分利潤亦毋須於本集團經營所在之任何其他司法權區內繳納稅項。

Pursuant to the relevant laws and regulations in the PRC, the major operating PRC subsidiary of the Group is exempted from PRC income tax for two years starting from the first profit-making year, followed by a 50% reduction in the income tax rate in the following three years. No provision for PRC income tax has been made in the financial statements as the PRC subsidiary was exempted from PRC income tax during the year.

根據中國有關法例及法規，本集團旗下之主要中國附屬公司自首個獲利年度起計兩年獲豁免繳交中國所得稅，其後三年獲減免50%所得稅。由於中國附屬公司於本年度獲豁免繳交中國所得稅，故並毋須於財務報表就中國所得稅作出撥備。

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9. TAXATION (Continued)

9. 稅項 (續)

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

年內稅項支出與綜合收益表所示稅前利潤之對賬如下：

		2005 HK\$'000 千港元	2004 HK\$'000 千港元 (Restated) (經重列)
Profit before taxation	稅前利潤	70,809	74,650
Tax at Hong Kong Profits Tax rate of 17.5%	按香港利得稅率17.5%計算之稅項	12,392	13,064
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(12,131)	(1,559)
Tax effect of expenses not deductible for tax purpose	不可扣稅開支之稅務影響	457	144
Tax effect of tax losses not recognised	未確認稅項虧損之稅務影響	63	50
Utilisation of tax loss previously not recognised	使用先前未確認之稅項虧損	(50)	-
Tax effect of other deferred tax assets not recognised	未確認其他遞延稅項資產之稅務影響	-	753
Tax effect of deferred tax assets previously not recognised	先前未確認遞延稅項資產之稅務影響	(419)	-
Effect of tax exemption/different tax rate of PRC subsidiaries	中國附屬公司獲豁免稅項/稅率不同之影響	(91)	(6,181)
Others	其他	875	1,448
Tax charge for the year	年度稅項開支	1,096	7,719

Details of the deferred taxation are set out in note 24.

遞延稅項之詳情載於附註24。

Contingent liabilities relating to taxation of the Group are set out in note 28.

有關本集團稅項之或然負債載於附註28。

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10. PROFIT FOR THE YEAR

10. 年度利潤

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Profit for the year has been arrived at after charging:	年度利潤已扣除下列各項：		
Allowance for doubtful debts	呆賬撥備	845	1,264
Auditors' remuneration	核數師酬金	830	708
Cost of inventories recognised as expenses	確認為開支之存貨成本	634,422	610,163
Depreciation	折舊	22,699	16,794
Release of prepaid lease payments on land use rights	撥回土地使用權預付租賃款項	200	200
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	-	176
Operating lease rental for warehouse and office premises	倉庫及辦公室經營租賃租金	464	341
Staff costs	員工成本		
Directors' emoluments (note 11)	董事酬金(附註11)	9,871	9,909
Other staff	其他員工		
- salaries and other allowances	- 薪金及其他津貼	11,458	9,758
- retirement benefit scheme contribution	- 退休福利計劃供款	307	260
- share-based payments	- 以股份支付之支出	423	34
		22,059	19,961

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11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

11. 董事酬金及五名最高薪酬僱員

董事

		Other emoluments 其他酬金					
		Salaries and other benefits 薪金及 其他福利	Bonus 花紅	Retirement benefit scheme contribution 退休福利 計劃供款		Share- based payments 以股份 支付之支出	Total 酬金總額
				Fees 袍金	Bonus 花紅		
		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	HK\$'000 千港元
2005	二零零五年						
Mr. Hui Sum Kwok	許森國先生	–	702	1,250	12	275	2,239
Mr. Hui Sum Ping	許森平先生	–	702	1,250	12	345	2,309
Mr. Hui Sum Tai	許森泰先生	–	515	1,250	12	313	2,090
Mr. Wong Wing Por	王榮波先生	–	574	1,250	12	326	2,162
Ms. Hui Yuen Li	許婉莉女士	–	467	105	12	225	809
Mr. Liu Kwok Fai, Alvan	廖國輝先生	98	–	–	–	8	106
Mr. Chee Man Sang, Eric	池民生先生	98	–	–	–	8	106
Mr. Wong Chu Leung	黃珠亮先生	50	–	–	–	–	50
		246	2,960	5,105	60	1,500	9,871

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11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Directors (Continued)

		Other emoluments 其他酬金					
		Fees 袍金 HK\$'000 千港元	Salaries and other benefits 薪金及 其他福利 HK\$'000 千港元	Bonus 花紅 HK\$'000 千港元	Retirement	Share- based paymemts 以股份 支付之支出 HK\$'000 千港元	Total 酬金總額 HK\$'000 千港元
					Benefit contribution 退休福利 計劃供款 HK\$'000 千港元		
2004	二零零四年						
Mr. Hui Sum Kwok	許森國先生	–	611	1,500	12	28	2,151
Mr. Hui Sum Ping	許森平先生	–	611	1,500	12	47	2,170
Mr. Hui Sum Tai	許森泰先生	–	448	1,500	12	63	2,023
Mr. Wong Wing Por	王榮波先生	–	500	1,500	12	37	2,049
Ms. Hui Yuen Li	許婉莉女士	–	438	88	12	4	542
Mr. Lam Hin Chi	藍顯賜先生	–	747	–	10	–	757
Mr. Liu Kwok Fai, Alvan	廖國輝先生	98	–	–	–	4	102
Mr. Chee Man Sang, Eric	池民生先生	98	–	–	–	4	102
Mr. Wong Chu Leung	黃珠亮先生	13	–	–	–	–	13
		209	3,355	6,088	70	187	9,909

Bonuses to directors, who are key management of the Group, are determined as a percentage of the profit before taxation of the Group for the two years ended 31st December, 2005.

During the year, no emoluments were paid by the Group to these directors as an inducement to join or upon joining the Group or as compensation for loss of office and no director had waived any emoluments.

本集團主要管理人員董事之花紅，乃參考截至二零零五年十二月三十一日止兩年度本集團稅前利潤百分比。

於年內，本集團概無支付任何酬金予此等董事作為招攬其加入或作為加入本集團之獎勵金或離職補償金，亦無董事放棄任何酬金。

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11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

Employees

Of the five highest paid individuals of the Group, four (2004: five) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2004: nil) individual were as follows:

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Salaries and other benefits	薪金及其他福利	765	—
Retirement benefit scheme contribution	退休福利計劃供款	12	—
Share-based payments	以股份支付之支出	111	—
		888	—

11. 董事酬金及五名最高薪酬僱員 (續)

僱員

五位最高薪酬人士中四位為本公司董事(二零零四年：五位)，有關彼等薪酬已於上文載列。其餘一位(二零零四年：無)人士之酬金如下：

12. DIVIDENDS

12. 股息

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Final dividend paid in respect of 2004 of 4.22 HK cents (2003: 1.26 HK cents) per share	已派二零零四年末期股息 每股4.22港仙 (二零零三年： 每股1.26港仙)	15,523	4,600
Interim dividend paid in respect of 2005 of 1.52 HK cents (2004: 1.26 HK cents) per share	已派二零零五年中期股息 每股1.52港仙 (二零零四年： 每股1.26港仙)	5,592	4,635
		21,115	9,235

The final dividend in respect of 2005 of 4.17 HK cents (2004: 4.22 HK Cents) per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

董事建議派付二零零五年末期股息每股4.17港仙(二零零四年：4.22港仙)，惟有待股東於應屆股東週年大會批准，方告落實。

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13. EARNINGS PER SHARE

13. 每股盈利

The calculation of the basic and diluted earnings per share is based on the following data:

每股基本及攤薄盈利乃按以下數據計算：

		2005 HK\$'000 千港元	2004 HK\$'000 千港元 (Restated) (經重列)
Earnings	盈利		
Earnings for the purposes of basic and diluted earnings per share – Profit for the year	計算每股基本及攤薄盈利之盈利－年度利潤	69,713	66,931
		2005	2004 (Restated) (經重列)
Number of shares	股份數目		
Weighted average number of shares for the purpose of basic earnings per share	計算每股基本盈利之加權平均股數	367,886,794	366,362,661
Effect of dilutive potential shares in respect of share options	購股權有關潛在攤薄股份之影響	5,202,216	2,210,705
Weighted average number of shares for the purpose of diluted earnings per share	計算每股攤薄盈利之加權平均股數	373,089,010	368,573,366

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13. EARNINGS PER SHARE (Continued)

The following table summarises the impact on both basic and diluted earnings per share as a result of the application of new accounting standards or interpretations:

13. 每股盈利 (續)

下表概述因採用新會計準則或釋義而對每股基本及攤薄盈利之影響：

		Basic earnings per share 每股基本盈利		Diluted earnings per share 每股攤薄盈利	
		2005 HK cents 港仙	2004 HK cents 港仙	2005 HK cents 港仙	2004 HK cents 港仙
Figures before adjustments	調整前數字	19.34	18.33	19.07	18.21
Adjustments arising from changes in accounting policies (see Note 2A)	因會計政策變動 而作出之調整 (見附註2A)	(0.39)	(0.06)	(0.38)	(0.05)
As reported/restated	如前呈報／經重列	18.95	18.27	18.69	18.16

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14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Land use rights in the PRC 中國土地 使用權	Construction in progress 在建工程	Factory premises in the PRC 中國廠房	Leasehold land and buildings 租賃土地 及樓宇	Leasehold improvements 租賃 物業裝修	Furniture, fixtures and office equipment 傢俬、裝置 及辦公室 設備	Plant, machinery and equipment 廠房、 機器及 設備	Motor vehicles 汽車	Total 總計
		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	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
THE GROUP	本集團									
COST	成本									
At 1st January, 2004 as originally stated	二零零四年 一月一日， 原列	8,709	-	22,043	1,888	7,793	4,186	95,646	4,847	145,112
Effects of changes in accounting policies	會計政策變動 之影響	(8,709)	-	19,358	-	-	-	-	-	10,649
At 1st January, 2004 as restated	二零零四年 一月一日， 經重列	-	-	41,401	1,888	7,793	4,186	95,646	4,847	155,761
Additions	增添	-	28,523	-	-	1,351	1,619	29,595	1,057	62,145
Disposals	出售	-	-	-	-	-	-	(323)	(86)	(409)
At 31st December, 2004	二零零四年 十二月三十一日	-	28,523	41,401	1,888	9,144	5,805	124,918	5,818	217,497
Additions	增添	-	45,242	-	-	6,524	1,645	110,174	2,757	166,342
Disposals	出售	-	-	-	-	(3)	(8)	(1,179)	(716)	(1,906)
Transfer	轉撥	-	(8,945)	-	-	8,945	-	-	-	-
At 31st December, 2005	二零零五年 十二月三十一日	-	64,820	41,401	1,888	24,610	7,442	233,913	7,859	381,933

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

14. 物業、廠房及設備 (續)

		Land use rights in the PRC 中國土地 使用權 HK\$'000 千港元	Construction in progress 在建工程 HK\$'000 千港元	Factory premises in the PRC 中國廠房 HK\$'000 千港元	Leasehold land and buildings 租賃土地 及樓宇 HK\$'000 千港元	Leasehold improvements 租賃 物業裝修 HK\$'000 千港元	Furniture, fixtures and office equipment 傢俬、裝置 及辦公室 設備 HK\$'000 千港元	Plant, machinery and equipment 廠房、 機器及 設備 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Total 總計 HK\$'000 千港元
DEPRECIATION AND AMORTISATION	折舊及攤銷									
At 1st January, 2004 as originally stated	二零零四年一月一日，原列	829	-	4,744	45	1,665	1,004	37,262	3,547	49,096
Effects of changes in accounting policies	會計政策變動之影響	(829)	-	4,082	-	-	-	-	-	3,253
At 1st January, 2004 as restated	二零零四年一月一日，經重列	-	-	8,826	45	1,665	1,004	37,262	3,547	52,349
Provided for the year	年度撥備	-	-	1,680	76	1,638	556	12,184	660	16,794
Eliminated on disposals	出售時註銷	-	-	-	-	-	-	(40)	(86)	(126)
At 31st December, 2004	二零零四年十二月三十一日	-	-	10,506	121	3,303	1,560	49,406	4,121	69,017
Provided for the year	年度撥備	-	-	1,680	76	4,280	651	15,105	907	22,699
Eliminated on disposals	出售時註銷	-	-	-	-	-	(2)	(83)	(623)	(708)
At 31st December, 2005	二零零五年十二月三十一日	-	-	12,186	197	7,583	2,209	64,428	4,405	91,008
CARRYING VALUE	賬面值									
At 31st December, 2005	二零零五年十二月三十一日	-	64,820	29,215	1,691	17,027	5,233	169,485	3,454	290,925
At 31st December, 2004	二零零四年十二月三十一日	-	28,523	30,895	1,767	5,841	4,245	75,512	1,697	148,480

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight line method at the following rates per annum:

Factory premises in the PRC	4%
Leasehold land and buildings	4%
Leasehold improvements	20%
Furniture, fixtures and office equipment	10%
Plant, machinery and equipment	10% – 33½%
Motor vehicles	20%

The leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

14. 物業、廠房及設備 (續)

上述物業、廠房及設備以直線法按以下年率折舊：

中國廠房	4%
租賃土地及樓宇	4%
租賃物業裝修	20%
傢俬、裝置及辦公室設備	10%
廠房、機器及設備	10% – 33½%
汽車	20%

租賃土地及樓宇位於香港並按照中期租約持有。

15. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

15. 土地使用權預付租賃款項

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
The Group's prepaid lease payments on land use rights comprise:	本集團土地使用權預付租賃款項包括：		
Land use rights in the PRC	位於中國之土地使用權		
Medium-term leases	中期租約	19,084	17,585
		19,084	17,585
Analysed for reporting purpose as:	就呈報而作分析：		
Non-current asset	非流動資產	18,652	17,385
Current asset	流動資產	432	200
		19,084	17,585

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16. PREPAYMENTS UNDER PROCESSING ARRANGEMENT

The amount represented the prepaid amount under an operating lease for land use rights.

16. 根據加工安排之預付款項

款項相等於在土地使權經營租賃下之預付款項。

17. INVENTORIES

17. 存貨

		THE GROUP	
		本集團	
		2005	2004
		HK\$'000	HK\$'000
		千港元	千港元
Raw materials	原材料	72,634	57,035
Work in progress	在製品	734	614
Finished goods	製成品	1,369	1,384
		74,737	59,033

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18. OTHER FINANCIAL ASSETS

Trade and other receivables

The Group has a policy of allowing a credit period of 5 - 120 days which may be extended to selected trade customers depending on their trade volume and history of settlement with the Group.

An aged analysis of trade receivables is as follows:

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Current	即期	93,252	83,101
Overdue 1 to 30 days	逾期1至30日	9,221	4,133
		102,473	87,234
Other receivables	其他應收款項	513	1,301
		102,986	88,535

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and short-term bank deposits at prevailing market interest rates and short-term bank deposits of fixed interest rates ranging from 0.1% to 4.0% with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

18. 其他財務資產

貿易及其他應收款項

本集團之政策為選擇性給予客戶5-120日之信貸期。且可以根據特定客戶與本集團之貿易量及付款歷史延長該信貸期。

貿易應收款項之賬齡分析如下：

董事認為貿易及其他應收款項之賬面值與其公平值相若。

銀行結餘及現金

本集團及短期銀行存款持有之銀行結餘及現金，於普遍市場利率及定期利率之短期銀行存款為0.1%至4.0%，其原本償還期為三個月或以下。該等資產之賬面值接近其公允價值。

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19. DERIVATIVE FINANCIAL INSTRUMENTS

19. 衍生金融工具

	2005		2004	
	Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元	Assets 資產 HK\$'000 千港元	Liabilities 負債 HK\$'000 千港元
Forward foreign exchange contracts 遠期外匯合約	-	(388)	-	-
Interest rate swaps 利率掉期	862	-	-	-
	862	(388)	-	-

Major terms of the forward foreign exchange contracts are as follows:

遠期外匯合約之主要條款如下：

Notional amount 名義金額		12 monthly contracts with maturity dates 12份每月合約之到期日	Contracted exchange rates 合約匯率
Purchase US\$500,000 or US\$1,000,000 per contract (Note)	每份合約購買價格 為500,000美元或 1,000,000美元(附註)	19.1.2006–20.12.2006	HK\$7.7475/US\$1
Purchase US\$500,000 or US\$1,500,000 per contract (Note)	每份合約購買價格 為500,000美元或 1,500,000美元(附註)	24.1.2006–20.12.2006	HK\$7.7490/US\$1

Note:

附註：

The amount of United States dollars to be purchased by the Group will be determined based on the market exchange rate at each maturity date as compared with the contracted exchange rates.

本集團所購買之美元金額將視乎各到期日市場匯率與合約匯率之相對數值而定。

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19. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the interest rate swaps are as follows:

Notional amount 名義金額	Maturity 到期日	Swaps 掉期
HK\$50,000,000	17.5.2010	From HIBOR floating rate to HIBOR floating rate with maximum interest rate of 4.95% 由香港銀行同業拆息浮息至香港銀行同業拆息浮息，最高利率為4.95%
HK\$50,000,000	25.5.2010	From HIBOR floating rate to HIBOR floating rate with maximum interest rate of 5.00% 由香港銀行同業拆息浮息至香港銀行同業拆息浮息，最高利率為5.00%

The above derivatives are measured at fair values at each balance sheet date. Their fair values are determined based on the market prices for equivalent instruments provided by the banks at the balance sheet date.

利率掉期之主要條款如下：

上述衍生工具於各結算日按公平值計算。其公平值乃按同等工具於結算日由銀行所報之市價釐定。

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20. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Current	即期	36,006	46,597
Overdue 1 to 30 days	逾期1至30日	4,270	5,745
Overdue 31 to 60 days	逾期31至60日	56	43
Overdue for more than 60 days	逾期60日以上	507	1,032
		40,839	53,417
Other payables and accrued charges	其他應付款項及應計支出	40,857	34,990
		81,696	88,407

The directors consider that the carrying amount of trade and other payable approximates their fair value.

貿易應付款項之賬齡分析如下：

董事認為貿易及其他應付款項之賬面值與其公平值相若。

21. BANK BORROWINGS

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Unsecured bank borrowings comprises:	無抵押銀行借貸包括：		
Trust receipt loans	信託收據貸款	55,454	24,336
Bank loans	銀行貸款	166,430	61,495
Bank overdraft	銀行透支	-	328
		221,884	86,159

21. 銀行借貸

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21. BANK BORROWINGS (Continued)

21. 銀行借貸 (續)

The maturity profile of the above loans and overdraft is as follows:

上述貸款及透支還款期限如下：

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
On demand or within one year	按要求或一年內	103,515	50,504
More than one year, but not exceeding two years	一年後但兩年內	38,739	24,138
More than two years, but not exceeding five years	兩年後但五年內	79,630	11,517
		221,884	86,159
Less: Amount due within one year shown under current liabilities	減：流動負債項下 一年內到期金額	(103,515)	(50,504)
Amount due after one year	一年後到期金額	118,369	35,655

Bank loans and trust receipt loans comprise the following Hong Kong dollars borrowings:

銀行貸款及信託收據貸款包括以下香港港元借貸：

		Effective interest rate 實際利率	2005 HK\$'000 千港元	2004 HK\$'000 千港元
Bank loans at Hong Kong Interbank Offer rate ("HIBOR") +0.7% to HIBOR+1.95%	按香港銀行同業拆息 (「香港銀行同業拆息」)之 銀行貸款加0.7厘至1.95厘	3.838%-4.919%	160,085	-
Other bank loans at Prime rate -1% to Prime rate -1.25%	按最優惠利率之其他 銀行貸款減1厘至1.25厘	4.698%-5.085%	6,345	10,840
Trust receipt loans	信託收據貸款	5.310%-5.680%	55,454	24,336
			221,884	85,831

All the bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. HIBOR interest is repricing monthly or quarterly.

所有銀行貸款以浮動利率安排，使本集團面對流動現金利率風險。香港銀行同業拆息利率每月或每季重訂。

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22. SHARE CAPITAL

22. 股本

		Number of shares 股份數目		Nominal value 面值	
		2005	2004	2005 HK\$'000 千港元	2004 HK\$'000 千港元
Shares of HK\$0.10 each	每股面值0.10港元之股份				
Authorised:	法定股本：				
At the beginning and the end of the year	於年初及年終	1,000,000,000	1,000,000,000	100,000	100,000
Issue and fully paid:	已發行及繳足股本：				
At the beginning of the year	於年初	367,836,000	365,042,000	36,783	36,504
Exercise of share options (Note 23)	行使購股權 (附註23)	90,000	2,794,000	9	279
At the end of the year	於年終	367,926,000	367,836,000	36,792	36,783

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23. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 4th September, 2003 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. The Scheme will expire on 3rd September, 2013.

Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive or non-executive directors (including independent non-executive directors), of the Company, its subsidiaries, or any entity ("Invested Entity") in which any member of the Group holds any equity interest, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity, and any consultants, advisers, managers, officers or entities that provides research, development or other technological support to the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme is not permitted to exceed 36,000,000 shares, being 10% of the shares of the Company in issue as at the date on which the shares of the Company are listed on the Stock Exchange, which can be refreshed according to the Scheme. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Scheme shall not exceed 30% of the issued share capital of the Company from time to time.

23. 以股份支付之支出

股權支付交易購股權計劃

根據於二零零三年九月四日通過之決議案，本公司已採納購股權計劃（「該計劃」），主要目的為向指定參與者授予購股權，以鼓勵或獎賞彼等對本集團作出之貢獻。該計劃將於二零一三年九月三日屆滿。

根據該計劃，本公司董事會可向本公司、其附屬公司或本集團任何成員公司持有任何股權之任何機構（「所投資機構」）之合資格僱員（包括執行董事或非執行董事或獨立非執行董事）授出購股權，以認購本公司股份。另外，本公司有權不時授出購股權予任何向本集團之成員公司或任何所投資機構提供貨物或服務之任何供應商、本集團或任何所投資機構之任何客戶，以及向本集團或任何所投資機構提供研究、開發或其他技術支援服務之任何諮詢人、顧問、經理、高層人員或機構。

根據該計劃授出之購股權獲全數行使時可予發行之股份總數，不得超逾36,000,000股股份，即本公司股份於聯交所上市當日已發行股份之10%，而此限額可根據該計劃更新。於任何時間因隨時行使根據該計劃授出而未行使之全部購股權而可予發行股份數目，不得超過本公司不時之已發行股本之30%。

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23. SHARE-BASED PAYMENTS (Continued)

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders in accordance with the Scheme. Where any grant of options to a substantial shareholder or an independent non-executive director or any of their respective associates would result in the shares in the Company issued and to be issued upon exercise of all options to such person in the 12-month period up to and including the date of grant in excess of 0.1% of the shares of the Company in issue and with a value (based on the closing price of the shares of the Company at the offer date of each offer) in excess of HK\$5,000,000, such grant of options must be approved in advance by the Company's shareholders in accordance with the Scheme.

An option may be exercised at any time during the period to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and ten years from the date of offer of that option. A consideration of HK\$1 is payable upon acceptance of the offer.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share; the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

23. 以股份支付之支出 (續)

未經本公司股東根據該計劃事先批准，向任何個人授出之購股權可能涉及之股份數目，於任何十二個月期間，均不得超過本公司於任何時間已發行股份之1%。倘向一名主要股東、獨立非執行董事或彼等之任何聯繫人士授出任何購股權，會導致因授予該人士之所有購股權獲行使而於截至授出當日止十二個月期間，已經及將予發行之本公司股份，合共佔本公司已發行股份超過0.1%，且價值（根據本公司股份於每次授出購股權日期之收市價計算）超過5,000,000港元，則該項授出購股權須事先得到本公司股東根據該計劃批准。

購股權可於董事釐定及知會承授人之期間內隨時行使，倘未有釐定，則由接納授出購股權日期起至該購股權根據該計劃失效之日及授出該購股權日期起計十年之較早日期。於接納購股權時須付1港元代價。

行使價乃由本公司董事釐定，惟不得低於股份面值、本公司股份於授出日期之收市價及股份緊接於授出日期前五個營業日之平均收市價之較高者。

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23. SHARE-BASED PAYMENTS (Continued)

The following table discloses details of the Company's share options held by the employees and movements in such holdings during the year:

2005			二零零五年				Outstanding
Option type	Date of grant	Exercisable price	Outstanding at 1.1.2005	Granted during 2005	Exercised during 2005	Cancelled during 2005	at 31.12.2005
購股權類別	授出日期	行使價 HK\$ 港元	於二零零五年 一月一日 尚未行使	二零零五年 內授出	二零零五年 內行使	二零零五年 內註銷	於二零零五年 十二月 三十一日 尚未行使
A	3.11.2003	1.130	12,722,000	–	(50,000)	(14,000)	12,658,000
B	29.7.2004	1.330	11,000,000	–	(40,000)	(20,000)	10,940,000
C	4.11.2004	1.104	9,000,000	–	–	–	9,000,000
			32,722,000	–	(90,000)	(34,000)	32,598,000
Exercisable at the end of the year	於年終可行使						22,598,000
Weighted average exercise price	加權平均行使價		1.190	–	1.219	1.248	1.190

23. 以股份支付之支出 (續)

下表披露由僱員持有之本公司購股權以及該等購股權於年內之變動詳情：

二零零五年

2005			二零零五年				Outstanding
Option type	Date of grant	Exercisable price	Outstanding at 1.1.2005	Granted during 2005	Exercised during 2005	Cancelled during 2005	at 31.12.2005
購股權類別	授出日期	行使價 HK\$ 港元	於二零零五年 一月一日 尚未行使	二零零五年 內授出	二零零五年 內行使	二零零五年 內註銷	於二零零五年 十二月 三十一日 尚未行使
A	3.11.2003	1.130	12,722,000	–	(50,000)	(14,000)	12,658,000
B	29.7.2004	1.330	11,000,000	–	(40,000)	(20,000)	10,940,000
C	4.11.2004	1.104	9,000,000	–	–	–	9,000,000
			32,722,000	–	(90,000)	(34,000)	32,598,000
Exercisable at the end of the year	於年終可行使						22,598,000
Weighted average exercise price	加權平均行使價		1.190	–	1.219	1.248	1.190

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23. SHARE-BASED PAYMENTS (Continued)

23. 以股份支付之支出 (續)

2004		二零零四年					Outstanding
Option type	Date of grant	Exercisable price	Outstanding at 1.1.2004	Granted during 2004	Exercised during 2004	Cancelled during 2004	at 31.12.2004
購股權類別	授出日期	行使價 HK\$ 港元	於二零零四年 一月一日 尚未行使	二零零四年 內授出	二零零四年 內行使	二零零四年 內註銷	於二零零四年 十二月 三十一日 尚未行使
A	3.11.2003	1.130	16,000,000	–	(2,794,000)	(484,000)	12,722,000
B	29.7.2004	1.330	–	11,000,000	–	–	11,000,000
C	4.11.2004	1.104	–	9,000,000	–	–	9,000,000
			16,000,000	20,000,000	(2,794,000)	(484,000)	32,722,000
Exercisable at the end of the year	於年終可行使						8,722,000
Weighted average exercise price	加權平均行使價		1.130	1.228	1.130	1.130	1.190

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23. SHARE-BASED PAYMENTS (Continued)

Note:

The vesting period, which is the period from the date of grant to the exercisable date, of the share options granted is determined by directors at each time when the options are granted. Holders of share options granted under the Scheme may only exercise their options during the exercisable periods as follows:

Option type A A類購股權	Option type B B類購股權	Option type C C類購股權	Maximum % of share options exercisable 可行使購股權最高百分比
3.5.2004 – 3.11.2004	1.1.2005 – 31.12.2005	1.3.2005 – 28.2.2006	up to 50% 最高可達50%
4.11.2004 – 3.11.2005	1.1.2006 – 31.12.2006	1.3.2006 – 28.2.2007	up to 75% (to the extent not already exercised) 最高可達75% (以尚未行使者為限)
4.11.2005 – 3.11.2006	1.1.2007 – 31.12.2007	1.3.2007 – 29.2.2008	up to 100% (to the extent not already exercised) 最高可達100% (以尚未行使者為限)

Total consideration received from employees during the year ended 31st December, 2004 for taking up the share options granted amounted to HK\$17.

The weighted average share price at the dates of exercise for those share options exercised during the year was HK\$1.32 (2004: HK\$1.38). The options outstanding at the end of the year have a weighted average remaining contractual life of 1.6 years (2004: 2.6 years).

During the year ended 31st December, 2004, options were granted on 29th July and 4th November. The estimated fair values of the options granted on those dates are HK\$966,197 and HK\$989,256 respectively.

23. 以股份支付之支出 (續)

附註：

授出購股權之歸屬期為行使授權日期期間由董事於每次授出購股權時釐定。根據該計劃授出之購股權持有人僅可於以下行使期間行使其購股權：

於截至二零零四年十二月三十一日止年度內，就董事及僱員接納購股權而自彼等收取之總代價為17港元。

就年內行使之購股權而言，其行使日之加權平均股價為1.32港元(二零零四年：1.38港元)。於年終尚未行使之購股權之加權平均剩餘合約期為1.6年(二零零四年：2.6年)。

於截至二零零四年十二月三十一日止年度，本公司分別於七月二十九日及十一月四日授出購股權。於上述日期授出之購股權之估計公平值分別為966,197港元及989,256港元。

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23. SHARE-BASED PAYMENTS (Continued)

23. 以股份支付之支出 (續)

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

該等公平值乃根據柏力克－舒爾斯定價模式計算。該定價模式之輸入數值列明如下：

	2004
Weighted average share price	HK\$1.11/HK\$1.33
加權平均股價	1.11港元／1.33港元
Exercise price	HK\$1.104/HK\$1.33
行使價	1.104港元／1.33港元
Expected volatility	29%
預計波幅	29%
Expected life	0.3 to 2.4 years
預計年期	0.3年至2.4年
Risk-free rate	3.21%
無風險利率	3.21%
Expected dividend yield	5%
預計股息率	5%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

預計波幅乃依據本公司股價於上年之歷史波幅測算。就非轉讓性、行使限制及行為考慮而言，根據管理層之最佳估計，該模式所使用之預計年期已作出調整。

The Black-Scholes pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

由於「柏力克－舒爾斯」定價模式要求輸入較多主觀假設數據，包括股價之波幅，任何已採用之主觀假設數據倘出現變化，可能對公平值之估算產生重大影響。

The Group recognised the total expense of HK\$1,923,000 for the year ended 31st December, 2005 (2004: HK\$221,000) in relation to share options granted by the Company.

本集團確認截至二零零五年十二月三十一日止年度與本公司所授出之購股權有關之總支出為1,923,000港元（二零零四年：221,000港元）。

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24. DEFERRED TAXATION

The following are the deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting period:

24. 遞延稅項

以下為本集團確認之遞延稅項負債(資產)及於本報告期間及以往報告期間之變動：

		Accelerated tax depreciation 加速稅項折舊	Tax losses 稅項虧損	Total 總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1st January, 2004	於二零零四年一月一日	5,395	(1,904)	3,491
Charge to income for the year	自本年度收入扣除	3,096	1,904	5,000
At 31st December, 2004	於二零零四年 十二月三十一日	8,491	—	8,491
Credit to income for the year	自本年度收入扣除	(7,825)	—	(7,825)
At 31st December, 2005	於二零零五年 十二月三十一日	666	—	666

At 31st December, 2005, the Group has unused tax losses of HK\$359,000 (2004: HK\$284,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

於二零零五年十二月三十一日，本集團可用以抵銷日後利潤之未使用稅項虧損為359,000港元(二零零四年：284,000港元)。由於無法預計未來利潤來源，故並無就該等稅項虧損確認遞延稅項資產。虧損可無限期結轉。

At 31st December, 2005, the Group also has other deductible temporary differences of HK\$1,911,000 (2004: HK\$4,305,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

於二零零五年十二月三十一日，本集團亦有其他可扣稅暫時差額1,911,000港元(二零零四年：4,305,000港元)。由於可能沒有應課稅利潤可用以抵銷該等可扣稅暫時差額，故並無就該等可扣稅暫時差額確認遞延稅項資產。

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25. OPERATING LEASE COMMITMENTS

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

Within one year	一年內
In the second to fifth years inclusive	第二年至第五年(包括首尾兩年)

		THE GROUP 本集團	
		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Within one year	一年內	484	466
In the second to fifth years inclusive	第二年至第五年(包括首尾兩年)	672	1,095
		1,156	1,561

Operating lease payments represent rentals payable by the Group for certain of its warehouse, ancillary office properties and car parks.

Lease is negotiated for a term of two years with fixed monthly rentals over the term of the lease.

25. 經營租賃承擔

於結算日，本集團根據不可取消經營租賃而有未實現未來最低租賃付款承擔，且於下列期間到期：

經營租賃付款指本集團用作倉庫、輔助辦公物業及停車位之應付租金。

租賃議定為兩年期，並於租約期間按月支付固定租金。

26. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the financial statements	已訂約但未於財務報表提撥之廠房及設備收購資本開支
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		THE GROUP 本集團	
		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the financial statements	已訂約但未於財務報表提撥之廠房及設備收購資本開支	1,917	40,392

26. 資本承擔

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27. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

PRC

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 10% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

27. 退休福利計劃

香港

本集團為其香港僱員加入強制性公積金計劃(「強積金計劃」)。強積金計劃根據強制性公積金計劃條例於強制性公積金計劃管理局註冊。強積金計劃之資產與本集團資產分開，由獨立受託人控制之基金託管。根據強積金計劃規則，僱主及其僱員各自須按規則指定的比率向強積金計劃繳付供款。本集團對有關強積金計劃之唯一責任是向強積金計劃繳付規定的供款。

於綜合收益表支銷之強積金計劃退休福利計劃供款為本集團按計劃規定之比率應向基金作出之供款。

中國

本集團之中國附屬公司僱員為中國政府管理之國家管理退休福利計劃成員。附屬公司須按其薪金成本10%向退休福利計劃供款，以撥資福利。本集團對退休福利計劃之唯一責任為作出指定供款。

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28. CONTINGENT LIABILITIES

On 9th December, 2004, a tax audit has been commenced by the Hong Kong Inland Revenue Department (the "IRD") on certain subsidiaries of the Company, namely, Gong Ming Hop Fung Paper Ware Factory Limited, Fung Kong Hop Fung Paper Ware Factory Limited and Hop Fung (Overseas) Trading Limited (the "Subsidiaries"), in respect of the years of assessment 1998/1999 to 2003/2004. On 26th January, 2005, and 5th January, 2006 whilst these cases are still under investigation, the IRD issued protective assessments for the years of assessment 1998/1999 and 1999/2000 respectively to the above-mentioned subsidiaries in order not to jeopardise the assessment powers of the IRD which will be time-barred after 6 years of assessment. Objections have been filed against all these assessments and, accordingly, no provision has been made in the financial statements in respect of any potential tax liabilities.

Up to date, the taxes demanded under the protective assessments amounted to HK\$13,758,000 in aggregate. Subsequent to the lodgement of objections by the Subsidiaries, tax reserve certificates of HK\$480,000 and HK\$1,400,000 in respect of the assessments for Gong Ming Hop Fung Paper Ware Factory Limited and Fung Kong Hop Fung Paper Ware Factory Limited, pending the outcome of the tax audits and the objections, were purchased in March 2005 and March, 2006 respectively. The remaining amounts of HK\$11,878,000 tax demanded by the IRD have been held over unconditionally.

In the opinion of the Company's directors, the potential tax liabilities that may arise as a result of the tax audits, if any, would not have any significant effects on the financial statements of the Group.

28. 或然負債

於二零零四年十二月九日，香港稅務局（「稅務局」）就本公司若干附屬公司公明合豐紙品廠有限公司、鳳崗合豐紙品廠有限公司及Hop Fung (Overseas) Trading Limited（附屬公司）於一九九八／一九九九年至二零零三年／二零零四年評稅年度展開稅務審核。有關審核尚在進行期間，於二零零五年一月二十六日及二零零六年一月五日稅務局就上述附屬公司之一九九八／一九九九年及一九九九／二零零零年評稅年度發出保障性評稅單，以免影響稅務局須於有關評稅年度後六年內行使之評稅權力。本集團已就所有該等評稅提出反對，因此，並無就任何潛在稅務負債於財務報表作出撥備。

直至該日期，在保障性評稅要求之稅款總額為13,758,000港元。分別於二零零五年三月及二零零六年三月就公明合豐紙品廠有限公司及鳳崗合豐紙品廠有限公司之評稅購買480,000港元及1,400,000港元儲稅券，以待稅務審核及提出反對之結果。其餘稅務局要求之稅項11,878,000港元已獲無條件暫緩。

本公司董事認為，有關稅務審核可能產生潛在稅務負債，惟即使產生有關負債，亦不會對本集團財務報表構成任何重大影響。

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29. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related companies:

Name 名稱	Notes 附註	Nature of transactions 交易性質	2005 千港元 HK\$'000	2004 千港元 HK\$'000
Fung Kong Wing Lung Paper Ware Factory Limited 鳳崗永隆紙品廠有限公司	(i)	Sales of goods 銷售貨品	—	2,219
Hop Fung (Australia) Pty. Ltd.	(ii)	Agency services 代理服務	—	—

Notes:

- (i) Sales to related party were determined on a cost-plus basis with reference to the market condition, and were negotiated on a case by case basis and mutually agreed by both parties.
- (ii) The Group has engaged Hop Fung (Australia) Pty. Ltd. as the Group's purchase agent in Australia at an annual fee of HK\$1 for the agency services rendered to the Group. The total value of goods purchased under this arrangement from the suppliers amounted to HK\$46,679,000 (2004: HK\$20,202,000). Hop Fung (Australia) Pty. Ltd. is a company in which Mr. Hui Sum Kwok, executive director of the Company, has beneficial interest.

29. 關連人士交易

年內，本集團曾與其關連公司進行以下交易：

附註：

- (i) 對關連人士之銷售乃根據成本加利潤基準及參考市場狀況釐定，且因應每次情況及經雙方同意後議定。
- (ii) 本集團聘用 Hop Fung (Australia) Pty Ltd 為本集團於澳洲之採購代理人，並就其向本集團提供之代理服務支付年費 1 港元。根據此項安排自供應商採購之貨品總值為 46,679,000 港元 (二零零四年：20,202,000 港元)。本公司執行董事許森國先生於 Hop Fung (Australia) Pty Ltd 中擁有實益權益。

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截至二零零五年十二月三十一日止年度

30. SUMMARISED BALANCE SHEET OF THE COMPANY

30. 本公司資產負債表概要

		2005 HK\$'000 千港元	2004 HK\$'000 千港元
Investment in subsidiary	於附屬公司之投資	113,455	113,455
Amounts due from subsidiaries	應收附屬公司款項	379,199	135,579
Deposit and prepayments	按金及預付款	237	150
Bank balances and cash	銀行結餘及現金	8,743	12,829
Amounts due to subsidiaries	應付附屬公司款項	(219,267)	(542)
Other payables and accrued charges	其他應付款項及應計支出	(7,643)	(677)
Taxation	稅項	(166)	(447)
		274,558	260,347
Share capital	股本	36,792	36,783
Share premium and reserves	股份溢價及儲備	237,766	223,564
		274,558	260,347

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截至二零零五年十二月三十一日止年度

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries, all of which are wholly-owned by the Company, as at 31st December, 2005 are as follows:

31. 主要附屬公司資料

於二零零五年十二月三十一日，本公司旗下全資擁有之附屬公司詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation or registration/ operation 註冊成立/ 營業地點	Issued and fully paid share capital/ contributed capital 已發行及繳足 股本/實繳股本	Principal activities 主要業務
Chun Yik (Macao Commercial Offshore) Limited	Macau 澳門	Ordinary shares MOP100,000 普通股100,000澳門元	Trading of paper ware products 紙品貿易
Fung Kong Hop Fung Paper Ware Factory Limited 鳳崗合豐紙品廠有限公司	Hong Kong 香港	Ordinary shares HK\$100 普通股100港元 Non-voting deferred shares HK\$3,000,000 (Note) 無投票權遞延股 3,000,000港元 (附註)	Provision of management service 提供管理服務
Fung Kong Shing Fung Paper Ware Factory Limited 鳳崗誠豐紙品廠有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	Investment holding 投資控股

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FOR THE YEAR ENDED 31ST DECEMBER, 2005
截至二零零五年十二月三十一日止年度

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

31. 主要附屬公司資料 (續)

Name of subsidiary 附屬公司名稱	Place of incorporation or registration/ operation 註冊成立/ 營業地點	Issued and fully paid share capital/ contributed capital 已發行及繳足 股本/實繳股本	Principal activities 主要業務
Gong Ming Hop Fung Paper Ware Factory Limited 公明合豐紙品廠有限公司	Hong Kong 香港	Ordinary shares HK\$100 普通股100港元 Non-voting deferred shares HK\$3,000,000 (Note) 無投票權遞延股 3,000,000港元 (附註)	Trading of paper ware products 紙品貿易
Green Forest (QingXin) Paper Industrial Limited *	PRC 中國	Contributed capital HK\$172,094,899 實繳股本 172,094,899港元	Not yet commenced business 尚未營業
Hop Fung Consultants Limited	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	Provision of management service 提供管理服務
Hop Fung Group Company Limited	British Virgin Islands/ Hong Kong 英屬處女群島/香港	Ordinary shares US\$600 普通股600美元	Investment holding 投資控股

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FOR THE YEAR ENDED 31ST DECEMBER, 2005

截至二零零五年十二月三十一日止年度

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

31. 主要附屬公司資料 (續)

Name of subsidiary 附屬公司名稱	Place of incorporation or registration/ operation 註冊成立/ 營業地點	Issued and fully paid share capital/ contributed capital 已發行及繳足 股本/實繳股本	Principal activities 主要業務
Hop Fung International Enterprise Limited 合豐國際企業有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	Provision of accounting service 提供會計服務
Man Shung (Macao Commercial Offshore) Limited	Macau 澳門	Ordinary shares MOP100,000 普通股100,000澳門元	Manufacturing and trading of paper ware products 製造紙品及紙品貿易
Top Develop Limited	British Virgin Islands 英屬處女群島	Ordinary shares US\$1 普通股1美元	Investment holding 投資控股
東莞進益紙品有限公司*	PRC 中國	Contributed capital HK\$20,000,000 實繳股本 20,000,000港元	Manufacturing and sales of paper ware products 製造及銷售紙品

Note: The non-voting deferred shares, which are not held by the Group, practically carry no right to dividends or to receive notice of or to attend or vote at any annual general meeting of the companies. On winding up, the holders of the deferred shares are entitled to the distribution after the distribution of HK\$100,000,000 million to holders of ordinary shares, as specified in the articles of association.

附註：無投票權遞延股並非由本集團持有，且實際上並無附帶獲派股息、收取相關公司任何股東週年大會通知、出席或於會上投票之權利。於清盤時，根據公司組織章程細則規定，遞延股份持有人於向普通股持有人分派100,000,000,000,000港元後可參與分派。

Other than Hop Fung Group Company Limited, all subsidiaries are indirectly held by the Company.

除Hop Fung Group Company Limited外，其他所有附屬公司均由本公司間接持有。

None of the subsidiaries had any debt securities subsisting at 31st December, 2005 or at any time during the year.

於二零零五年十二月三十一日或年內任何時間，各附屬公司均無債務證券。

* Green Forest (QingXin) Paper Industrial Limited and 東莞進益紙品有限公司 are wholly foreign owned enterprise.

* 森葉(清新)紙業有限公司及東莞進益紙品有限公司為全資外資企業。