1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider Pegasus Footgear Management Limited, a company incorporated in the British Virgin Islands, to be the ultimate and immediate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information.

The consolidated financial statements are presented in United States dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of footwear products.

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

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

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

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 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January 2009.
[3] Effective for annual periods beginning on or after 1st March, 2006.
[4] Effective for annual periods beginning on or after 1st May, 2006.
[5] Effective for annual periods beginning on or after 1st June, 2006.
[6] Effective for annual periods beginning on or after 1st November, 2006.
[7] Effective for annual periods beginning on or after 1st March, 2007.
[8] Effective for annual periods beginning on or after 1st January, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties 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 Hong Kong Financial Reporting Standards 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 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 intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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 exactly discounts the 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, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease 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 dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

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. An 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 a revaluation decrease.

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 the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Cost comprises direct materials and, when applicable, direct labour costs and those overhead that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payment cannot be associated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

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 the respective 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 carried at fair value that are denominated in foreign currencies are retranslated 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 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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. United States 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. 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 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 amounts 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 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 the initial recognition of other assets and liabilities in a transaction that affects neither the taxable 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits schemes

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into held for trading investments and loans and receivables. 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 financial assets are set out below.

Held for trading investments

At each balance sheet date subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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, bank balances and amount due from an associate) 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.

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 entity after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Other financial liabilities

Other financial liabilities, including bank borrowings and trade and other payables, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments and hedging

The Group uses derivative financial instruments (primarily foreign exchange forward contracts) to hedge its exposure against foreign currency risk. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Derivatives of the Group 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 receivable 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following estimation that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements within the next financial year are discussed below.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Income taxes

At 31st December, 2006, a deferred tax asset of US$691,000 in relation to deductible temporary difference has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses and deductible temporary difference of US$5,778,000 and US$14,573,000 respectively 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 less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments, bank balances, borrowings, trade receivables and trade payables. Details of these financial instruments are disclosed in the 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

Certain trade receivables and trade payables of the Group are denominated in currencies other than functional currency at the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will enter into foreign currency forward contracts in order to mitigate the foreign currency risk, if necessary.

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, 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's concentration of credit risk by geographical locations is mainly concentrated in North America, Europe and Asia, which accounted for approximately 96% of the Group's trade receivables as at 31st December, 2006.

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, the Group reviews the recoverable amount of each individual trade receivables 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-rating.

5. FINANCIAL INSTRUMENTS *(continued)*

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

Cash flow interest rate risk

All borrowings of the Group are arranged at floating rates. The Group currently does not have a hedging policy on interest rate risk. However, the management monitors interest rate exposure and will consider interest rate swap contracts should the need arise.

b. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

- the fair value of derivative instruments, are calculated using quoted prices.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. SEGMENT INFORMATION

Geographical segments

For management purposes, the Group is currently organised into three major geographical segments based on the location of its customers. These segments are the bases on which the Group reports its primary segment information.

The following is an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

2006

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
REVENUE					
External sales of goods	75,065	21,702	38,013	6,685	141,465
RESULTS					
Segment results	10,512	2,370	5,324	936	19,142
Other income					1,162
Unallocated corporate expenses					(15,533)
Share of results of associates	–	52	–	–	52
Share of results of jointly controlled entities	–	127	–	–	127
Interest on bank borrowings wholly repayable within five years					(1,400)
Profit before taxation					3,550
Taxation					(430)
Profit for the year					3,120

6. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

2006 *(continued)*

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
BALANCE SHEET					
ASSETS					
Interests in associates	–	944	–	–	944
Interests in jointly controlled entities	–	2,550	–	–	2,550
Unallocated corporate assets					139,983
Consolidated total assets					143,477
LIABILITIES					
Unallocated corporate liabilities and consolidated total liabilities					39,287

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Unallocated US$'000	Consolidated US$'000
OTHER INFORMATION						
Impairment loss on trade receivables	284	–	–	–	–	284
Capital additions	–	–	–	–	4,471	4,471
Depreciation	–	–	–	–	8,583	8,583

6. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

2005

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
REVENUE					
External sales of goods	87,313	20,550	24,464	8,915	141,242
RESULTS					
Segment results	12,626	2,619	3,538	1,289	20,072
Other income					859
Unallocated corporate expenses					(17,080)
Share of results of associates	–	181	–	–	181
Share of results of jointly controlled entities	–	(76)	–	–	(76)
Interest on bank borrowings wholly repayable within five years					(1,199)
Profit before taxation					2,757
Taxation					(290)
Profit for the year					2,467

6. SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

2005 *(continued)*

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Consolidated US$'000
BALANCE SHEET					
ASSETS					
Interests in associates	–	1,012	–	–	1,012
Interests in jointly controlled entities	–	2,423	–	–	2,423
Unallocated corporate assets					142,654
Consolidated total assets					146,089
LIABILITIES					
Unallocated corporate liabilities and consolidated total liabilities					44,003

	North America US$'000	Asia US$'000	Europe US$'000	Others US$'000	Unallocated US$'000	Consolidated US$'000
OTHER INFORMATION						
Impairment loss on trade receivables	364	–	–	–	–	364
Capital additions	–	–	–	–	4,346	4,346
Depreciation	–	–	–	–	8,162	8,162

The Group's operations are located in Mainland China (the "PRC"), Hong Kong and Taiwan.

6. SEGMENT INFORMATION *(continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2006	2005	**2006**	2005
	US$'000	US$'000	**US$'000**	US$'000
PRC	**107,037**	105,204	**4,464**	4,341
Hong Kong	**24,274**	24,652	**7**	5
Taiwan	**1,170**	265	**–**	–
	132,481	130,121	**4,471**	4,346

Business segments

No analysis of financial information by business segment is presented as all the Group's turnover and trading results are generated from the manufacture and sale of footwear products.

7. PROFIT BEFORE TAXATION

	2006	2005
	US$'000	US$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 8)	**722**	802
Other staff costs	**34,523**	32,985
Retirement benefits scheme contributions (excluding contributions in respect of directors)	**1,882**	1,462
Total staff costs	**37,127**	35,249
Auditors' remuneration	**101**	137
Cost of inventories recognised as an expense	**118,331**	117,946
Depreciation of property, plant and equipment	**8,583**	8,162
Impairment loss on trade receivables	**284**	364
Loss on disposal of property, plant and equipment	**8**	101
Net foreign exchange losses	**404**	29
Release of prepaid lease payments	**139**	136
and after crediting:		
Gain on fair value changes of held for trading investments	**98**	-
Interest income	**235**	107

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2005: 9) directors were as follows:

2006

	Wu Chen San, Thomas US$'000	Wu Jenn Chang, Michael US$'000	Wu Jenn Tzong, Jackson US$'000	Ho Chin Fa, Steven US$'000	Yang Chih Chieh, Arthur US$'000	Fang Yen Ling US$'000	Lai Jenn Yang, Jeffrey US$'000	Liu Chung Kang, Helios US$'000	Total US$'000
Fees	24	12	12	12	9	8	8	8	93
Other emoluments									
Salaries and other benefits	198	167	71	96	–	–	–	–	532
Bonus	33	28	–	36	–	–	–	–	97
	255	207	83	144	9	8	8	8	722

2005

	Wu Chen San, Thomas US$'000	Wu Jenn Chang, Michael US$'000	Wu Jenn Tzong, Jackson US$'000	Ho Chin Fa, Steven US$'000	Yang Chih Chieh, Arthur US$'000	Fang Yen Ling US$'000	Lai Jenn Yang, Jeffrey US$'000	Liu Chung Kang, Helios US$'000	Chang Ho Hsi US$'000	Total US$'000
Fees	24	12	12	12	12	8	4	8	4	96
Other emoluments										
Salaries and other benefits	198	167	71	97	74	–	–	–	–	607
Bonus	33	28	–	38	–	–	–	–	–	99
	255	207	83	147	86	8	4	8	4	802

The performance related incentive payment is determined with reference to the Group's operating results, individual performance and the comparable market statistics.

No directors waived any emoluments in the years ended 31st December, 2006 and 2005.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included three executive directors (2005: 3 executive directors) of the Company, whose emoluments are included in the disclosure in note 8 above. The emoluments of the remaining two (2005: two) highest paid individual were as follows:

	2006 US$'000	2005 US$'000
Basic salaries and allowances	271	265
Retirement benefits scheme contributions	2	2
	273	267

The emoluments of these highest paid employees were within the following bands:

	Number of employees	
	2006	2005
Nil to HK$1,000,000 (equivalent to Nil to US$129,032)	1	1
HK$1,000,001 to HK$1,500,000 (equivalent to US$129,033 to US$193,548)	1	1

10. TAXATION

	2006 US$'000	2005 US$'000
Current taxation:		
Hong Kong	8	9
PRC	393	256
Taiwan	30	27
	431	292
Overprovision in prior years:		
Hong Kong	(1)	(2)
Taxation attributable to the Company and its subsidiaries	430	290

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for both years.

10. TAXATION *(continued)*

PRC income tax is charged at 27% or 33% on the assessable profits of the PRC subsidiaries. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are eligible for certain tax concessions and are exempted from PRC income taxes.

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

Save as disclosed above, in the opinion of the directors, the Group is not subject to taxation in any other jurisdictions.

Details of the deferred taxation are set out in note 26.

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

	2006	2005
	US$'000	US$'000
Profit before taxation	**3,550**	2,757
Tax at the domestic income tax rate of 33%	**1,172**	910
Tax effect of share of results of associates/ jointly controlled entities	**(59)**	(35)
Tax effect of expenses not deductible for tax purposes	**757**	1,145
Tax effect of income not taxable for tax purposes	**(2,517)**	(2,340)
Overprovision in prior years	**(1)**	(2)
Tax effect of tax losses/deferred tax assets not recognised	**1,225**	742
Effect of tax holidays and concessions granted to PRC subsidiaries	**(137)**	(115)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(10)**	(15)
Tax charge for the year	**430**	290

Note: The domestic tax rate in the jurisdiction where the operations of the Group is substantially based is used.

11. DIVIDENDS

	2006 US$'000	2005 US$'000
Dividends recognised as distribution during the year:		
Final, paid – HK1 cent for 2005 (2004: Nil) per share	**943**	–
Interim, paid – HK1 cent for 2006 (2005: Nil) per share	**943**	–
	1,886	–

For the year ended 31st December, 2006, the final dividend of HK1.5 cent per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of the Company of US$3,120,000 (2005: US$2,467,000) and on the weighted average number of 730,700,000 (2005: 730,700,000) ordinary shares in issue during the year.

No diluted earnings per share for the years ended 31st December, 2006 and 2005 have been presented because there are no potential dilutive ordinary shares outstanding.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST OR VALUATION							
At 1st January, 2005	34,793	1,164	1,467	86,220	14,647	1,014	139,305
Additions	32	1,302	5	2,773	214	20	4,346
Transfers	223	(2,416)	945	–	1,248	–	–
Disposals	–	–	–	(6)	(129)	(54)	(189)
Revaluation	772	–	–	–	–	–	772
At 31st December, 2005	35,820	50	2,417	88,987	15,980	980	144,234
Additions	–	1,361	–	2,979	125	6	4,471
Transfers	–	(1,050)	(950)	–	2,000	–	–
Disposals	–	–	–	–	(156)	–	(156)
Revaluation	300	–	–	–	–	–	300
At 31st December, 2006	**36,120**	**361**	**1,467**	**91,966**	**17,949**	**986**	**148,849**
Comprising:							
At cost	–	361	1,467	91,966	17,949	986	112,729
At valuation – December 2006	36,120	–	–	–	–	–	36,120
	36,120	361	1,467	91,966	17,949	986	148,849
DEPRECIATION							
At 1st January, 2005	–	–	1,458	58,045	11,546	833	71,882
Provided for the year	858	–	83	6,391	775	55	8,162
Eliminated on disposals	–	–	–	–	(34)	(54)	(88)
Eliminated on revaluation	(858)	–	–	–	–	–	(858)
At 31st December, 2005	–	–	1,541	64,436	12,287	834	79,098
Provided for the year	892	–	128	6,383	1,133	47	8,583
Transfer	–	–	(206)	–	206	–	–
Eliminated on disposals	–	–	–	–	(148)	–	(148)
Eliminated on revaluation	(892)	–	–	–	–	–	(892)
At 31st December, 2006	**–**	**–**	**1,463**	**70,819**	**13,478**	**881**	**86,641**
CARRYING VALUES							
At 31st December, 2006	**36,120**	**361**	**4**	**21,147**	**4,471**	**105**	**62,208**
At 31st December, 2005	35,820	50	876	24,551	3,693	146	65,136

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property, plant and equipment are depreciated at the following rates per annum:

Buildings	2%
Leasehold improvements	20%
Plant and machinery	10%-20%
Furniture, fixtures and equipment	20%-33$^1/_3$%
Motor vehicles	20%

The buildings and the construction in progress are situated in the PRC.

The buildings were revalued at 31st December, 2006 by Messrs. RHL Appraisal Limited, on a depreciated replacement cost basis. Messrs. RHL Appraisal Limited are not connected with the Group. Messrs. RHL Appraisal Limited are members of the Institute of Valuers and have appropriate qualifications and recent experience in valuation of similar properties. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence transaction prices of similar transactions.

If the buildings in the PRC had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation as follows:

	2006 **US$'000**	2005 US$'000
Cost at the end of the year	**36,127**	36,127
Accumulated depreciation	**(6,751)**	(6,002)
Net book value at the end of the year	**29,376**	30,125

14. PREPAID LEASE PAYMENTS

	2006 **US$'000**	2005 US$'000
The Group's prepaid lease payments comprise land use rights in the PRC under medium-term leases	**5,393**	5,532
Analysed for reporting purpose as:		
Current assets	**137**	136
Non-current assets	**5,256**	5,396
	5,393	5,532

15. INTERESTS IN ASSOCIATES

	2006 US$'000	2005 US$'000
Cost of unlisted investments in associates	400	400
Share of post-acquisition profits	544	612
	944	1,012
Amount due from an associate	12	8

The amount due from an associate is unsecured, interest-free, and repayable on demand.

Particulars of the Group's associates at 31st December, 2006 are as follows:

Name of associate	Form of business structure	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company	Principal activities
Hi-Tech Pacific Limited	Private limited company	British Virgin Islands	Hong Kong	Ordinary US$1,000,000	40%	Trading in footwear and investment holding
廣州和仁化學塑料有限公司	Wholly-owned foreign enterprise	PRC	PRC	Registered capital US$500,000	40%	Manufacturing of footwear materials

15. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group' associates is set out below:

	2006 US$'000	2005 US$'000
Total assets	**2,999**	2,776
Total liabilities	**(638)**	(247)
Net assets	**2,361**	2,529
Group's share of net assets of associates	**944**	1,012
Turnover	**4,495**	4,807
Profit for the year	**131**	452
Group's share of results of associates for the year	**52**	181

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006 US$'000	2005 US$'000
Cost of unlisted investments in jointly controlled entities	**2,400**	2,400
Share of post-acquisition profits	**150**	23
	2,550	2,423

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Particulars of the Group's jointly controlled entities at 31st December, 2006 are as follows:

Name of jointly controlled entities	Form of business structure	Place of incorporation/ establishment	Principal place of operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company	Principal activities
C.P.L. International Company Limited	Private limited company	British Virgin Islands	Hong Kong	Ordinary US$8,000,000	30%	Investment holding
C.P.L. International (H.K.) Company Limited	Private limited company	Hong Kong	Hong Kong	Ordinary HK$10,000	30%	Investment holding
C.P.L. Marketing Companies Limited	Private limited company	British Virgin Islands	Hong Kong	Ordinary US$1	30%	Provision of administrative services
Sunshine Leather Industrial Limited	Wholly-owned foreign enterprise	PRC	PRC	Registered capital US$1,000,000	30%	Manufacture of leather materials
Rich Pine Investments Limited	Private limited company	British Virgin Islands	Hong Kong	Ordinary US$50,000	30%	Marketing of leather materials

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

The summarised financial information in respect of the Group' jointly controlled entities is set out below:

	2006 US$'000	2005 US$'000
Total assets	**18,843**	16,354
Total liabilities	**(10,343)**	(8,277)
Net assets	**8,500**	8,077
Group's share of net assets of jointly controlled entities	**2,550**	2,423
Turnover	**24,766**	20,914
Profit (loss) for the year	**423**	(253)
Group's share of results of jointly controlled entities for the year	**127**	(76)

17. INVENTORIES

	2006 US$'000	2005 US$'000
Raw materials	**32,732**	33,033
Work in progress	**8,243**	5,952
Finished goods	**9,321**	6,834
	50,296	45,819

18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of the Group's trade receivables at the balance sheet date:

	2006 US$'000	2005 US$'000
0-30 days	**9,853**	10,529
31-60 days	**1,466**	1,316
Over 60 days	**1,093**	516
Total trade receivables	**12,412**	12,361
Other receivables	**2,172**	1,273
	14,584	13,634

19. HELD FOR TRADING INVESTMENTS

	2006 US$'000	2005 US$'000
Equity securities listed in Hong Kong	**361**	–

20. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rates, ranging from 1.93% to 3.87% (2005: 1.29% to 2.39%) per annum, and have original maturities of three months or less.

Included in the bank balances and cash at 31st December, 2006 was an amount in Renminbi of RMB25,700,000 (2005: RMB11,917,000) that are denominated in currency other than functional currency. Renminbi is not freely convertible into other currencies.

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2006 US$'000	2005 US$'000
0-30 days	**3,380**	3,991
31-60 days	**911**	361
Over 60 days	**509**	574
Total trade payables	**4,800**	4,926
Other payables	**5,668**	6,738
	10,468	11,664

22. UNSECURED BANK BORROWINGS

	2006 US$'000	2005 US$'000
Bank loans	**23,955**	28,477
Trust receipt loans	**1,796**	1,336
	25,751	29,813
Carrying amount repayable:		
On demand or within one year	**14,701**	16,458
More than one year, but not exceeding two years	**7,975**	9,480
More than two years, but not exceeding three years	**3,075**	3,875
	25,751	29,813
Less: Amounts due within one year shown under current liabilities	**(14,701)**	(15,858)
	11,050	13,955

The Group has variable-rate borrowings which carry interest at LIBOR plus a fixed percentage. Interest is repriced every three months.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2006	2005
Effective interest rate:		
Variable-rate borrowings	**4.75% to 6.69%**	3.17% to 5.43%

23. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st December, 2005, the Group had nine outstanding foreign currency forward contracts of which the Group sold United States dollars and purchased Renminbi, each with an exercisable period of one month. The fair value of the currency derivatives at the balance sheet date were insignificant. These contracts expired from January 2006 to October 2006.

No foreign currency forward contracts were entered by the Group in 2006.

24. SHARE CAPITAL

	Number of shares	Amount US$'000
Authorised		
Ordinary shares of HK$0.10 each		
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	1,500,000,000	19,355
Convertible non-voting preference shares of US$100,000 each (note)		
At 1st January, 2005, 31st December, 2005 and 31st December, 2006	150	15,000
		34,355

	Number of shares		Amount	
	2006 '000	2005 '000	**2006 US$'000**	2005 US$'000
Issued and fully paid				
Ordinary shares of HK$0.10 each	**730,700**	730,700	**9,428**	9,428

Note: Convertible non-voting preference shares, when issued and outstanding, carry fixed cumulative dividend. Under certain circumstances, they are entitled to additional dividend and are convertible into shares of the Company.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25th September, 1996 for the primary purpose of providing incentives to directors and eligible employees. It expired on 24th September, 2006. Under the Scheme, the board of directors of the Company were able to offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

25. SHARE OPTION SCHEME *(continued)*

No consideration is payable on the grant of an option. Options may be exercised at any time for a period of three years commencing on the first anniversary of the date of grant. The exercise price of the option shares would be at a price equal to the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares of the Company on the Stock Exchange on the five trading days immediately preceding the date of the offer to grant an option.

Upon the expiry of the Scheme, no new share option scheme has been launched.

During the years ended 31st December, 2006 and 2005, no share options were granted or exercised.

At 31st December, 2006 and 2005, no share options were outstanding under the Scheme.

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Revaluation of buildings in the PRC	**Accelerated accounting depreciation**	**Total**
	US$'000	US$'000	US$'000
At 1st January, 2005	2,331	(691)	1,640
Charge to equity	440	–	440
At 31st December, 2005	2,771	(691)	2,080
Charge to equity	322	–	322
At 31st December, 2006	3,093	(691)	2,402

For the purpose of balance sheet presentation, the above deferred assets and liabilities have been offset.

At 31st December, 2006, the Group had unutilised tax losses of US$5,778,000 (2005: US$5,119,000) available for offset against future profits and deductible temporary difference of US$17,133,000 (2005: US$14,079,000) in respect of accelerated accounting depreciation. No deferred tax assets have been recognised in respect of unutilised tax losses and deductible temporary difference of US$14,573,000 (2005: US$11,519,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of US$2,911,000 (2005: US$2,333,000) that will expire in 2007 to 2012 (2005: 2007 to 2011). Other losses may be carried forward indefinitely.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2006 US$'000	2005 US$'000
Minimum lease payment paid by the Group under operating leases during the year in respect of:		
Minimum lease payments	507	688
Contingent rent	–	1,153
	507	1,841

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

	2006 US$'000	2005 US$'000
Within one year	417	336
In the second to fifth year inclusive	215	137
Over five years	934	954
	1,566	1,427

Operating lease payments represent rentals payable by the Group for its factories and office premises. Leases are negotiated and rental are fixed for two to six years.

At 31st December, 2005, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of certain outlets which were based on a fixed percentage of the annual gross turnover of the outlets.

28. COMMITMENTS

	2006 US$'000	2005 US$'000
Contracted for but not provided in the financial statements:		
– acquisition of property, plant and equipment	–	159
– use of copyright licence (note)	2,292	–

Note: During the year ended 31st December, 2006, the Group entered into agreements with licensors to obtain licenses to use certain materials and trademarks in a number of merchandising activities for two to three years. Pursuant to the agreements, the Group agreed to pay royalties to the licensors which are based on certain fixed percentages of the selling prices for items sold. In addition, the Group has guaranteed to pay minimum royalties to the licensors throughout the contract period as stated above.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the government of the PRC. These subsidiaries are required to contribute 11% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

30. RELATED PARTY DISCLOSURES

(i) Related party transactions

During the year, the Group had entered into the following transactions with its related parties:

Nature of transactions	2006 US$'000	2005 US$'000
Purchases by the Group from an associate	63	509
Purchases by the Group from a jointly controlled entity	2,987	1,334

(ii) Remuneration of key management personnel

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

	2006 US$'000	2005 US$'000
Short term benefits	1,385	1,467
Post-employment benefits	2	2
	1,387	1,469

The remuneration of directors and key executives is determined with reference to the Group's operating results, individual performance and comparable market statistics.

30. RELATED PARTY DISCLOSURES *(continued)*

(iii) Related party balances

Details of the balances with the associate as at respective balance sheet dates are set out in the consolidated balance sheet and note 15.

(iv) Banking facilities

At 31st December, 2005, certain banking facilities were secured by the guarantees jointly given by Mr. Jenn Chang, Michael, a director of the Company, and his father Mr. Wu Suei to the extent of approximately US$788,000. These banking facilities were cancelled on 21st March, 2006.

31. BALANCE SHEET OF THE COMPANY

	2006	2005
	US$'000	US$'000
Non-current asset		
Investment in subsidiaries	**26,465**	26,465
Current assets		
Other receivables	**28**	39
Amounts due from subsidiaries	**24,031**	25,286
Dividend receivable from a subsidiary	**1,500**	2,000
Bank balances and cash	**1**	3
	25,560	27,328
Current liability		
Other payables	**41**	38
Net current assets	**25,519**	27,290
	51,984	53,755
Capital and reserves		
Share capital	**9,428**	9,428
Reserves (note)	**42,556**	44,327
	51,984	53,755

31. BALANCE SHEET OF THE COMPANY *(continued)*

Note:

Reserves

	Share premium US$'000	Contributed surplus US$'000	Dividend reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1st January, 2005	21,644	19,486	–	3,602	44,732
Loss for the year	–	–	–	(405)	(405)
Dividends proposed for 2005	–	–	943	(943)	–
At 31st December, 2005	21,644	19,486	943	2,254	44,327
Profit for the year	–	–	–	115	115
Final dividends paid for 2005	–	–	(943)	–	(943)
Interim dividends paid for 2006	–	–	–	(943)	(943)
Final dividends proposed for 2006	–	–	1,414	(1,414)	–
At 31st December, 2006	**21,644**	**19,486**	**1,414**	**12**	**42,556**

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the share capital issued by the Company under a corporate reorganisation undertaken in 1996.

32. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December, 2006 are as follows:

Name of subsidiary	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
W.P.T. Development Inc.	British Virgin Islands/Hong Kong	Ordinary US$8	100%	–	Investment holding
Pacific Footgear Corporation	British Virgin Islands/Hong Kong	Ordinary US$1	–	100%	Marketing and trading in footwear
Wuco Corporation	British Virgin Islands/Hong Kong	Ordinary US$8	–	100%	Trading in footwear and investment holding

32. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of establishment/ operations	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company Directly	Attributable equity interest held by the Company Indirectly	Principal activities
Nagano Management Limited	British Virgin Islands/Hong Kong	Ordinary US$11	–	100%	Investment holding
Topstair International (H.K.) Company Limited	Hong Kong	Ordinary HK$10,000	–	100%	Provision of administrative services to group companies
Pan Yu Fang Chun Footwear Co., Ltd.* 番禺豐群鞋業有限公司	PRC	Registered capital US$10,600,000	–	100%	Manufacture of footwear and footwear materials
Panyu Pegasus Footwear Co. Ltd. * 番禺創信鞋業有限公司	PRC	Registered capital US$38,000,000	–	100%	Manufacture of footwear and footwear materials
台灣松鄴國際有限公司	Taiwan	Registered capital NT$5,000,000	–	100%	Trading in raw materials of footwear
廣州創信鞋業品服飾有限公司 *	PRC	Registered capital RMB1,000,000	–	100%	Marketing and trading in footwear in the PRC

* These subsidiaries are established in the PRC as wholly-owned foreign enterprises.

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 issued any debt securities at the end of the year.