

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

綜合財務報表附註

FOR THE YEAR ENDED 31ST DECEMBER, 2006
截至二零零六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 consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 32.

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 (the "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 periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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。

綜合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32。

2. 新訂及經修訂之香港財務報告準則之應用

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準則、修訂及詮釋(「新香港財務報告準則」), 此等準則於二零零五年十二月一日或二零零六年一月一日或之後開始之會計期間生效。採用新香港財務報告準則並無對如何編製及呈列本集團本會計期間或以往會計期間之業績及財政狀況造成重大影響。故此毋須對以往期間作出調整。

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

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 how the results and the financial position of the Group are prepared and presented except for HKFRS 8. They have commenced considering the potential impact of HKFRS 8 but are not yet in a position to determine whether HKFRS 8 would have a significant impact on how its results and operations and financial position are prepared and presented.

HKAS 1 (Amendment)
香港會計準則第1號(修訂本)

Capital disclosures¹
資本披露¹

HKFRS 7
香港財務報告準則第7號

Financial instruments: Disclosures¹
金融工具：披露事項¹

HKFRS 8
香港財務報告準則第8號

Operating segments²
經營分部²

HK(IFRIC)-INT 7
香港(國際財務報告準則詮釋委員會)
— 詮釋第7號

Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies³
根據香港會計準則第29號於惡性通貨膨脹經濟中之財務報告重列方法³

HK(IFRIC)-INT 8
香港(國際財務報告準則詮釋委員會)
— 詮釋第8號

Scope of HKFRS 2⁴
香港財務報告準則第2號之範疇⁴

HK(IFRIC)-INT 9
香港(國際財務報告準則詮釋委員會)
— 詮釋第9號

Reassessment of embedded derivatives⁵
附帶內在衍生工具之重新評估⁵

HK(IFRIC)-INT 10
香港(國際財務報告準則詮釋委員會)
— 詮釋第10號

Interim financial reporting and impairment⁶
中期財務報告及減值⁶

HK(IFRIC)-INT 11
香港(國際財務報告準則詮釋委員會)
— 詮釋第11號

HKFRS 2-Group and treasury share transactions⁷
香港財務報告準則第2號
— 集團及庫存股份交易⁷

HK(IFRIC)-INT 12
香港(國際財務報告準則詮釋委員會)
— 詮釋第12號

Service concession arrangements⁸
服務經營權安排⁸

2. 新訂及經修訂之香港財務報告準則之應用(續)

本集團並未提早應用已公佈但尚未生效之下列新準則、修訂或詮釋。除香港財務報告準則第8號外，本公司董事預期應用該等準則、修訂或詮釋將不會對如何編製及呈列本集團之業績及財務狀況產生重大影響。彼等已開始考慮香港財務報告準則第8號之潛在影響，但尚未能釐定香港財務報告準則第8號是否對如何編製及呈列其業績及財務狀況產生重大影響。

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

- 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 under the historical cost basis except for certain 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 entities (including special purpose 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 into line with those used by other members of the Group.

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

2. 新訂及經修訂之香港財務報告準則之應用(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 於二零零九年一月一日或其後開始之年度期間生效。
- ³ 於二零零六年三月一日或其後開始之年度期間生效。
- ⁴ 於二零零六年五月一日或其後開始之年度期間生效。
- ⁵ 於二零零六年六月一日或其後開始之年度期間生效。
- ⁶ 於二零零六年十一月一日或其後開始之年度期間生效。
- ⁷ 於二零零七年三月一日或其後開始之年度期間生效。
- ⁸ 於二零零八年一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受本公司(其附屬公司)控制之個體(包括特殊用途個體)之財務報表。控制權指本公司對有關個體之財務及營運政策有決定權以從其活動中取得利益。

於年內所收購或出售附屬公司之業績由收購生效日起計入綜合收益表或結算至出售生效日止(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 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 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.

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.

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。

財務資產之利息收入乃按時間基準，並參照尚未償還本金及按所適用之實際利率孳生，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。

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不再確認。不再確認資產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)於該項目不再確認之年度計入綜合收益表。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are calculated using the first-in, first-out method.

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. 主要會計政策(續)

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。

金融工具

財務資產及財務負債乃當某集團個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。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets comprise financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivative financial instruments that are not designated as effective hedging instruments and are classified as held for trading.

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

3. 主要會計政策(續)

金融工具(續)

財務資產

本集團之財務資產包括以公平值計入損益表之財務資產及貸款及應收款項。

以公平值計入損益表之財務資產

以公平值計入損益表之財務資產包括並非指定用作有效對沖工具及分類為持作交易之衍生金融工具。

於首次確認後之各結算日，以公平值計入損益表之財務資產按公平值計算，有關公平值之變動於產生期間於損益表確認。

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及銀行結餘)均按採用實際利率法計算之已攤銷成本減任何已識別減值虧損入賬。減值虧損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 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.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss. Accordingly, the Group has designated its structured borrowing as a financial liability at fair value through profit or loss.

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. 主要會計政策(續)

金融工具(續)

財務負債及股本

集團個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。

以公平值計入損益表之財務負債

以公平值計入損益表之財務負債分為兩類，包括持作交易之財務負債，及該等指定於首次確認時以公平值計入損益表之財務負債。

倘財務負債構成含有一項或多項內在衍生工具之合約的一部份，而香港會計準則第39號准許全部合併合約(資產或負債)指定為以公平值計入損益表，則持作交易之財務負債以外之財務負債可指定為於首次確認時以公平值計入損益表。因此，本集團已指定其結構借貸為以公平值計入損益表之財務負債。

於首次確認後之各結算日，以公平值計入損益表之財務負債按公平值計算，有關公平值之變動於產生期間直接於損益表確認。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. Derivative financial instruments that are not designated as effective hedging instruments are classified as held for trading.

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.

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 or payable 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(續)

其他財務負債

本集團之其他財務負債(包括貿易及其他應付款項及銀行借貸)乃隨首次確認後採用實際利率法按已攤銷成本計量。

衍生金融工具

衍生工具首次按於衍生工具合約訂立日之公平值確認,其後於各結算日以其公平值重新計量。所得收益或虧損即時於損益表確認。並非指定為有效對沖工具之衍生金融工具乃分類為持作交易。

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。

倘於有關合約之特定責任獲解除、取消或到期,財務負債乃予以取消確認。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。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options 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 options reserve will continue to be held in share options 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.

The Group as lessee

The rentals payable under operating leases are charged to the consolidated income statement 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)

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)。

於各結算日，本集團修訂其最終預算歸屬購股權數量之估計。損益表確認修訂估計之影響(如有)並於購股權儲備中作相對應之調整。

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。

本集團作為承租人

根據經營租賃之應付租金採用直線法按租賃期間於綜合收益表支銷。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)

Leases (Continued)

Leasehold land and building

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

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 and expense that are taxable or deductible in other years, and it further excludes consolidated 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 consolidated 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.

3. 主要會計政策(續)

租賃(續)

租賃土地及樓宇

租賃土地及樓宇之土地及樓宇部分應視乎租賃類別獨立入賬，所有權預期不會於租約期完結時轉讓予承租人之租賃土地乃分類為經營租賃。除非租賃付款不能可靠地劃分為土地及樓宇部分，在此情況下，整項租賃乃分類為融資租賃。

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，亦不包括綜合收益表內可免稅或不可扣稅之項目，故與綜合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。

遞延稅項指就綜合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應課稅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。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. 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 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 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.

3. 主要會計政策(續)

稅項(續)

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。

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

於編製各個別集團個體之財務報表時，以該個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(即該個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。

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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.

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 costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

3. 主要會計政策(續)

外幣(續)

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣(即港元)，而其收入及支出乃按該年度之平均匯率進行換算，除非匯率於該期間內出現大幅波動則作別論，於此情況下，則採用於交易當日之適用匯率。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。

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。

退休福利成本

向定額供款退休福利計劃支付之供款指僱員已提供服務而獲得供款之權利時列作開支支銷。

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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 29.

5. FINANCIAL INSTRUMENTS

5A. 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. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 21 for details of these borrowings). The management monitors the interest rate exposure and manages it by entering into certain interest rate swaps contracts (details disclosed in note 19).

In respect of the structured borrowing, the repayment amounts are based on the spread rates between 10 years US\$-International Swaps and Derivatives Association ("ISDA")-Swap Rate and 2 years US\$-ISDA-Swap Rate, the entire borrowing is designated as fair value through profit or loss as disclosed in note 22. The management closely monitors the potential interest risk related to the structured borrowing on a continuing basis. Based on the historical data of the spread rates, the level of interest rate exposure so far is acceptable to the Group.

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29。

5. 金融工具

5A. 財務風險管理目標及政策

本集團之主要金融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。該等金融工具之詳情載於各附註內。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，確保及時採取有效適當措施。

現金流量利率風險

本集團之現金流量利率風險主要來自銀行浮息借貸(該等借貸詳情見附註21)。管理層監控利率風險，並會透過訂立若干利率掉期合約管理(詳情於附註19披露)。

就結構借貸而言，償還金額乃根據介乎10年美元－國際掉期業務及衍生投資工具協會(「ISDA」)－掉期利率及2年美元－ISDA－掉期利率之息差計算，整項借貸指定為以公平值計入損益表，詳情於附註22披露。管理層持續緊密監控有關結構借貸之潛在利率風險。根據息差之歷史數據，利率風險水平至今對本集團而言為可接受。

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5. FINANCIAL INSTRUMENTS (Continued)

5A. Financial risk management objectives and policies (Continued)

Foreign currency risk

Certain trade payables of the Group are denominated in foreign currencies (details disclosed in note 20). The Group currently does not have a formal currency hedging policy. However, the management monitors foreign exchange exposure and manages it by entering into certain forward foreign exchange contracts.

Credit risk

As at 31st December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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 debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

5. 金融工具(續)

5A. 財務風險管理目標及政策(續)

外幣風險

本集團若干貿易應付款項乃以外幣列值(詳情於附註20披露)。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，並會透過訂立若干遠期外匯合約管理外幣風險。

信貸風險

於二零零六年十二月三十一日，本集團因對方未能履行責任造成本集團財務損失而面對之最高信貸風險，乃源自於綜合資產負債表所示相關已確認財務資產之賬面值。

為盡量降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保採取跟進措施收回逾期末付之債項。此外，於各結算日，本集團會評估每項個別貿易債項之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

由於交易夥伴為獲國際信貸評級機構評為高信貸評級之銀行，故流動資金之信貸風險有限。

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

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5. FINANCIAL INSTRUMENTS (Continued)

5A. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

5B. Fair value

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

- the fair value of 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. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve.

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.

5. 金融工具(續)

5A. 財務風險管理目標及政策(續)

流動資金風險

在流動資金風險管理方面，本集團監控及維持管理層認為充足之現金及現金等值水平，從而為本集團營運提供資金及減低現金流量波動之影響。管理層監控銀行借貸之動用情況，並確保符合貸款契約之規定。

5B. 公平值

財務資產及財務負債之公平值釐定如下：

- 財務資產及財務負債(不包括衍生工具)之公平值乃按貼現現金流量分析之一般接納定價模式或使用現行市場交易之價格釐定；及
- 衍生工具之公平值使用報價計算。倘無上述價格，則非期權衍生工具之公平值乃使用貼現現金流量分析及適用之收益線估計。

董事認為在綜合財務報表以攤銷成本入賬之財務資產及財務負債賬面值與其公平值相若。

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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 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 People's Republic of China (the "PRC"). Accordingly, no analysis of segment is presented.

As at 31st December, 2005 and 31st December, 2006, all the Group's assets and liabilities are located in the PRC, including Hong Kong and Macau.

7. OTHER INCOME

6. 營業額及分部資料

營業額

營業額指年內銷售貨品之已收及應收款淨額。

分部資料

本集團所有營業額及溢利貢獻均來自紙品生產與銷售，而本集團超過90%之營業額及經營溢利貢獻來自在中華人民共和國(「中國」)設有生產基地之客戶。因此，並無呈列分部分析。

於二零零五年十二月三十一日及於二零零六年十二月三十一日，本集團之所有資產及負債均位於中國，包括香港及澳門。

7. 其他收入

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Claims received from suppliers	自供應商索償所得	555	477
Exchange gain, net	貨幣兌換收益淨值	1,511	1,807
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	2,643	1,618
Scrap sales	廢料銷售	4,287	4,337
Service income from customers	自顧客收取服務收入	2,303	2,232
Sundry income	雜項收入	7,270	5,102
		18,569	15,728

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8. FINANCE COSTS

8. 財務成本

		2006 HK\$'000 千港元	2005 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	10,730	8,121
Interest on discounted bills	貼現票據利息	425	458
Total borrowing costs	借貸成本總額	11,155	8,579
Less: amount capitalised to property, plant and equipment	減：撥充物業、廠房及 設備之資本金額	(2,511)	(2,655)
		8,644	5,924

Borrowing costs capitalised during the year ended 31st December, 2006 arising on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 4.7% (2005: 2.3%) to expenditure on the qualifying assets.

於截至二零零六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約4.7% (二零零五年：2.3%) 計算而得出。

9. TAXATION

9. 稅項

		2006 HK\$'000 千港元	2005 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	1,646	8,921
– Other region in the PRC	– 中國其他地區	70	–
		1,716	8,921
Deferred taxation (note 25)	遞延稅項(附註25)	–	(7,825)
		1,716	1,096

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

香港利得稅以年內估計應課稅溢利按17.5%(二零零五年：17.5%)稅率計算。

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9. TAXATION (Continued)

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.

Pursuant to the relevant laws and regulations in the PRC, the major operating PRC subsidiaries of the Group are 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.

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

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Profit before taxation	稅前利潤	70,014	70,809
Tax at Hong Kong Profits Tax rate of 17.5%	按香港利得稅率 17.5% 計算 之稅項	12,252	12,392
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(13,751)	(12,131)
Tax effect of expenses not deductible for tax purpose	不可扣稅開支之稅務影響	1,258	457
Tax effect of tax losses not recognised	未確認稅項虧損之稅務影響	890	63
Utilisation of tax loss previously not recognised	使用先前未確認之稅項虧損	(63)	(50)
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	(75)	(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	(88)	(91)
Others	其他	1,293	875
Tax charge for the year	年度稅項開支	1,716	1,096

Details of the deferred taxation are set out in note 25.

Contingent liabilities relating to taxation of the Group are set out in note 29.

9. 稅項(續)

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。

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。

年內稅項支出與綜合收益表所示稅前利潤之對賬如下：

遞延稅項之詳情載於附註25。

有關本集團稅項之或然負債載於附註29。

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10. PROFIT FOR THE YEAR

10. 年度利潤

		2006 HK\$'000 千港元	2005 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
Auditors' remuneration	核數師酬金	1,000	830
Cost of inventories recognised as expenses	確認為開支之存貨成本	637,862	634,422
Depreciation	折舊	31,098	22,699
Release of prepaid lease payments on land use rights	撥回土地使用權預付租賃款項	393	200
Loss on disposal of property, plant and equipment	出售物業、廠房及設備虧損	55	–
Operating lease rental for warehouse and office premises	倉庫及辦公室經營租賃租金	50	464
Staff costs	員工成本		
Directors' emoluments (note 11)	董事酬金(附註11)	9,207	9,871
Other staff	其他員工		
– salaries and other allowances	– 薪金及其他津貼	18,493	11,458
– retirement benefit scheme contribution	– 退休福利計劃供款	448	307
– share-based payments	– 以股份支付之支出	55	423
		28,203	22,059

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11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

		Other emoluments 其他酬金					
		Fees 袍金	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
2006		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
二零零六年		千港元	千港元	千港元	千港元	千港元	千港元
Mr. Hui Sum Kwok	許森國先生	-	1,667	400	12	63	2,142
Mr. Hui Sum Ping	許森平先生	-	1,667	400	12	77	2,156
Mr. Hui Sum Tai	許森泰先生	-	1,442	400	12	53	1,907
Mr. Wong Wing Por	王榮波先生	-	1,517	400	12	77	2,006
Ms. Hui Yuen Li	許婉莉女士	-	511	105	12	86	714
Mr. Liu Kwok Fai, Alvan	廖國輝先生	98	-	-	-	-	98
Mr. Chee Man Sang, Eric	池民生先生	98	-	-	-	-	98
Mr. Wong Chu Leung	黃珠亮先生	86	-	-	-	-	86
		282	6,804	1,705	60	356	9,207

11. 董事酬金及五名最高薪酬僱員

董事

Other emoluments 其他酬金

		Fees 袍金	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
2006		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
二零零六年		千港元	千港元	千港元	千港元	千港元	千港元
Mr. Hui Sum Kwok	許森國先生	-	1,667	400	12	63	2,142
Mr. Hui Sum Ping	許森平先生	-	1,667	400	12	77	2,156
Mr. Hui Sum Tai	許森泰先生	-	1,442	400	12	53	1,907
Mr. Wong Wing Por	王榮波先生	-	1,517	400	12	77	2,006
Ms. Hui Yuen Li	許婉莉女士	-	511	105	12	86	714
Mr. Liu Kwok Fai, Alvan	廖國輝先生	98	-	-	-	-	98
Mr. Chee Man Sang, Eric	池民生先生	98	-	-	-	-	98
Mr. Wong Chu Leung	黃珠亮先生	86	-	-	-	-	86
		282	6,804	1,705	60	356	9,207

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

11. 董事酬金及五名最高薪酬僱員(續)

Directors (Continued)

董事(續)

			Other emoluments 其他酬金				Total 酬金總額
	Fees 袍金	Salaries and other benefits 薪金及其他福利	Bonus 花紅	Retirement benefit 退休福利計劃供款	Share-based payments 以股份支付之支出	HK\$'000 千港元	
2005 二零零五年	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	
Mr. Hui Sum Kwok	–	702	1,250	12	275	2,239	
Mr. Hui Sum Ping	–	702	1,250	12	345	2,309	
Mr. Hui Sum Tai	–	515	1,250	12	313	2,090	
Mr. Wong Wing Por	–	574	1,250	12	326	2,162	
Ms. Hui Yuen Li	–	467	105	12	225	809	
Mr. Liu Kwok Fai, Alvan	98	–	–	–	8	106	
Mr. Chee Man Sang, Eric	98	–	–	–	8	106	
Mr. Wong Chu Leung	50	–	–	–	–	50	
	246	2,960	5,105	60	1,500	9,871	

Bonuses to directors are determined as a percentage of the profit before taxation of the Group for the two years ended 31st December, 2006.

董事之花紅乃參考截至二零零六年十二月三十一日止兩年度本集團稅前利潤百分比。

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.

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 (2005: four) were directors of the Company whose emoluments are set out above. The emoluments of the remaining one (2005: one) individual were as follows:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Salaries and other benefits	薪金及其他福利	807	765
Retirement benefit scheme contribution	退休福利計劃供款	12	12
Share-based payments	以股份支付之支出	-	111
		819	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(二零零五年:四位),有關彼等薪酬已於上文載列。餘下一位(二零零五年:一位)人士之酬金如下:

12. DIVIDENDS

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Final dividend paid in respect of 2005 of 4.17 HK cents (2004: 4.22 HK cents) per share	已派二零零五年末期股息 每股4.17港仙(二零零四年: 每股4.22港仙)	15,857	15,523
Interim dividend paid in respect of 2006 of 1.58 HK cents (2005: 1.52 HK cents) per share	已派二零零六年中期股息 每股1.58港仙(二零零五年: 每股1.52港仙)	6,060	5,592
		21,917	21,115

The final dividend in respect of 2006 of 4.64 HK cents (2005: 4.17 HK cents) per share amounting to HK\$19,669,000 (2005: HK\$15,857,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. 股息

董事建議派付二零零六年末期股息每股4.64港仙(二零零五年:4.17港仙),為19,669,000港元(二零零五年:15,857,000港元),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

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

13. 每股盈利

每股基本及攤薄盈利乃按以下數據計算：

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Earnings	盈利		
Earnings for the purposes of basic and diluted earnings per share	計算每股基本及攤薄盈利之盈利—年度利潤	68,298	69,713
– Profit for the year			
		2006	2005
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	382,774,110	367,886,794
Effect of dilutive potential shares in respect of share options	購股權有關潛在攤薄股份之影響	9,161,166	5,202,216
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	391,935,276	373,089,010

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14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		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
COST	成本								
At 1st January, 2005	二零零五年 一月一日	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
Additions	增添	25,742	33,761	2,403	3,255	842	19,939	3,520	89,462
Disposals	出售	-	-	-	-	(7)	(629)	(2,437)	(3,073)
Transfer	轉撥	(64,820)	64,820	-	-	-	-	-	-
At 31st December, 2006	二零零六年 十二月三十一日	25,742	139,982	4,291	27,865	8,277	253,223	8,942	468,322

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

14. 物業、廠房及設備(續)

		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, 2005	二零零五年 一月一日	-	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
Provided for the year	年度撥備	-	4,770	115	5,084	768	19,216	1,145	31,098
Eliminated on disposals	出售時註銷	-	-	-	-	(1)	(90)	(2,289)	(2,380)
At 31st December, 2006	二零零六年 十二月三十一日	-	16,956	312	12,667	2,976	83,554	3,261	119,726
CARRYING VALUE	賬面值								
At 31st December, 2006	二零零六年 十二月三十一日	25,742	123,026	3,979	15,198	5,301	169,669	5,681	348,596
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

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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	3 $\frac{1}{3}$ %-33 $\frac{1}{3}$ %
Motor vehicles	20%

The leasehold land and buildings are situated in Hong Kong and Macau 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	3 $\frac{1}{3}$ %-33 $\frac{1}{3}$ %
汽車	20%

租賃土地及樓宇位於香港及澳門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

		2006 HK\$'000 千港元	2005 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	20,976	19,084
Analysed for reporting purpose as:	就呈報而作分析：		
Non-current asset	非流動資產	20,537	18,652
Current asset	流動資產	439	432
		20,976	19,084

16. PREPAYMENTS UNDER PROCESSING ARRANGEMENT

16. 根據加工安排之預付款項

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

款項相等於在土地使用權經營租賃下之預付款項。

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17. INVENTORIES

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Raw materials	原材料	71,919	72,634
Work in progress	在製品	497	734
Finished goods	製成品	7,034	1,369
		79,450	74,737

17. 存貨

18. OTHER FINANCIAL ASSETS

Trade and other receivables

The Group has a policy of allowing a credit period of 5-150 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:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Current	即期	104,034	93,252
Overdue 1 to 30 days	逾期 1 至 30 日	14,843	9,221
		118,877	102,473
Other receivables	其他應收款項	158	513
		119,035	102,986

Included in the carrying amount of the Group's trade receivables are HK\$38,377,000 (2005: HK\$28,080,000) and HK\$13,542,000 (2005: HK\$17,195,000) denominated in Renminbi and US dollars.

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5-150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：

本集團以人民幣及美元列值之貿易應收款項之賬面值為38,377,000港元(二零零五年：28,080,000港元)及13,542,000港元(二零零五年：17,195,000港元)。

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18. OTHER FINANCIAL ASSETS (Continued)

Bank balances and cash

Bank balances and cash comprise cash held by the Group and bank balances at prevailing market rate from 0.7% to 4.4% and short-term bank deposits of fixed interest rates ranging from 1.8% to 4.3% with an original maturity of three months or less.

Included in the carrying amount of the Group's bank balances are HK\$71,888,000 (2005: HK\$56,474,000) and HK\$37,664,000 (2005: HK\$8,932,000) denominated in Renminbi and US dollars.

18. 其他財務資產(續)

銀行結餘及現金

銀行結餘及現金包括本集團持有之現金及現行市場利率為0.7%至4.4%之銀行結餘，及定期利率為1.8%至4.3%之短期銀行存款，其原本償還期為三個月或以下。

本集團以人民幣及美元列值之銀行結餘之賬面值為71,888,000港元(二零零五年：56,474,000)港元；及37,664,000港元(二零零五年：8,932,000)港元。

19. DERIVATIVE FINANCIAL INSTRUMENTS

19. 衍生金融工具

		2006		2005	
		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	9	(4,590)	-	(388)
Interest rate swaps	利率掉期	-	(50)	862	-
		9	(4,640)	862	(388)

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19. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the derivative financial instruments are as follows:

(i) Forward foreign exchange contracts

Notional amount 名義金額		Outstanding contract date/period * 尚餘合約日期／期間 *	Contracted exchange rates 合約匯率
Purchase US\$300,000 or US\$600,000 per contract (note)	每份合約購買價格 為 300,000 美元或 600,000 美元 (附註)	8.1.2007 - 7.7.2007	HK\$7.7300/US\$1 / HK\$7.7395/US\$1
Purchase US\$200,000 or US\$400,000 per contract (note)	每份合約購買價格 為 200,000 美元或 400,000 美元 (附註)	15.1.2007	HK\$7.7300/US\$1
Purchase US\$300,000 or US\$600,000 per contract (note)	每份合約購買價格 為 300,000 美元或 600,000 美元 (附註)	24.1.2007 - 22.11.2007	HK\$7.7250/US\$1
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)	26.2.2007 - 29.7.2008	HK\$7.7250/US\$1
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)	31.1.2007 - 27.6.2008	HK\$7.6990/US\$1
* The contracts will be settled on the outstanding contract dates or settled monthly during the outstanding contract period.		* 該等合約將於尚餘合約日期交收或於尚餘合約期內每月交收。	

Note:

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.

附註：

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)

(ii) CMS range accrual premium forward contracts

Notional amount 名義金額	Contract period * 合約期 *	Settlement amount (note) 交收金額 (附註)	
		By Group 本集團	By bank 銀行
US\$1,000,000 1,000,000 美元	6.7.2006 - 6.7.2007	Notional amount x (1+ N1/M) 名義金額 x (1+N1/M)	Notional amount x 8.1/market rate 名義金額 x 8.1/市價
US\$1,000,000 1,000,000 美元	19.7.2006 - 19.7.2007	Notional amount x (1+ N2/M) 名義金額 x (1+N2/M)	Notional amount x 8.1/market rate 名義金額 x 8.1/市價

Where:

N1 = number of business days in the period for which
Spread Rate <-0.05%
N2 = number of business days in the period for which
Spread Rate <-0.07%
M = actual number of business days in the period

“Spread Rate” means 10 years US\$-ISDA-Swap Rate minus
2 years US\$-ISDA-Swap Rate

“10 years US\$-ISDA-Swap Rate” means the rate for a reset
date will be the rate for U.S. Dollar swaps with a maturity
of the designated maturity of 10 years, expressed as a
percentage which appears on the Reuters Screen ISDAFIX1
Page as of 11:00 a.m. New York time on each business day.

其中：

N1 = 息差 <-0.05% 期間之營業日
日數
N2 = 息差 <-0.07% 期間之營業日
日數
M = 期間之實際營業日日數

「息差」指 10 年美元-ISDA-掉期利率
減 2 年美元-ISDA-掉期利率

「10 年美元-ISDA-掉期利率」指重
訂利率日期之利率將為其屆滿期為
指定十年到期之美元掉期利率，以
百分比表示，並於每個營業日上午
11 時正 (紐約時間) 在路透社屏幕
ISDAFIX1 頁顯示。

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19. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(ii) CMS range accrual premium forward contracts (Continued)

“2 years US\$-ISDA-Swap Rate” means the rate for a reset date will be the rate for U.S. Dollar swaps with a maturity of the designated maturity of 2 years, expressed as a percentage which appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York time on each business day.

* The contracts will be settled quarterly during the contract period.

Note:

The net amount receivable/payable in US\$ will be determined by the difference between the settlement amounts by the Group and the bank with reference to the above formulas.

(iii) Interest rate swaps contracts

Notional amount 名義金額	Maturity date 到期日	Swaps 掉期
HK\$50,000,000 50,000,000 港元	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 50,000,000 港元	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.

19. 衍生金融工具(續)

(ii) CMS 波幅累計溢價遠期合約 (續)

「2年美元-ISDA-掉期利率」指重訂利率日期之利率將為其屆滿期為指定兩年到期之美元掉期利率，以百分比表示，並於每個營業日上午11時正(紐約時間)在路透社屏幕ISDAFIX1頁顯示。

* 該等合約於合約期內每季交收。

附註：

應付／應收之美元淨額將參照上述公式按本集團及銀行交收金額之差額釐定。

(iii) 利率掉期合約

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:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Current	即期	46,369	36,006
Overdue 1 to 30 days	逾期1至30日	6,251	4,270
Overdue 31 to 60 days	逾期31至60日	107	56
Overdue for more than 60 days	逾期60日以上	244	507
		52,971	40,839
Other payables and accrued charges	其他應付款項及應計支出	31,853	40,857
		84,824	81,696

Included in the carrying amount of the Group's trade payables are HK\$27,310,000 (2005: HK\$19,491,000) and HK\$18,284,000 (2005: HK\$14,422,000) denominated in Renminbi and US dollars.

貿易應付款項之賬齡分析如下：

本集團貿易應付款項內分別以人民幣及美元列值之賬面值為27,310,000港元(二零零五年：19,491,000港元)及18,284,000港元(二零零五年：14,422,000港元)。

21. BANK BORROWINGS

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Unsecured bank borrowings comprise: 無抵押銀行借貸包括：			
Trust receipt loans	信託收據貸款	11,695	55,454
Bank loans	銀行貸款	187,443	166,430
		199,138	221,884

21. 銀行借貸

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21. BANK BORROWINGS (Continued)

The maturity profile of the above loans is as follows:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
On demand or within one year	按要求或一年內	65,611	103,515
More than one year, but not exceeding two years	一年後但兩年內	49,435	38,739
More than two years, but not exceeding five years	兩年後但五年內	84,092	79,630
		199,138	221,884
Less: Amount due within one year shown under current liabilities	減：流動負債下 一年內到期金額	(65,611)	(103,515)
Amount due after one year	一年後到期金額	133,527	118,369

21. 銀行借貸(續)

上述貸款還款期限如下：

Bank loans and trust receipt loans comprise the following borrowings:

銀行貸款及信託收據貸款包括以下借貸：

		Effective interest rate 實際利率	2006 HK\$'000 千港元	2005 HK\$'000 千港元
Bank loans at Hong Kong	按香港銀行同業拆息			
Interbank Offer rate ("HIBOR") + 0.7% to HIBOR + 1.95%	(「香港銀行同業拆息」)之 銀行貸款加0.7厘 至1.95厘	4.914% - 6.184% (2005: 3.838% - 4.919%)	185,595	160,085
Other bank loans at	按最優惠利率之其他			
Prime rate - 1% to Prime rate - 1.25%	銀行貸款減1厘 至1.25厘	6.723% - 7.139% (2005: 4.698% - 5.085%)	1,848	6,345
Trust receipt loans	信託收據貸款	4.800% - 6.370% (2005: 5.310% - 5.680%)	11,695	55,454
			199,138	221,884

All the bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. All the bank loans and trust receipt loans are denominated in Hong Kong dollars except for HK\$5,589,000 (2005: HK\$22,543,000) trust receipt loans denominated in US dollars.

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。所有銀行貸款及信託收據貸款以港元為單位，惟5,589,000港元(二零零五年：22,543,000港元)信託收據貸款以美元為單位。

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22. STRUCTURED BORROWING

During the year, the Group entered into a contract of structured borrowing with a bank for a period of five years. The entire contract was designated as financial liabilities at fair value through profit or loss.

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Structured borrowing, classified as:	結構借貸，分類為：		
Current (note)	即期(附註)	7,765	-
Non-current	非即期	43,426	-
		51,191	-

The structured borrowing containing embedded derivatives which are not closely related to the host contract, hence the entire combined contract was designated as at fair value through profit or loss upon initial recognition.

Note: The current portion represents the minimum amount repayable to the bank within one year.

Major terms of the structured borrowing are set out below:

Borrowing 借貸	Maturity date 到期日	Repayment amount 償還金額
US\$5,000,000 5,000,000 美元	25.9.2011	First half year: 2% per annum on notional amount Remaining 4 and half years: 8% minus (6% x N/M) per annum on notional amount 首半年：每年計名義金額之2% 餘下四年半： 每年計名義金額之8% 減(6% x N/M)

22. 結構借貸

年內，本集團與銀行訂立一項五年期之結構借貸合約。該合約全數指定為以公平值計入損益表之財務負債。

結構借貸包含與主合約並無密切關係之附屬衍生工具，因此，於首次確認時該合併合約全數指定為以公平值計入損益表。

附註：即期部份即須於一年內向銀行償還之最低金額。

結構借貸之主要條款如下：

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22. STRUCTURED BORROWING (Continued)

Where:

N = number of business days in the period for which Spread Rate
>-0.05%

M = actual number of business days in the period

Notional amount = US\$50,000,000

“Spread Rate” means 10 years US\$-ISDA-Swap Rate minus 2
years US\$-ISDA-Swap Rate

“10 years US\$-ISDA-Swap Rate” means the rate for a reset
date will be the rate for U.S. Dollar swaps with a maturity of the
designated maturity of 10 years, expressed as a percentage which
appears on the Reuters Screen ISDAFIX1 Page as of 11:00 a.m.
New York time on each business day.

“2 years US\$-ISDA-Swap Rate” means the rate for a reset date will
be the rate for U.S. Dollar swaps with a maturity of the designated
maturity of 2 years, expressed as a percentage which appears on
the Reuters Screen ISDAFIX1 Page as of 11:00 a.m. New York
time on each business day.

The entire combined contract is measured at fair value as
estimated using discounted cash flow analysis and the applicable
yield curve at 31st December, 2006 and change in its fair value
by HK\$12,366,000 as compared with the borrowing received has
been charged to the consolidated income statement.

22. 結構借貸(續)

其中：

N = 息差 >-0.05% 期間之營業日日數

M = 期間之實際營業日日數

名義金額 = 50,000,000 美元

「息差」指 10 年美元-ISDA-掉期利率減 2
年美元-ISDA-掉期利率

「10 年美元-ISDA-掉期利率」指重訂利率
日期之利率將為其屆滿期為指定十年到
期之美元掉期利率，以百分比表示，並
於每個營業日上午 11 時正(紐約時間)在
路透社屏幕 ISDAFIX1 頁顯示。

「2 年美元-ISDA-掉期利率」指重訂利率日
期之利率將為其屆滿期為指定兩年到期
之美元掉期利率，以百分比表示，並於
每個營業日上午 11 時正(紐約時間)在路
透社屏幕 ISDAFIX1 頁顯示。

該合併合約全數以貼現現金流量分析及
於二零零六年十二月三十一日之適用孳
息曲線估計其公平值，而與借貸比較之
公平值變動 12,366,000 港元已於綜合收
益表扣除。

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23. SHARE CAPITAL

23. 股本

		Number of shares 股份數目		Nominal value 面值	
		2006	2005	2006 HK\$'000 千港元	2005 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	367,926,000	367,836,000	36,792	36,783
Exercise of share options (Note 24)	行使購股權 (附註24)	15,972,000	90,000	1,598	9
Placing of new shares	配售新股	40,000,000	-	4,000	-
At the end of the year	於年終	423,898,000	367,926,000	42,390	36,792

On 14th November, 2006, arrangements were made for a private placement to independent investors of 40,000,000 shares of HK\$0.10 each in the Company held by Hop Fung Industries Limited, the controlling shareholder of the Company, at a price of HK\$2 per share, representing a discount of approximately 7.41% to the closing market price of the Company's shares on 14th November, 2006.

Pursuant to a subscription agreement of the same date, Hop Fung Industries Limited subscribed for 40,000,000 new shares of HK\$0.10 each in the Company at a price of HK\$2 per share. The proceeds were used to finance the construction of a new factory and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 29th May, 2006 and rank pari passu with other shares in issue in all respects.

於二零零六年十一月十四日，本公司控股股東 Hop Fung Industries Limited 作出安排，按每股2港元之價格向獨立投資者私人配售其持有之本公司每股面值0.10港元之股份40,000,000股，該配股價較本公司股份於二零零六年十一月十四日之收市市價折讓約7.41%。

根據同日之認購協議，Hop Fung Industries Limited 按每股2港元之價格認購本公司每股面值0.10港元之新股份40,000,000股。所得款項用於為興建新廠房提供資金，並為本公司提供額外營運資金。該等新股份乃根據本公司於二零零六年五月二十九日舉行之股東週年大會向董事授出之一般授權而發行，並與其他已發行股份在各方面均享有同等地位。

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24. 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.

24. 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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24. 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.

24. 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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24. 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:

2006			二零零六年				Outstanding
Option type	Date of grant	Exercisable price	Outstanding at 1.1.2006	Granted during 2006	Exercised during 2006	Cancelled during 2006	Outstanding at 31.12.2006
購股權類別	授出日期	行使價 HK\$ 港元	於二零零六年一月一日尚未行使	二零零六年內授出	二零零六年內行使	二零零六年內註銷	於二零零六年十二月三十一日尚未行使
A	3.11.2003	1.130	12,658,000	-	(12,658,000)	-	-
B	29.7.2004	1.330	10,940,000	-	(3,314,000)	-	7,626,000
C	4.11.2004	1.104	9,000,000	-	-	-	9,000,000
			32,598,000	-	(15,972,000)	-	16,626,000
Exercisable at the end of the year	於年終可行使						11,641,000
Weighted average exercise price	加權平均行使價		1.190	-	1.171	-	1.208

24. 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：

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24. SHARE-BASED PAYMENTS (Continued)

24. 以股份支付之支出(續)

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
			1.190	-	1.219	1.248	1.190

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24. 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)

The weighted average share price at the dates of exercise for those share options exercised during the year was HK\$1.91 (2005: HK\$1.32). The options outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2005: 1.6 years).

The Group recognised the total expense of HK\$411,000 for the year ended 31st December, 2006 (2005: HK\$1,923,000) in relation to share options granted by the Company.

24. 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：

就年內行使之購股權而言，其行使日之加權平均股價為1.91港元(二零零五年：1.32 港元)。於年終尚未行使之購股權之加權平均剩餘合約期為1.1年(二零零五年：1.6年)。

本集團確認截至二零零六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411,000港元(二零零五年：1,923,000港元)。

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25. DEFERRED TAXATION

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

		Accelerated tax depreciation 加速稅項折舊
		HK\$'000 千港元
At 1st January, 2005	於二零零五年一月一日	8,491
Credit to income for the year	計入本年度收入	(7,825)
At 31st December, 2005	於二零零五年十二月三十一日	666
Credit to income for the year	計入本年度收入	-
At 31st December, 2006	於二零零六年十二月三十一日	666

At 31st December, 2006, the Group had unused tax losses of HK\$5,087,000 (2005: HK\$359,000) 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.

At 31st December, 2006, the Group also has other deductible temporary differences of HK\$1,482,000 (2005: HK\$1,911,000). 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.

25. 遞延稅項

以下為本集團確認之遞延稅項負債及於本報告期間及以往報告期間之變動：

於二零零六年十二月三十一日，本集團可用以抵銷日後利潤之未使用稅項虧損為5,087,000港元(二零零五年：359,000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。

於二零零六年十二月三十一日，本集團亦有其他可扣稅暫時差額1,482,000港元(二零零五年：1,911,000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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26. 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:

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Within one year	一年內	26	484
In the second to fifth years inclusive	第二年至第五年(包括首尾兩年)	-	672
		26	1,156

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 one year (2005: two years) with fixed monthly rentals over the term of the lease.

26. 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。

租賃議定為一年期(二零零五年：兩年期)，並於租約期間支付固額月租。

27. CAPITAL COMMITMENTS

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	已訂約但未於綜合財務報表提撥之廠房及設備收購資本開支	232,340	1,917

27. 資本承擔

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28. 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.

During the year, the retirement benefit scheme contributions amounted to approximately HK\$508,000 (2005: HK\$367,000).

28. 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。

年內，退休福利計劃供款約為508,000港元(二零零五年：367,000港元)。

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29. CONTINGENT LIABILITIES

On 9th December, 2004, a tax audit was 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 ("GMHF"), 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, 5th January, 2006 and 2nd June, 2006, whilst these cases are still under investigation, the IRD issued protective assessments for the years of assessment 1998/1999, 1999/2000 and 2000/2001 to 2003/2004 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. In addition, the IRD issued an additional assessment to GMHF for the year of assessment 2004/2005 on 2nd June, 2006. Objections have been filed against all these assessments and, accordingly, no provision has been made in the consolidated financial statements in respect of any potential tax liabilities.

Up to date, the taxes demanded under the protective assessments amounted to HK\$75,663,980 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. Also, banker's undertakings of HK\$13,197,475 were arranged by the Group and had been accepted by the IRD as security for payment of the mentioned tax. The remaining amounts of tax of HK\$60,586,505 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 consolidated financial statements of the Group.

29. 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（「公明合豐」）、鳳崗合豐紙品廠有限公司及Hop Fung (Overseas) Trading Limited（附屬公司）於一九九八年／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、二零零六年一月五日及二零零六年六月二日，稅務局分別就上述附屬公司之一九九八年／一九九九年、一九九九年／二零零零年及二零零零年／二零零一年至二零零三年／二零零四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。此外，稅務局於二零零六年六月二日就公明合豐另發出二零零四年／二零零五年評稅年度之評稅單。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綜合財務報表作出撥備。

直至該日期，在保障性評稅要求之稅款總額為75,663,980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。此外，本集團已安排銀行承擔13,197,475港元，作為支付上述稅款之抵押，而稅務局已接受該抵押。其餘稅務局要求之稅項60,586,505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，亦不會對本集團綜合財務報表構成任何重大影響。

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30. RELATED PARTY TRANSACTIONS

- a) During the year, 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\$22,473,000 (2005: HK\$46,679,000). Hop Fung (Australia) Pty Ltd is a company in which Mr. Hui Sum Kwok, executive director of the Company, has beneficial interest.
- b) The remuneration of directors, who are key management of the Group, during the year are disclosed in note 11. The remuneration of executive directors, who are also the key executives of the Group, is determined by the remuneration committee having regard to the performance of individuals and market trends.

30. 關連人士交易

- a) 年內，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22,473,000港元(二零零五年：46,679,000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。
- b) 董事，為本集團之主要管理人員，年內之酬金於附註11披露。執行董事身兼本集團主要高級行政人員之酬金由薪酬委員會參考個人表現及市場趨勢釐定。

31. SUMMARISED BALANCE SHEET OF THE COMPANY

31. 本公司資產負債表概要

		2006 HK\$'000 千港元	2005 HK\$'000 千港元
Investment in subsidiaries	於附屬公司之投資	113,455	113,455
Amounts due from subsidiaries	應收附屬公司款項	464,783	379,199
Deposits and prepayments	按金及預付款	285	237
Bank balances and cash	銀行結餘及現金	62,132	8,743
Amounts due to subsidiaries	應付附屬公司款項	(282,991)	(219,267)
Other payables and accrued charges	其他應付款項及應計支出	(5,761)	(7,643)
Taxation	稅項	(853)	(166)
		351,050	274,558
Share capital	股本	42,390	36,792
Share premium and reserves	股份溢價及儲備	308,660	237,766
		351,050	274,558

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截至二零零六年十二月三十一日止年度

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries, all of which are wholly-owned by the Company, as at 31st December, 2006 are as follows:

32. 主要附屬公司資料

於二零零六年十二月三十一日，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 進益(澳門離岸商業服務)有限公司	Macau 澳門	Ordinary shares MOP100,000 普通股 100,000 澳門幣	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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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

32. 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)	Provision of management service 提供管理服務
Green Forest (QingXin) Paper Industrial Limited *	PRC 中國	Contributed capital HK\$276,094,899 實繳股本 276,094,899 港元	Manufacturing and trading of paper 紙張之製造及貿易
Hop Fung Consultants Limited 合豐顧問有限公司	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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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

32. 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 萬順(澳門離岸商業服務)有限公司	Macau 澳門	Ordinary shares MOP100,000 普通股 100,000 澳門幣	Manufacturing and trading of paper ware products 製造紙品及紙品貿易
Top Develop Limited 拓展有限公司	British Virgin Islands 英屬處女群島	Ordinary shares US\$1 普通股 1 美元	Investment holding and trading of paper 投資控股及紙張貿易
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

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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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.

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

None of the subsidiaries had any debt securities subsisting at 31st December, 2006 or at any time during the year.

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

32. 主要附屬公司資料(續)

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。

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

於二零零六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。

* 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。