

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL

Wah Yuen Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Island under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island on 9 October 2002.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited on 25 June 2003. The addresses of its registered office and principal place of business are disclosed in the section headed “Corporate information” of the Group’s Annual Report.

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

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in the production and distribution of snack food and convenience frozen food products. Details of the subsidiaries are set out in note 33.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new standards, 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 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current year, the Group has applied Hong Kong Accounting Standard (“HKAS”) 39 and HKFRS 4 (Amendments) Financial Guarantee Contracts which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 Financial Instruments: Recognition and Measurement as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKFRS 4 Insurance Contract and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.





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

Financial guarantee contracts (Continued)

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially, recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, 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
HK(IFRIC) – Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – Int 8	Scope of HKFRS 2 ³
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁶
HK(IFRIC) – Int 12	Service Concession Arrangements ⁷

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

² Effective for annual periods beginning on or after 1 March 2006

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

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

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

⁶ Effective for annual periods beginning on or after 1 March 2007

⁷ Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress for production or administrative purpose are carried at cost less any identified impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost 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, at the following rates per annum:

Buildings	Over the relevant lease terms, or 20 years, whichever is the shorter
Furniture and equipment	20%
Motor vehicles	20%
Plant and machinery	10%
Loose tools and moulds	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use rights as expensed in the consolidated income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Cost includes cost of purchases and where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated costs to completion and selling expenses.



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss, 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 each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets 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 assets 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.

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) 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 assets' 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. 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.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade and other payables, bank borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

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.

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expired). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity settled share-based payment transactions

Share options granted to directors and 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 the time when the share options are exercised, the amount previously recognised in share options 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 be transferred to accumulated profits.

Impairment losses (other than goodwill)

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

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.

Revenue recognition

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

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 net 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 taxable profit nor the accounting profit.

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

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

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items 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.





3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. 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 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, short-term, highly liquid investments that are readily convertible to cash and with a maturity of three months or less from date of investment, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

(b) Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.





5. FINANCIAL RISK MANAGEMENT

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

Currency risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. 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 regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk

The Group's fair value interest rate risk relates to its fixed-rate borrowings. However, the management considers the risk is insignificant to the Group.

6. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(a) Business segments

The Group is principally engaged in the production and distribution of snack food and convenience frozen food products. No business segment analysis is presented as management considers this as one single business segment.

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the PRC. Geographical segment information are based on location of its assets, and the location of its assets is not significantly different from the location of its customers.

Year ended 31 December 2006

	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	108,576	93,554	–	202,130
Inter-segment sales	–	26,566	(26,566)	–
Total revenue	108,576	120,120	(26,566)	202,130
SEGMENT RESULTS	4,970	22,492		27,462
Unallocated corporate income				3,675
Profit from operations				31,137
Finance costs				(12,242)
Profit before tax				18,895
Income tax expense				(5,865)
Profit for the year attributable to the equity holders of the Company				13,030





6. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

BALANCE SHEET

As at 31 December 2006

	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	41,021	308,933	349,954
Unallocated corporate assets	–	–	57,825
Consolidated total assets			<u>407,779</u>
LIABILITIES			
Segment liabilities	9,148	22,402	31,550
Unallocated corporate liabilities	–	–	181,686
Consolidated total liabilities			<u>213,236</u>
OTHER INFORMATION			
Capital additions	1,107	9,462	10,569
Depreciation	585	8,129	8,714
Amortisation of prepaid lease payments	6	147	153

6. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

Year ended 31 December 2005

	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	118,862	88,689	–	207,551
Inter-segment sales	–	36,656	(36,656)	–
Total revenue	118,862	125,345	(36,656)	207,551
SEGMENT RESULTS				
	6,015	20,090		26,105
Unallocated corporate income				2,991
Profit from operations				29,096
Finance costs				(11,021)
Profit before tax				18,075
Income tax expense				(7,859)
Profit for the year attributable to the equity holders of the Company				10,216





6. SEGMENT INFORMATION (Continued)

(b) Geographical segments (Continued)

BALANCE SHEET

As at 31 December 2005

	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	53,885	279,552	333,437
Unallocated corporate assets	–	–	<u>31,877</u>
Consolidated total assets			<u>365,314</u>
LIABILITIES			
Segment liabilities	6,020	24,703	30,723
Unallocated corporate liabilities	–	–	<u>185,052</u>
Consolidated total liabilities			<u>215,775</u>
OTHER INFORMATION			
Capital additions	32	9,048	9,080
Depreciation	950	7,406	8,356
Amortisation of prepaid lease payments	6	158	164

Inter-segment sales are charged at terms agreed between the relevant parties.



7. TURNOVER, OTHER OPERATING INCOME AND NET GAIN

Turnover represents the amount received and receivable for goods sold, less returns and allowances.

An analysis of turnover, other operating income and net gain is as follows:

	2006	2005
	HK\$'000	HK\$'000
Sales of goods to outside customers	202,130	207,551
Other operating income and net gain:		
Interest income from bank deposits	1,310	1,174
Sundry income	2,365	7,777
	3,675	8,951
Total income	205,805	216,502

8. PROFIT FROM OPERATIONS

	2006	2005
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments (<i>note 10</i>)	17,894	19,069
Retirement benefits scheme contributions, including contributions for directors (<i>note 26</i>)	943	1,446
Total staff costs	18,837	20,515
Auditors' remuneration	430	380
Amortisation of prepaid lease payments	153	164
Depreciation		
– owned assets	6,702	7,355
– assets held under finance leases	2,012	1,001
(Gain) loss on disposal of property, plant and equipment	(74)	155
Operating lease rentals paid in respect of rented premises	1,689	1,882

9. FINANCE COSTS

	2006 HK\$'000	2005 HK\$'000
Interest expense on bank and other borrowings wholly repayable within five years	11,552	10,361
Interest expense on obligations under finance leases	690	660
	12,242	11,021

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

For the year ended 31 December 2006

Emoluments	Fees HK\$	Other emoluments		Total HK\$
		Salaries and other benefits HK\$	Retirement benefits scheme contributions HK\$	
EXECUTIVE DIRECTORS				
Mr. But Ching Pui	–	360,000	–	360,000
Mr. But Ka Wai	–	360,000	18,000	378,000
Mr. But Chai Tong	–	360,000	18,000	378,000
Mr. Chu Kin Wah (resigned on 30 June 2006)	–	180,000	9,000	189,000
NON-EXECUTIVE DIRECTORS				
Ms. Leung Wai Ling	50,000	–	–	50,000
Mr. Ngai Chun Kong, Stephen	50,000	–	–	50,000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Cheung Yu Yan, Tommy	100,000	–	–	100,000
Mr. Ip Shing Tong, Francis	50,000	–	–	50,000
Mr. Ku Siu Fung, Stephen	50,000	–	–	50,000
Total for 2006	300,000	1,260,000	45,000	1,605,000



10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2005

Emoluments	Fees HK\$	Other emoluments		Total HK\$
		Salaries and other benefits HK\$	Retirement benefits scheme contributions HK\$	
EXECUTIVE DIRECTORS				
Mr. But Ching Pui	–	360,000	–	360,000
Mr. But Ka Wai	–	360,000	18,000	378,000
Mr. But Chai Tong	–	360,000	18,000	378,000
Mr. Chu Kin Wah	–	360,000	18,000	378,000
Mr. Lai Wing Kuen (resigned on 7 June 2005)	–	150,000	7,500	157,500
NON-EXECUTIVE DIRECTORS				
Ms. Leung Wai Ling	50,000	–	–	50,000
Mr. Ngai Chun Kong, Stephen	50,000	–	–	50,000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Mr. Cheung Yu Yan, Tommy	100,000	–	–	100,000
Mr. Ip Shing Tong, Francis	50,000	–	–	50,000
Mr. Ku Siu Fung, Stephen	50,000	–	–	50,000
Total for 2005	300,000	1,590,000	61,500	1,951,500





10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals for the year ended 31 December 2006 included three (2005: three) executive directors of the Company. The emoluments of the remaining two (2005: two) individuals are as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and other benefits	1,210	864
Retirement benefits scheme contributions	59	45
	1,269	909

The emoluments of each of the two (2005: two) highest paid individuals were less than HK\$1,000,000.

- (c) During the year, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the year.

11. INCOME TAX EXPENSE

	2006 HK\$'000	2005 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax		
Current year	558	1,292
(Over)under-provision in prior years	(10)	3,576
PRC Enterprise Income Tax		
Current year	5,373	2,848
Under-provision in prior years	254	140
Current tax charge for the year	6,175	7,856
Deferred tax (credit) charge for the year (note 25)	(310)	3
	5,865	7,859

11. INCOME TAX EXPENSE (Continued)

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

In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and eligible for a 50% relief of the PRC Enterprise Income Tax for the following three years.

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

	2006	2005
	HK\$'000	HK\$'000
Profit before tax	18,895	18,075
Tax at PRC Enterprise Income		
Tax rate of 27% (2005: 33%)	5,102	5,964
Tax effect of expenses not deductible for tax purpose	1,815	2,471
Tax effect of income not taxable for tax purpose	(578)	(3,338)
Under-provision in respect of prior years	244	3,716
Tax effect of tax losses not recognised	3	170
Utilisation of losses not previously recognised	15	6
Effect of different tax rates of subsidiaries operating in other jurisdictions	(736)	(1,130)
Tax charge for the year	5,865	7,859

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 December 2005 and 2006.





13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of approximately HK\$13,030,000 (2005: HK\$10,216,000) and on the weighted average of 370,542,466 ordinary share (2005: 202,531,506) deemed to be in issue during the year.

No diluted earnings per share has been presented for the year ended 31 December 2006 as the exercise policies of outstanding options are higher than the market price of shares.

No diluted earnings per share has been presented for the year ended 31 December 2005 as there are no dilutive potential ordinary shares in Issue.

14. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represented interest in land use rights and leasehold land and their net book values are analysed as follows:

	2006	2005
	HK\$'000	HK\$'000
At cost		
As at 1 January	3,253	3,178
Exchange difference	100	75
As at 31 December	3,353	3,253
Accumulated amortisation		
As at 1 January	1,026	843
Exchange difference	34	19
Amortisation for the year	153	164
As at 31 December	1,213	1,026
Net book values		
As at 31 December	2,140	2,227

Note: The land use rights and leasehold land of the Group as at 31 December 2006 are held on medium term leases and situated in the PRC and Hong Kong respectively



15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Motor vehicles	Plant and machinery	Construction In progress	Loose tools and moulds	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
At 1 January 2005	50,997	21,690	9,815	78,576	166	189	161,433
Exchange difference	1,325	330	65	1,947	5	–	3,672
Additions	–	2,361	–	618	6,101	–	9,080
Disposals	–	(130)	(472)	–	–	–	(602)
<hr/>							
At 31 December 2005 and January 2006	52,322	24,251	9,408	81,141	6,272	189	173,583
Exchange difference	1,757	435	61	2,892	118	–	5,263
Additions	–	1,108	–	9,370	91	–	10,569
Transfer in/(out)	–	–	–	5,088	(5,088)	–	–
Disposals	(195)	–	(2,615)	(329)	–	–	(3,139)
<hr/>							
At 31 December 2006	53,884	25,794	6,854	98,162	1,393	189	186,276
<hr/>							
ACCUMULATED DEPRECIATION							
At 1 January 2005	7,261	15,233	8,449	27,193	–	140	58,276
Exchange difference	161	119	59	585	–	–	924
Provided for the year	1,204	1,274	400	5,473	–	5	8,356
Eliminated on disposals	–	(69)	(148)	–	–	–	(217)
<hr/>							
At 31 December 2005 and 1 January 2006	8,626	16,557	8,760	33,251	–	145	67,339
Exchange difference	273	210	61	1,069	–	–	1,613
Provided for the year	1,165	1,543	99	5,902	–	5	8,714
Eliminated on disposals	(78)	–	(2,590)	(329)	–	–	(2,997)
<hr/>							
At 31 December 2006	9,986	18,310	6,330	39,893	–	150	74,669
<hr/>							
NET BOOK VALUES							
At 31 December 2006	43,898	7,484	524	58,269	1,393	39	111,607
<hr/>							
At 31 December 2005	43,696	7,694	648	47,890	6,272	44	106,244
<hr/>							

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of property, plant and equipment of the Group held under finance leases included above is as follows:

	2006	2005
	HK\$'000	HK\$'000
Motor vehicles	362	467
Plant and machinery	18,100	23,570
	18,462	24,037

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK\$'000	HK\$'000
Unlisted shares, at cost	73,992	73,992
Amounts due from subsidiaries	97,145	76,675
	171,137	150,667

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group pursuant to the group reorganisation undertaken in preparation for the listing of the Company's shares on the Stock Exchange in 2003 (the "Group Reorganisation").

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within one year from the balance sheet date. Accordingly, such amounts have been classified as non-current. The directors consider that the amounts due from subsidiaries approximate their fair value.

Particulars of the Company's subsidiaries as at 31 December 2006 are set out in note 33.





17. INVENTORIES

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Raw materials	19,172	15,236
Work in progress	5,840	5,792
Finished goods	32,708	26,652
	57,720	47,680

18. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to one year.

An aged analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	THE GROUP	
	2006	2005
	HK\$'000	HK\$'000
Within 90 days	70,274	101,275
91 to 180 days	35,274	15,186
Over 180 days	51,009	32,982
Trade receivables	156,557	149,443
Deposits, prepayments and other receivables	21,930	27,843
	178,487	177,286

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

19. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Within 90 days	8,414	12,860
91 to 180 days	4,750	1,594
Over 180 days	5,016	4,739
Trade payables	18,180	19,193
Other payables	10,146	9,670
	28,326	28,863

The directors consider that the carrying amount of trade and other payables approximate their fair value.



20. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2006 HK\$	2005 HK\$	2006 HK\$	2005 HK\$
Amounts payable under finance leases:				
Within one year	5,770	7,072	5,092	6,623
In the second to fifth year inclusive	6,283	3,438	5,903	3,305
	12,053	10,510	10,995	9,928
Less: Future finance charges	(1,058)	(582)	N/A	N/A
Present value of lease obligations	10,995	9,928	10,995	9,928
Less: Amount due for settlement within 12 months (shown under current liabilities)			(5,092)	(6,623)
Amount due for settlement after 12 months			5,903	3,305

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.





21. BORROWINGS

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Trust receipts loans	39,616	43,752
Bank overdrafts	15,582	4,656
Bank loans	115,506	120,168
Other loan	–	6,250
	170,704	174,826
Analysis as:		
Secured	123,689	125,920
Unsecured	47,015	48,906
	170,704	174,826
The maturity profile of the above borrowings is as follows:		
On demand or within one year	138,674	132,779
More than one year, but not exceeding two years	32,030	42,047
	170,704	174,826
Less: amount due within one year shown under current liabilities	(138,674)	(132,779)
	32,030	42,047

The trust receipts loans, bank overdrafts and bank loans carry interest at the prevailing market rates.

The directors consider that the carrying amount of borrowings approximate their fair value.

The bank loans of the Company in the amount of HK\$31,000,000 (2005: HK\$38,000,000) are guaranteed by two wholly-owned subsidiaries on a joint and several basis.

22. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 January 2005, 31 December 2005		
And 31 December 2006	4,000,000,000	40,000
Issued and fully paid:		
At 1 January 2005	200,000,000	2,000
Issue of shares on 27 October 2005	14,000,000	140
At 31 December 2005 and 1 January 2006	214,000,000	2,140
Issue of rights shares on 7 July 2006	321,000,000	3,210
As at 31 December 2006	535,000,000	5,350

On 7 July 2006, the Company issued 321 million rights shares of HK\$0.01 each to qualifying shareholders at the subscription price of HK\$0.10 each in satisfaction of the sum of HK\$32,100,000. The excess over the nominal value of the shares issued amounting to HK\$28,890,000 was credited to the share premium account of the Company.

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 June 2003 for the primary purpose of providing incentives to encourage its participants to perform their best in achieving the goals of the Company and enjoy its result. The participants are any director and eligible employee of the Group; any entity in which any member of the Group holds any equity interest (the "Invested Entity"); any supplier of goods or services and customers to any member of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; any adviser or consultant to any area of business or business development of any member of the Group or any Invested Entity; any shareholders of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, as absolutely determined by the board.





23. SHARE OPTION SCHEME (Continued)

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Group must not in aggregate exceed 10% of the shares in issue on 25 June 2003, being the date on which the Company's shares were listed on the Stock Exchange. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

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, without prior approval from the Company's shareholders.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK\$1 is payable on acceptance of the options within 21 days from the date of grant. The subscription price is the highest of (i) the closing price of the shares quoted in the Stock exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant which must be a business day; (ii) the average closing price of the shares as quoted in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a share. The Scheme is valid for 10 years from 3 June 2003. No further options may be granted pursuant to the Scheme after 2 June 2013.

The following table discloses details of the Company's options under the Scheme held by employees and consultant and the movement during the years ended 31 December 2006 and 2005:

Category	Date of grant	Exercise price per share prior to Rights Issue	Exercise price per share adjusted for the effect of Rights Issue	Weighted average remaining contractual life	Exercisable period	Outstanding at		Exercised during the year		Outstanding at	
		(HK cents)	(HK cents)	(years)		01/01/06	01/01/05	2006	2005	31/12/06	31/12/05
Employees	14 December 2004	31.6	23.8	0.95	14.12.2004 to 13.12.2007	10,000,000	10,000,000	-	-	10,000,000	10,000,000
Consultant	14 December 2004	31.6	23.8	0.95	14.12.2004 to 13.12.2007	2,000,000	2,000,000	-	-	2,000,000	2,000,000

There was no share options granted under the Scheme in both years.

Note: The exercise price per share brought forward from last year has been adjusted to reflect the effect of the Rights issue during the year ended 31 December 2006.

23. SHARE OPTION SCHEME (Continued)

On 14 December 2004, the Company granted share options under the Scheme to certain employees of the Group and a consultant, which entitle them to subscribe for a total of 10,000,000 shares and 2,000,000 shares respectively at HK\$31.6 cents per share. The exercise price per share has been adjusted to HK\$23.8 cents per share to reflect the effect of the Rights issue during the year ended 31 December 2006. The total amount of consideration received from the participants for taking up the options granted was HK\$7. No share options were granted during the years ended 31 December 2006 and 2005. No share options were exercised, cancelled and lapsed during the years ended 31 December 2006 and 2005.

24. RESERVES

The Company	Share premium	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	35,645	71,463	–	107,108
Issue of shares	5,460	–	–	5,460
Loss for the year	–	–	(2,855)	(2,855)
<hr/>				
At 31 December 2005 and 1 January 2006	41,105	71,463	(2,855)	109,713
Issue of shares (<i>note 22</i>)	27,446	–	–	27,446
Loss for the year	–	–	(3,640)	(3,640)
<hr/>				
At 31 December 2006	68,551	71,463	(6,495)	133,519

The contributed surplus represents the difference between the book values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the Group Reorganisation.

The Company's reserves available for distribution to its shareholders comprise share premium, contributed surplus and accumulated profits which in aggregate amounted to approximately HK\$134 million as at 31 December 2006 (2005: HK\$110 million). Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.





25. DEFERRED TAX LIABILITIES

The following are the Group's major deferred tax liabilities/(assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	495	(98)	397
(Credited) charged to the income statement for the year (<i>note 11</i>)	(6)	9	3
At 31 December 2005 and 1 January 2006	489	(89)	400
Credited to the income statement for the year (<i>note 11</i>)	(63)	(247)	(310)
At 31 December 2006	426	(336)	90

As at 31 December 2006, the Group had unused tax losses of HK\$8,596,000 (2005: HK\$2,504,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,920,000 (2006: HK\$509,000) of such losses. No deferred tax has been recognised in respect of the remaining HK\$6,676,000 (2005: HK\$1,995,000) due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

26. RETIREMENT BENEFITS SCHEME

When the Mandatory Provident Fund Schemes Ordinance ("MPFO") came into effect in Hong Kong on 1 December 2000, The Group established a mandatory provident fund scheme with voluntary contributions (the "MPF Scheme") for its employees in Hong Kong.

Prior to the introduction of the MPF Scheme, the Group had operated a defined contribution scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its qualified employees in Hong Kong. The ORSO Scheme discontinued in 2001 and the benefits of the employees were transferred to the MPF Scheme. The assets held under the ORSO Scheme which were held separately from those of the Group were also transferred directly to the MPF Scheme. For MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee.



26. RETIREMENT BENEFITS SCHEME (Continued)

The amounts charged to the consolidated income statements represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes less forfeiture, if any, arising from employees leaving the Group prior to completion of their qualifying service period.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

As at the balance sheet date, there was no significant amount of forfeited contributions available to reduce future contributions.

27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of the acquisition of assets with a total capital value at the inception of the leases of HK\$7,786,000 (2005: HK\$8,176,000).

28. PLEDGE OF ASSETS

As at the balance sheet date, the following assets were pledged by the Group to banks in order to secure general banking facilities granted to the Group, and their respective net book values are as follows:

	2006 HK\$'000	2005 HK\$'000
Land and buildings together with relevant land use rights situated in the PRC	45,474	45,321
Land and buildings situated in Hong Kong	562	602
Plant and machinery	57,248	46,655
Trade receivables of subsidiaries	2,956	2,982
Bank deposits	21,459	16,805
	127,699	112,365

The Company did not have any assets pledged as at the balance sheet date.



29. OPERATING LEASES COMMITMENTS

As at the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, which fall due as follows:

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Within one year	1,322	182
In the second to fifth years inclusive	1,166	–
	2,488	182

Operating lease payments represent rentals payable by the Group for certain of its office and premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2006 HK\$'000	2005 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	–	4,909
Capital contribution to the registered capital of the PRC subsidiaries (<i>Note</i>)	–	1,554

Note: The capital commitment represents the outstanding registered capital to be contributed to the subsidiaries in the PRC by the Group as at 31 December 2005.

The Company did not have any significant capital commitments as at the balance sheet date.

31. CONTINGENT LIABILITIES

(a) Financial guarantees issued

As at the balance sheet date, the company has issued the following guarantees:

Guarantees to banks in respect of banking facilities granted to wholly owned subsidiaries which will be renewed subject to the banking facilities' expiry date.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the company under any of the guarantees. The maximum liability of the company at the balance sheet date under the single guarantees issued is the facility drawn down by the subsidiaries of HK\$125,163,000 (2005: HK\$129,285,000).

The company has not recognised any deferred income in respect of the guarantees as their fair values and its transaction price cannot be reliably measured.



32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules:

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
Rentals paid to:			
– Lucky Fair Investment Limited	<i>(i) & (ii)</i>	180	180
– Profit Horn Development Limited	<i>(i) & (ii)</i>	156	156
– Tai Tung Supermarket Limited	<i>(i) & (ii)</i>	228	288
– Mr. But Ching Pui	<i>(ii)</i>	72	72
– The But's Family and Mr. But Chai Leung	<i>(ii)</i>	144	144
– Mr. But Ka Wai and Mr. But Chai Leung	<i>(ii)</i>	156	156
– Mr. But Ching Pui and Ms. Leung Wai Ling	<i>(ii)</i>	156	156

Compensation to key management personnel:

The directors of the Group considered that they are the only key management personnel of the Group and their remuneration are set out in note 10.

Notes:

- (i) Mr. But Ching Pui, Ms. Leung Wai Ling, Mr. But Ka Wai and Mr. But Chai Tong, all of whom are directors and beneficial shareholders of the Company, are collectively referred to as the "But's Family". The But's Family has 100% beneficial interests in these companies.
- (ii) Rental for premises were determined in accordance with the leases entered into between the Group and the related parties, on the basis of estimated market value.



33. PARTICULARS OF SUBSIDIARIES

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

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company Note (i)	Principal activities
Wah Yuen Foods International Limited 華園食品國際有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Wah Yuen Foods (China) Limited 華園食品(中國)有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Hong Kong Wah Yuen Foods Company Limited 香港華園食品廠有限公司	British Virgin Islands/ Hong Kong	Ordinary share HK\$1	100%	Investment holding
Wah Yuen Investment Limited 華園投資有限公司	British Virgin Islands/ Hong Kong	Ordinary shares USD1,000	100%	Investment holding
Wealthstar Investments Limited 裕星投資有限公司	British Virgin Islands/ Hong Kong	Ordinary share USD1	100%	Investment holding
Wah Yuen Licensing Company Limited 華園商標有限公司	Cook Islands/ Hong Kong	Ordinary shares HK\$10	100%	Holding of trademarks
Honfine Company Limited 朗耀有限公司	Hong Kong	Ordinary shares HK\$10 Non-voting deferred shares HK\$2 Note (iii)	100%	Distribution and marketing of snack foods products
Wah Yuen Foods (Hong Kong) Company Limited 華園食品(香港)有限公司	Hong Kong	Ordinary shares HK\$1,000 Non-voting deferred shares HK\$10,000,000	100%	Manufacturing distribution and marketing of snack food products and convenience frozen, food products



33. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Percentage of issued capital/ registered capital held by the Company Note (i)	Principal activities
Million Riches Development Limited 裕億發展有限公司	Hong Kong	Ordinary shares HK\$100 Non-voting deferred shares HK\$1,000,000 Note (iii)	100%	Distribution and marketing of snack foods products
Wah Yuen Foods Company Limited 華園食品廠有限公司	Hong Kong	Ordinary shares HK\$20	100%	Investment holding
Wah Yuen (Guangzhou) Foods Company Limited 華園(廣州)食品有限公司 Note (ii)	PRC	Registered and contributed capital USD4,500,000	100%	Manufacturing, distribution and marketing of snack food products
Rocco Foods Enterprises Company (Guangzhou) Limited 廣州樂高食品企業有限公司 Note (ii)	PRC	Registered and contributed capital USD2,810,000	100%	Manufacturing, distribution and marketing of snack food products
Guangzhou Lekker Pet Foods Company Limited 廣州市俐加寵物食品有限公司 Note (ii)	PRC	Registered and contributed capital HK\$500,000	100%	Manufacturing, distribution and marketing of pet food products
Wide Spread Foods Company Limited 廣州宏嘉食品有限公司 Note (ii)	PRC	Registered and contributed capital HK\$500,000	100%	Trading

33. PARTICULARS OF SUBSIDIARIES (Continued)

Notes:

- (i) All the above subsidiaries, except for Wah Yuen Foods International Limited which is directly held, are indirectly held by the Company and operate principally in their places of incorporation/establishment.
- (ii) Wah Yuen (Guangzhou) Foods Company Limited, Rocco Foods Enterprises Company (Guangzhou) Limited, Guangzhou Lekker Pet Foods Company Limited, and Wide Spread Foods Company Limited are wholly foreign owned enterprises established in the PRC.
- (iii) The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any of the respective companies' general meetings or to participate in any distribution on their winding up.
- (iv) None of the subsidiaries had any debt securities outstanding as at 31 December 2006 or at any time during the year.

