

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

1. 一般資料

本公司於開曼群島註冊成立為一間獲豁免的有限責任公司，其股份於香港聯合交易所有限公司（「聯交所」）上市。本公司註冊辦事處地址及主要營業地點於本年報公司資料一節中披露。

本綜合財務報表以港元列示，港元亦為本公司及其附屬公司（「本集團」）之計量貨幣。

本集團從事製造及銷售稀土產品（包括熒光產品）及耐火產品（包括高溫陶瓷產品和鎂砂）。

2. 採用香港財務報告準則／會計政策變動

於本年度，本集團首次採用多項由香港會計師公會頒佈之香港財務報告準則、香港會計準則及詮釋（在下文統稱為「新香港財務報告準則」），該等準則適用於二零零五年一月一日或以後開始之會計期間。採用新香港財務報告準則導致綜合損益表、綜合資產負債表、綜合現金流量表以及綜合權益變動表之呈列方法有所改變，尤其令有關少數股東權益之呈列方法有所改變，該等呈列方法之改變已追溯應用。以下列示在採用新香港財務報告準則對本會計年度及以往會計年度之業績編制及呈列的影響：

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, being the measurement currency of the Company and its subsidiaries ("the Group").

The Group is engaged in the manufacture and sales of rare earth products (including fluorescent products) and refractory products (including high temperature ceramics products and magnesium grains).

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

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

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2. 採用香港財務報告準則／會計政策變動(續)

業務合併

於本年度，本集團已應用香港財務報告準則第3號「業務合併」，該準則適用於協議訂立日期為二零零五年一月一日或其後之業務合併，應用香港財務報告準則第3號對本集團之主要影響概述如下：

商譽

於以往年間，收購附屬公司產生的商譽被資本化及按其估計可使用年期攤銷。本集團已應用香港財務報告準則第3號的有關過渡條文，自二零零五年一月一日起終止攤銷商譽，有關商譽將最少每年檢測有否出現減值。二零零五年一月一日後因收購所產生的商譽經初步確認後按成本減累計減值虧損(如有)計算。由於是項會計政策變動，本年度並無扣除任何商譽攤銷。於二零零四年的比較數字並無重列(對財務影響見附註3)。

本集團攤佔被收購公司的可識別資產、負債及或然負債公平淨額的權益超出成本的差額(前稱「負商譽」)

根據香港財務報告準則第3號，本集團攤佔被收購公司的可識別資產、負債及或然負債公平淨額的權益超出收購成本的差額(「收購折讓」)，於進行收購的年度即時於溢利或虧損中確認。於以往年度，於二零零一年一月一日以往收購所產生的負商譽作儲備入賬。本集團根據香港財務報告準則第3號的相關過渡條文，本集團於二零零五年一月一日不再確認以往作資本儲備入賬合共10,489,000港元之負商譽，令累計溢利相應增加(對財務影響見附註3)。

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

Business combinations

In the current year, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisition of a subsidiary was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 from 1 January 2005, and has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in the profit or loss in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions prior to 1 January 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill on 1 January 2005 of HK\$10,489,000 which was previously recorded in reserves, with a corresponding increase to accumulated profits (see note 3 for the financial impact).

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2. 採用香港財務報告準則／會計政策變動(續)

業主自用租賃土地權益

於以往年度，業主自用租賃土地及樓宇計入物業、廠房及設備，並採用成本模式計量。於本年度，本集團已採用香港會計準則第17號「租賃」。根據香港會計準則第17號，就租賃分類而言，租賃土地及樓宇之土地與樓宇部份分開考慮。倘租賃款項能夠可靠地在土地與樓宇部份之間作出分配，則將土地租賃權益重新分類為預付租賃土地使用權款項，該租賃款項乃按成本列賬，並於租賃期內以直線法攤銷。此會計政策變動已被追溯應用。於二零零四年的比較數字經重新表述(對財務影響見附註3)。

金融工具

於本年度，本集團已應用香港會計準則第32號「金融工具：披露及呈列」及香港會計準則第39號「金融工具：確認及計量」。香港會計準則第32號規定作追溯應用。於二零零五年一月一日或以後開始之年度期間生效之香港會計準則第39號，一般不允許按追溯基準確認、取消確認或計量金融資產或負債。採納香港會計準則第32號及第39號所導致之主要影響概述如下：

金融資產及金融負債之分類及計量

本集團已就香港會計準則第39號所指範圍內之金融資產及金融負債範圍之分類及計量，採用香港會計準則第39號之有關過渡性條文。

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

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

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2. 採用香港財務報告準則／會計政策變動(續)

金融工具(續)

除債務及股本證券以外之金融資產及金融負債

由二零零五年一月一日起，本集團根據香港會計準則第39號之規定，對除債務及股本證券以外之金融資產及金融負債(以往不會在會計實務準則第24號之範圍內)進行分類及計量。如上文所述，在香港會計準則第39號下金融資產乃分類為「以溢利或虧損按公平價值處理的金融資產」、「可供出售金融資產」、「貸款及應收款項」或「持有至到期日金融資產」。金融負債一般分類為「以溢利或虧損按公平價值處理的金融負債」或「除以溢利或虧損按公平價值處理之金融負債以外之金融負債(其他金融負債)」。本集團之金融負債包括其他金融負債，其於首次確認後使用實際利息法按攤銷成本列賬。

取消確認

香港會計準則第39號有關取消確認金融資產的準則規定比以往更加嚴格。根據香港會計準則第39號，取消確認之金融資產只限於該資產之現金流量合約權利到期或該資產已轉讓而有關轉讓符合香港會計準則第39號之取消確認規定，而一項轉讓是否符合取消確認規定取決於風險及回報以及控制權的合併測試。本集團已就二零零五年一月一日或之後的金融資產轉讓應用相關過渡條文及應用經修定的會計政策。此項改動對於本年度的業績並無重大影響。

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

Financial instruments (Continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of the Statement of Standard Accounting Practice 24 ("SSAP 24")) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". The Group's financial liabilities comprise other financial liabilities which are carried at amortised cost using the effective interest method after initial recognition.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous years. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively in relation to transfer of financial assets from 1 January 2005 onwards. This change has had no material effect on the results for the current year.

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2. 採用香港財務報告準則／會計政策變動(續)

以股份支付之支出

於本年度，本集團已採用香港財務報告準則第2號「以股份支付支出」，其規定本集團在以股份或權益（「股權結算交易」）或價值相當於特定數目股份或股份權益之其他資產（「現金結算交易」）作為購買貨品或獲得服務之交換條件時，必須確認一項支出。香港財務報告準則第2號對本集團之主要影響涉及按購股權授出日期所釐定之本集團董事及僱員購股權之公平值於歸屬期間列作支出。本集團已對於二零零五年一月一日或之後授出之購股權採用香港財務報告準則第2號。有關本集團於二零零二年十一月七日之後授出之購股權，所有購股權已於二零零五年一月一日前歸屬，因此並無重列比較數字。

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

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payments" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted by the Group after 7 November 2002, all of the options were vested before 1 January 2005 and therefore no comparative figures have been restated.

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3. 會計政策改變的影響摘要

上文附註2所述會計政策改變對本期間及以往期間業績構成之影響如下：

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in note 2 above on the results for the current and prior years are as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
物業、廠房及設備折舊之減少	Decrease in depreciation on property, plant and equipment	588	551
預付租賃土地使用權款項攤銷之增加	Increase in amortisation of prepaid lease payments on land use rights	(351)	(335)
商譽攤銷之減少	Decrease in amortisation of goodwill	7,175	19
本年度溢利之增加	Increase in profit for the year	7,412	235

本年度溢利之增加，按項目功能的分類之分析如下：

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

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
折舊及攤銷	Depreciation and amortisation	237	216
商譽	Goodwill	7,175	19
本年度溢利之增加	Increase in profit for the year	7,412	235

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3. 會計政策改變的影響摘要(續)

於二零零四年十二月三十一日及二零零五年一月一日之資產負債表因應用新香港財務報告準則的累計影響概括如下：

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The cumulative effects of the application of the new HKFRSs on the balance sheet as at 31 December 2004 and 1 January 2005 are summarised as follows:

		於二零零四年 十二月 三十一日 (原先所列) As at 31 December 2004 (originally stated) 千港元 HK\$'000	調整	調整	於二零零四年 十二月 三十一日 (重新表述) As at 31 December 2004 (restated) 千港元 HK\$'000	調整	於二零零五年 一月一日 (重新表述) As at 1 January 2005 (restated) 千港元 HK\$'000
			香港會計 準則第1號 HKAS 1	香港會計 準則第17號 HKAS 17		香港財務報告 準則第3號 HKFRS 3	
商譽	Goodwill	136,918	-	(378)	136,540	-	136,540
物業、廠房及設備 以及在建工程	Property, plant and equipment and construction-in-progress	559,798	-	(10,032)	549,766	-	549,766
預付租賃土地使權款項	Prepaid lease payments on land use rights	-	-	10,384	10,384	-	10,384
其他資產淨額	Other assets, net	622,986	-	-	622,986	-	622,986
資產淨額	Net assets	1,319,702	-	(26)	1,319,676	-	1,319,676
股本	Share capital	98,695	-	-	98,695	-	98,695
累計溢利	Accumulated profits	489,467	-	(25)	489,442	10,489	499,931
資本儲備	Capital reserve	32,837	-	-	32,837	(10,489)	22,348
其他儲備	Other reserves	681,232	-	-	681,232	-	681,232
少數股東權益	Minority interests	-	17,471	(1)	17,470	-	17,470
權益總額	Total equity	1,302,231	17,471	(26)	1,319,676	-	1,319,676
少數股東權益	Minority interests	17,471	(17,471)	-	-	-	-
		1,319,702	-	(26)	1,319,676	-	1,319,676

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3. 會計政策改變的影響摘要(續)

於二零零四年一月一日本集團因應用新香港準則之財務影響如下：

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The financial effects of the application of the new HKFRSs to the Group's equity as at 1 January 2004 are summarised below:

		原先所列	香港會計 準則第1號	香港會計 準則第17號	重新表述
		As originally stated	HKAS 1	HKAS 17	As restated
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
股本	Share capital	81,445	–	–	81,445
股份溢價	Share premium	412,485	–	–	412,485
其他儲備	Other reserves	102,747	–	–	102,747
少數股東權益	Minority interests	–	15,820	(2)	15,818
累計溢利	Accumulated profits	400,182	–	(259)	399,923
權益總額	Total equity	996,859	15,820	(261)	1,012,418

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3. 會計政策改變的影響摘要(續)

本集團並無提早採納以下已頒佈但於二零零五年十二月三十一日尚未生效之新準則、詮釋及修訂本。本公司董事預計，採用該等新準則或詮釋將不會對本集團之綜合財務報告構成重大影響。

香港會計準則第1號(修訂本)
HKAS 1 (Amendment)
香港會計準則第19號(修訂本)
HKAS 19 (Amendment)
香港會計準則第21號(修訂本)
HKAS 21 (Amendment)
香港會計準則第39號(修訂本)
HKAS 39 (Amendment)
香港會計準則第39號(修訂本)
HKAS 39 (Amendment)
香港會計準則第39號及
香港財務報告準則第4號(修訂本)
HKAS 39 & HKFRS 4 (Amendments)
香港財務報告準則第6號
HKFRS 6
香港財務報告準則第7號
HKFRS 7
香港(IFRIC)－詮釋第4號
HK(IFRIC)-Int 4
香港(IFRIC)－詮釋第5號
HK(IFRIC)-Int 5
香港(IFRIC)－詮釋第6號
HK(IFRIC)-Int 6
香港(IFRIC)－詮釋第7號
HK(IFRIC)-Int 7

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective as at 31 December 2005. The directors of the Company anticipate that the application of these new standards or interpretations will have no material impact on the consolidated financial statements of the Group.

資本披露¹
Capital Disclosures¹
精算盈虧、集團計劃及披露²
Actuarial Gains and Losses, Group Plans and Disclosures²
境外業務投資淨額²
Net Investment in a Foreign Operation²
預測集團內部交易之現金流量對沖會計處理法³
Cash Flow Hedge Accounting of Forecast Intragroup Transactions³
期權之公平價值²
The Fair Value Option²
財務擔保合約²
Financial Guarantee Contracts²
礦物資源之勘探及評估²
Exploration for and Evaluation of Mineral Resources²
金融工具：披露¹
Financial Instruments: Disclosures¹
釐定安排是否包括租賃²
Determining whether an Arrangement Contains a Lease²
解除運作、復原及環境修復基金所產生權益之權利²
Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds²
參與特定市場所產生之負債－電力及電子設備之廢料³
Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment³
根據香港會計準則第29號「惡性通貨膨脹經濟中之財務報告」採用重述法⁴
Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"⁴

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

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

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. 主要會計政策

誠如下列會計政策所述，綜合財務報表是按歷史成本基準編制，惟部份本集團的樓宇按重估金額計算者除外。

本綜合財務報表是根據香港會計師公會頒佈的香港財務報告準則而編制。此外，綜合財務報表載列聯交所證券上市規則及公司條例規定之適用披露。

綜合基準

本綜合財務報表包括本公司及其附屬公司的財務報表。

本年度購入或出售附屬公司的業績，視乎情況按其收購生效日起或迄至其出售生效日止（如適用），而計入綜合損益表內。

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。

綜合附屬公司資產淨額內之少數股東所佔之權益與本集團所佔之權益分開列賬。少數股東於資產淨額之權益包括該等權益於原業務合併日期之數額及少數股東應佔該合併日期以來之股本變動。適用於少數股東的虧損超出於附屬公司股權的少數股東權益的數額將與本集團的權益作出分配，惟少數股東具約束力責任及可以其他投資補足虧損者除外。

4. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain buildings of the Group, which are measured at revalued amounts, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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4. 主要會計政策(續)

商譽

收購一間附屬公司(協議日為於二零零五年一月一日之前)產生之商譽乃指收購成本超逾本集團於收購日應佔相關附屬公司可識別資產及負債公平值之權益之差額。

對於原先已資本化之商譽，本集團自二零零五年一月一日起不再繼續攤銷，而有關商譽每年及凡商譽有關之賺取現金單位有可能出現減值之跡象時進行減值測試。

收購一間附屬公司(協議日期為於二零零五年一月一日或之後)產生之商譽乃指收購成本超逾本集團於收購當日應佔相關附屬公司可識別資產、負債及或然負債公平值之權益之差額。有關商譽乃按成本減任何累計減值虧損列賬。

收購附屬公司產生之資本化商譽於資產負債表內分開列賬。

就減值測試而言，收購所產生之商譽乃被分配到各有關賺取現金單位，或賺取現金單位之組別，預期彼等從收購之協同效應中受益。已獲配商譽之賺取現金單位每年及凡單位有可能出現減值之跡象時進行減值測試。就於某個財政年度之收購所產生之商譽而言，已獲配商譽之現金賺取單位於該財政年度完結前進行減值測試。當賺取現金單位之可收回金額少於該單位之賬面值，則減值虧損被分配，首先削減分配到該單位的商譽之賬面值，然後再按該單位每一資產之賬面值為基準按比例分配至其他資產。商譽之任何減值虧損乃直接於收益表內確認。商譽之減值虧損於其後期間不予撥回。

其後出售附屬公司，則計入被資本化之商譽之應佔金額以釐定於出售時損益之金額。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 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 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 income statement. Impairment loss for goodwill is not reversed in subsequent years.

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.

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4. 主要會計政策(續)

物業、廠房及設備

物業、廠房及設備乃按其成本值或估值減累計折舊及減值虧損列賬。

某些樓宇以評估值，即按照其於重估日期時之公平價值減隨後之累計折舊於資產負債表列賬。由於定期進行物業重估，賬面值與資產負債表日所釐定之公平值沒有重大差異。

重估樓宇時出現之任何盈餘款額會撥入資產重估儲備，除重估盈餘款額與過往曾因同樣資產重估減值列於開支相抵外，則應將盈餘款額其中相等於該項資產曾從損益表中扣除的虧蝕款額撥回損益表。因重估資產而減少之賬面淨額當作開支處理，而以減值款額不超過過往因重估該項資產之重估儲備結餘為限。於隨後出售或報廢已重估的資產時，相關的重估盈餘將撥至累計溢利。

物業、廠房及設備的折舊乃按其估計可供使用之年數，計及其估計餘值，以直線法攤銷其成本值或公平值。

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

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less accumulated depreciation and impairment losses.

Certain buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

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

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

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4. 主要會計政策(續)

土地使用權

土地使用權乃按其成本值減累計攤銷及減值虧損列賬。

在建工程

在建工程是指施工中的廠房及物業，並按成本值減累計減值虧損列賬。成本值包括建造成本、廠房及設備成本，以及其他直接成本。於建造完工時，已準備作其擬定用途之在建工程之相關成本則轉入為物業、廠房及設備的適當類別。尚未完成及未可作其擬定用途之在建工程概無計提折舊。

減值(商譽除外—詳見上文與商譽有關之會計政策)

本集團於年結日覆核其資產之賬面值，以確定該等資產是否存在減值虧損之任何顯示。倘估計一項資產之可收回值低於其賬面值，該資產之賬面值即被減至其可收回值。減值虧損即時確認為支出，除非相關資產根據另一會計準則以重估值列賬，則其減值虧損可當作以該準則重估減值入賬。

倘減值虧損隨後逆轉，該資產之賬面值增加至重新估計之可收回金額，惟倘該資產並無於過去年度確認減值虧損，已增加之賬面值不高於應已釐定之賬面值。減值虧損之逆轉即時確認為收入。假若有關資產因按其他準則以重估值列賬，其回撥額可當作重估值增加入賬。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses.

Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction, plant and equipment and other direct costs. Upon completion of construction, the relevant costs are transferred to appropriate categories of property, plant and equipment when they are ready for their intended use. No depreciation is provided on construction-in-progress until the asset is completed and put into use.

Impairment (other than goodwill – see the accounting policies in respect of goodwill above)

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

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

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4. 主要會計政策(續)

存貨

存貨乃按成本值及可變現淨值之較低者列賬。成本按加權平均法釐定。

撥備

倘本集團因過往事件而承擔現有責任時，而本集團可能須履行該項責任時則會確認撥備。撥備指董事於結算日對履行有關責任所需開支之最佳估計，並於現值有重大影響時貼現至現值。

金融工具

金融資產及金融負債乃當某集團實體成為工具合同條文之訂約方時在資產負債表上確認。金融資產及金融負債按公平值初步確認。收購或發行金融資產及金融負債(以溢利或虧損按公平價值處理的金融資產及金融負債除外)之直接應佔交易成本乃於首次確認時加入金融資產或金融負債之公平值或自其公平值內扣除(如合適)。收購以溢利或虧損按公平價值處理的金融資產或金融負債之直接應佔交易成本即時於損益中確認。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Inventories

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

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.

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 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.

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4. 主要會計政策(續)

金融資產

本集團之金融資產歸入下列四個類別之其中一個，包括以溢利或虧損按公平價值處理的金融資產、貸款及應收款項、持有至到期日之投資及可供銷售之金融資產。所有定期購買或出售金融資產乃按交易日基準確認及取消確認。定期購買或出售乃購買或銷售金融資產，並要求於市場上按規則或慣例設定之時間框內付評資產。所採納之與貸款及應收款項有關之會計政策乃載於下文。

貸款及應收款項

貸款及應收款項乃於現行市場並無報價之固定或可釐定付款之非衍生金融工具。於首次確認後各結算日，貸款及應收款項(包括應收賬款及其他應收款、預付款項、按金及其他流動資產)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其估計未來現金流量按原先實際利率貼現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。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. 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 loans and receivables are set out below.

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 accounts and other receivables, prepayments, deposits and other current assets) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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.

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4. 主要會計政策(續)

金融負債及股本

集團實體發行之金融負債及股本工具乃根據合同安排之性質與金融負債及股本工具之定義分類。股本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。本集團之金融負債乃分類為以溢利或虧損按公平價值處理的金融負債及其他金融負債。就金融負債及股本工具所採納之會計政策載於下文。

以溢利或虧損按公平價值處理的金融負債
以溢利或虧損按公平價值處理的金融負債有兩類，包括持有作買賣之金融負債及於首次確認時被指定以溢利或虧損按公平價值處理的金融負債。於首次確認後之各結算日，以溢利或虧損按公平價值處理的金融負債乃按公平值計量，而公平值之變動在彼等產生之期間內即時直接在損益中確認。

其他金融負債

其他金融負債包括應付賬款、預提費用及其他應付款及應付關聯公司款項乃隨後採用實際利率法按已攤銷成本計量。

股本工具

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。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities including accounts payable, accruals and other payables and amount due to a related company 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.

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4. 主要會計政策 (續)

取消確認

若從資產收取現金流量之權利已到期，或金融資產已轉讓及本集團已將其於金融資產擁有權之絕大部份風險及回報轉移，則金融資產將被取消確認。於取消確認金融資產時，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。

就金融負債而言，則於本集團之綜合資產負債表中移除(即倘於有關合約之特定責任獲解除、取消或到期)。取消確認之金融負債賬面值與已收或應收代價之差額乃於損益中確認。

經營租約

根據經營租約之應付租金乃按相關租約年期以直線法於損益中扣除。因訂立一項經營租約作為誘因之已收及應收利益乃以直線法按租約年期確認作租金支出減少。

收入確認

貨品銷售

貨品銷售乃於貨品交付及擁有權轉移至客戶後確認為收入。

利息收入

金融資產產生之利息收入乃按時間基準，並參照尚未償還本金額及按所適用之實際利率孳生，而實際利率為透過金融資產之預期可用年期將估計日後現金收據實際貼現至該資產之賬面淨值之比率。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Operating leases

Rental payables under operating leases are charged to the 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.

Revenue recognition

Sales of goods

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

Interest income

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

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4. 主要會計政策(續)

稅項

入息稅開支指現時應付稅項及遞延稅項總額。

現時應付稅項乃按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應扣減之收入及開支項目，亦不包括從未課稅或可扣稅之損益表項目，故與損益表所呈報的純利不同。

遞延稅項指預期從財務報表內資產及負債賬面值與計算應課稅溢利所採用相應稅基之差額所確認，以資產負債表負債法處理。遞延稅項負債一般就所有應課稅暫時差額確認，遞延稅項資產則於可能出現可利用暫時差額作對銷應課稅溢利時予以確認。如暫時差額由商譽(或負商譽)或由初次確認一項不影響稅項溢利或會計溢利之交易之其他資產及負債(業務合併除外)所產生，有關資產及負債則不會確認。

遞延稅項負債於附屬公司之投資所產生應課稅暫時差額予以確認，除非本集團有能力控制暫時差額還原，而暫時差額很可能不會於可預見將來還原。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative 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.

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4. 主要會計政策 (續)

稅項 (續)

遞延稅項資產之賬面值乃於各個結算日進行檢討，並予以相應扣減，直至並無足夠應課稅溢利可供全部或部分遞延稅項資產可予應用為止。

遞延稅項按預期適用於負債清償或資產變現年度之稅率計算。遞延稅項從損益表扣除或計入損益表，除非遞延稅項關乎直接從股本扣除或直接計入股本之項目。在該情況下遞延稅項亦於股本中處理。

根據中華人民共和國(「中國」)頒佈的有關稅法，本集團屬下所有在中國成立的公司必須繳納增值稅，此項主要間接稅在銷售貨品及提供若干具體服務時徵收(稱為「銷項增值稅」)。銷項增值稅隨同銷售所得款項向客戶收取及按銷售價之17%或13%計算。本集團應付的增值稅淨額相當於銷項增值稅減購買貨品及某些指定服務時支付的增值稅(稱為「進項增值稅」)。

研究及開發支出

研究活動之支出已於產生之年度確認為開支。

開發支出生產之內部產生無形資產僅於預期可在清楚界定項目發生之開發成本可透過未來商業活動中收回時確認。因而產生之資產按其可使用年期以直線法攤銷，並按其成本值減隨後之累計攤銷及減值虧損列賬。

4. PRINCIPAL 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 year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

In accordance with the relevant tax laws enacted in the People's Republic of China (the "PRC"), all the companies of the Group established in the PRC are subject to value-added tax ("VAT"). This principal indirect tax is levied on the sales of goods and provision of certain specified services (known as "Output VAT"). Output VAT is recovered from customers with sales proceeds and is calculated at 17% or 13% of the selling price. The net VAT payable of the Group represents Output VAT minus the VAT paid on purchases of goods and certain specified services (known as "Input VAT").

Research and development expenditure

Expenditure on research activities is recognised as expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and impairment losses.

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4. 主要會計政策 (續)

研究及開發支出 (續)

倘並無內部產生無形資產可確認時，開發支出於其發生之年度確認為開支。

倘有跡象顯示資產可能出現減值時，具有限可使用年期之無形資產會作減值測試(見上文有關商譽除外之減值虧損會計政策)。

取消確認一項無形資產所產生之盈虧，乃按出售所得款項淨額與資產之賬面值之差額計算，並於取消確認該項資產時在收益表內確認。

退休福利成本

支付國營退休計劃及強制性公積金計劃(「強積金」)之款項會於到期支付時作為費用扣除。

外幣

於編制各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易均按交易日期之適用匯率換算為功能貨幣(如該實體經營所在主要經濟地區之貨幣)記賬。於各結算日，以外幣為定值之貨幣項目均按結算日之適用匯率重新換算。按公平值以外幣定值之非貨幣項目乃按於公平值釐定當日之適用匯率重新換算。按貨幣過往成本計量之非貨幣項目毋須重新換算。

4. PRINCIPAL ACCOUNTING POLICIES (Continued)

Research and development expenditure (Continued)

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as expense in the year in which it is incurred.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the above accounting policy in respect of impairment losses other than goodwill).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Retirement benefit costs

Payments to the state-sponsored retirement benefit plan and the Mandatory Provident Fund Scheme ("MPF") are charged as expenses when they fall due.

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.

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4. 主要會計政策(續)

外幣(續)

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中確認，惟組成本集團海外業務之投資淨額部份之貨幣項目所產生之匯兌差額外，在此情況下，有關匯兌差額乃於綜合財務表中確認為股本權益。以公平值定值之非貨幣項目經重新換算後產生之匯兌差額於該其間列作損益，惟換算直接於股本內確認盈虧之非貨幣項目產生之差額除外，在此情況下，匯兌差額亦直接於股本權益內確認。

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣(如港元)，而其他收入及支出乃按年度之平均匯率進行換算，除非匯率於該其間內出現重大波幅變動，於此情況下，則採用於換算當日之適用匯率。所產生之外匯兌換差額(如有)乃確認作股本之獨立部份(外匯兌換儲備)。該等匯兌差額乃於海外物業被出售之期間內於損益中內確認。

於二零零五年一月一日或以後，於收購海外業務時產生之有關所收購可識別資產之商譽及公平值調整乃處理為該海外經營業務之資產及負債，並按於結算日之適用匯率進行換算。產生之匯率差額乃於外匯兌換儲備內確認。

4. PRINCIPAL 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 year 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 year 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 exchange translation reserve). Such exchange differences are recognised in profit or loss in the year 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 exchange translation reserve.

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5. 關鍵會計判斷及估計不確定性之主要來源

於應用本集團之會計政策(如附註4所述)時,管理層作出下列對於綜合財務報表中已確認之數額產生重大影響之判斷。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)亦討論如下。

物業、機器及設備折舊

本集團於二零零五年十二月三十一日物業、機器及設備之賬面淨值為544,168,000港元。本集團以直線法對其物業、機器及設備於其估計可使用年期5–20年內,經計及其估計剩餘價值,採用直線法以每年5%至20%,由物業、機器及設備可投入使用之日開始計提折舊。本集團將物業、機器及設備投入生產之估計可使用年期乃反映董事估計於該期間內,本集團計劃將來從物業、機器及設備之使用中可獲取之經濟利益。

壞賬及呆賬撥備

本集團呆壞賬撥備政策以可收回性評估、賬齡分析及管理層判斷為基礎。評估該等應收賬款之最終變現能力需要進行大量判斷,包括客戶之現時信譽及過往收款歷史記錄。倘本集團客戶財務狀況惡化,削弱其付款能力,則須提撥額外準備。

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4 above, management has made the following judgments that have significant effect on the amounts recognised in the consolidated financial statements. 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 also discussed below.

Depreciation of property, plant and equipment

The Group's net book value of property, plant and equipment as at 31 December 2005 was approximately HK\$544,168,000. The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of five to twenty years, and after taking into account of their estimated residual value, using the straight-line method, at the rate of 5% – 20% per annum, commencing from the date the property, plant and equipment when they are available for use. The estimated useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment.

Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment 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 impairment of their ability to make payments, additional allowances may be required.

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5. 關鍵會計判斷及估計不確定性之主要來源(續)

存貨撥備

本集團管理層於結算日審核賬齡分析並對確認為不再適合用於生產之過時及滯銷庫存品進行撥備。管理層估計此等製成品及半製品之可變現淨值主要根據最近期之發票價格及目前市況而釐定。本集團於結算日對每種產品進行覆核，並對過時品種作出撥備。

物業、廠房及設備減值虧損

根據本集團的會計政策，倘物業、廠房及設備的賬面值超過其可收回金額，於損益表確認減值虧損。可收回金額乃根據最可靠資料，於每個結算日由買賣雙方在知情自願情況下以公平交易原則出售資產所得扣除出售成本之基準的公平值減銷售成本釐定。

商譽之預計減值

釐定商譽是否減值須對獲分派商譽之賺取現金單位之使用價值作出估計。使用價值計算要求本集團估計預期產生自賺取現金單位之日後現金流量及合適之折現率以計算現值。

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Impairment of property, plant and equipment

The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts have been determined based on fair value less costs to sell, which is based on the best information available to reflect the amount that obtainable at each of the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

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6. 財務風險管理目標及政策

本集團之主要財務工具包括應收賬款及其他應收款、預付款項、按金及其他流動資產、應付賬款、預提費用及其他應付款及應付關聯公司款項。該等金融工具詳情於各附註披露。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時和有效地採取適當之措施。

貨幣風險

本集團主要於中國經營業務，其絕大部份交易以人民幣結算。本集團於中國不會面臨重大的外匯風險。然而，對人民幣轉換為外幣受中國政府頒佈的外匯管制條例監管。

利率風險

本集團之計息銀行存款承受利率變動風險。

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk

The Group mainly operates in PRC with most of the transactions settled in Renminbi ("RMB"). It did not have significant exposure to foreign exchange risk. Nevertheless, the exchange rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgation by the PRC government.

Interest rate risk

The Group is exposed to interest rate risk through the impact of the rate changes on bank balances.

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6. 財務風險管理目標及政策 (續)

信貸風險

倘對方於二零零五年十二月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險為已於綜合資產負債表列值之資產之賬面金額反映。為最大限度地降低信貸風險，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未付之債項。此外，於各結算日，本集團定期評估每項個別貿易應收款之可收回金額，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。

本集團並無集中之信貸風險，有關風險乃分散至多個其他地方及客戶。

7. 分類資料

分類資料按本集團的業務及地區分類呈報。業務分類對本集團的內部財務彙報較為有關聯，因此被選為首要分類資料呈報方式。

(a) 業務分類

本集團經營的兩項主要業務分類如下：

稀土：製造及銷售稀土產品（包括熒光產品）

耐火：製造及銷售耐火產品（包括高溫陶瓷產品及鎂砂）

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2005 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 receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

7. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

The Group operates the following two main business segments:

Rare Earth : The manufacture and sales of rare earth products (including fluorescent products)

Refractory : The manufacture and sales of refractory products (including high temperature ceramics products and magnesium grains)

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7. 分類資料 (續)

(a) 業務分類 (續)

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

		稀土 Rare Earth		耐火 Refractory		總額 Total	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
截至十二月三十一日 營業額	For the year ended 31 December Turnover	345,243	300,984	424,127	364,336	769,370	665,320
業績	RESULTS						
分類業績	Segment results	53,095	46,551	121,903	104,985	174,998	151,536
未分類企業費用	Unallocated corporate expenses					(7,639)	(14,524)
利息收入	Interest income					1,804	2,049
其他收入淨額	Other income, net					2,504	2,339
財務成本	Finance costs					(21)	(2,117)
除稅前溢利	Profit before taxation					171,646	139,283
稅項	Taxation					(40,021)	(17,973)
本年度溢利	Profit for the year					131,625	121,310
其他資料	OTHER INFORMATION						
年內產生的資本性 支出	Capital expenditure incurred during the year	3,210	71,183	25,538	54,737		
物業、廠房及設備之 折舊	Depreciation on property, plant and equipment	34,185	25,314	26,717	24,770		
預付租賃土地 使用權款項攤銷	Amortisation of prepaid lease payments on land use rights	35	35	316	300		
存貨撥備	Allowance for inventories	-	-	-	184		
處置物業、廠房及 設備虧損/(收益)	Loss/(gain) on disposal of property, plant and equipment	20	(99)	-	-		
撥回呆壞賬撥備	Written back of allowance for bad and doubtful debts	-	(477)	-	-		

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7. 分類資料(續)

(a) 業務分類(續)

		稀土 Rare Earth		耐火 Refractory		總額 Total	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
於十二月三十一日	As at 31 December						
分類資產	Segment assets	699,511	651,285	756,463	638,982	1,455,974	1,290,267
未分類企業資產	Unallocated corporate assets					137,990	137,069
資產總額	Total assets					1,593,964	1,427,336
分類負債	Segment liabilities	45,774	54,622	91,639	48,788	137,413	103,410
未分類企業負債	Unallocated corporate liabilities					7,836	4,250
負債總額	Total liabilities					145,249	107,660

(b) 地區分類

本集團的業務主要在中國、日本、歐洲及美國進行。按地區分類的營業額分析如下：

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
中國	The PRC	593,733	501,470
日本	Japan	102,567	90,091
歐洲	Europe	49,601	60,456
美國	The United States of America	13,161	8,901
其他	Others	10,308	4,402
		769,370	665,320

本集團超過百分之九十的分類資產是位於中國。

7. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

(b) Geographical segments

The Group's activities are conducted predominantly in the PRC, Japan, Europe and the United States of America. An analysis of turnover by geographical segment is as follows:

Over 90% of segment assets of the Group are located in the PRC.

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8. 營業額

8. TURNOVER

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
稀土產品(包括熒光產品)銷售	Sales of rare earth products (including fluorescent products)	345,243	300,984
耐火產品(包括高溫陶瓷產品)銷售	Sales of refractory products (including high temperature ceramics products)	424,127	364,336
		769,370	665,320

9. 財務成本

9. FINANCE COSTS

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
利息支出：	Interest expenses on:		
— 承兌匯票	— discounted bills	21	267
— 銀行借款	— bank loan	—	1,850
		21	2,117

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10. 除稅前溢利

除稅前溢利已扣除／(計入)下列各項：

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/
(crediting):

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
核數師酬金	Auditors' remuneration	1,360	1,200
存貨成本(不包括員工成本、 物業、廠房及設備之折舊、 預付租賃土地使用權款項攤銷、 存貨撥備以及存貨撇銷)	Cost of inventories (excluding staff costs, depreciation on property, plant and equipment, amortisation of prepaid lease payments on land use rights, allowance for inventories and written off of inventories)	490,588	421,238
物業、廠房及設備之折舊	Depreciation on property, plant and equipment	60,985	50,175
預付租賃土地使用權款項銷	Amortisation of prepaid lease payments on land use rights	351	335
商譽攤銷	Amortisation of goodwill	–	6,558
員工成本(不包括董事酬金 (附註11))	Staff costs (excluding directors' emoluments (Note 11))		
– 薪金及工資	– Salaries and wages	17,677	16,226
– 僱員退休福利供款 (附註12)	– Contribution to employment retirement benefits (Note 12)	1,016	1,072
匯兌(收益)／虧損淨額	Exchange (gain)/loss, net	(6,563)	66
存貨撥備	Allowance for inventories	–	184
已租物業之經營租賃支出	Operating lease charges on rented premises	1,615	2,344
處置物業、廠房及設備 虧損／(收益)	Loss/(gain) on disposal of property, plant and equipment	20	(96)
撥回呆壞賬撥備	Written back of allowance for bad and doubtful debts	–	(477)
研究及開發支出	Research and development expenditure	361	415

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11. 董事酬金

- (a) 根據香港公司條例第161條及上市規則的規定而披露的董事酬金如下：

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

- (a) Details of directors' emoluments pursuant to Section 161 of the Hong Kong Companies Ordinance and the provisions of the Listing Rules are as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
非執行董事	Non-executive directors		
– 袍金	– fees	123	101
執行董事	Executive directors		
– 薪金及津貼	– salaries and allowance	2,230	2,240
		2,353	2,341

- (b) 已付或應付予八位(二零零四年：六位)董事之酬金如下：

- (b) The emoluments paid or payable to each of the eight (2004: six) directors were as follows:

		董事袍金 Directors' fees 千港元 HK\$'000	基本薪金、津貼 及實物福利 Basic salaries, allowance and benefits-in kind 千港元 HK\$'000	酬金總額 Total emoluments 千港元 HK\$'000
蔣泉龍	Jiang Quanlong	–	1,200	1,200
錢元英	Qian Yuanying	–	780	780
范亞軍	Fan Yajun	–	174	174
許盤鳳	Xu Panfeng	–	38	38
蔣才南	Jiang Cainan	–	38	38
劉余九	Liu Yujiu	34	–	34
黃春華	Huang Chunhua	60	–	60
金重	Jin Zhong	29	–	29
二零零五年總額	Total for 2005	123	2,230	2,353

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11. 董事酬金(續)

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS
(Continued)

		董事袍金	基本薪金、津貼 及實物福利	酬金總額
		Directors' fees	Basic salaries, allowance and benefits-in kind	Total emoluments
		千港元	千港元	千港元
		HK\$'000	HK\$'000	HK\$'000
蔣泉龍	Jiang Quanlong	–	1,200	1,200
錢元英	Qian Yuanying	–	780	780
范亞軍	Fan Yajun	–	260	260
劉余九	Liu Yujiu	34	–	34
黃春華	Huang Chunhua	60	–	60
金重	Jin Zhong	7	–	7
二零零四年總額	Total for 2004	101	2,240	2,341

截至二零零五年及二零零四年十二月三十一日止年度，概無董事放棄任何酬金。

No director waived any emoluments in the years ended 31 December 2005 and 2004.

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11. 董事酬金 (續)

- (c) 五位最高薪人士包括三位(二零零四年：三位)董事，彼等的酬金詳情已載於上文。彼等的酬金總額連同其餘兩位(二零零四年：兩位)人士的酬金如下：

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS
(Continued)

- (c) During the year, five highest paid individuals in the Group, three (2004: three) are directors of the Company whose emoluments are set out above. Their total emoluments together with the remaining two (2004: two) highest paid individuals are as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
薪金及其他酬金	Salaries and other emoluments	3,061	3,098

包括董事及僱員在內的五位最高薪人士的酬金介乎於下列範圍：

The emoluments of the five highest paid individuals including directors and employees fall within the following ranges:

		二零零五年 2005	二零零四年 2004
零 – 1,000,000港元	Nil – HK\$1,000,000	4	4
1,000,001港元 – 1,500,000港元	HK\$1,000,001 – HK\$1,500,000	1	1

於兩個年度內，本集團並無向五位最高薪人士(包括董事及僱員)支付任何酬金，作為鼓勵其加入或於加入本集團時的報酬或離職賠償。

No emoluments were paid to the five highest individuals including directors and employees as inducement to join or upon joining the Group or as compensation for loss of office in both years.

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12. 僱員退休福利

如中國有關規則及條例的規定，本公司的中國附屬公司須為其全體僱員向國營退休計劃供款，供款額為僱員底薪的17%–20%（二零零四年：17%–20%）。僱員退休後的生活津貼由國營退休計劃負責支付。中國附屬公司除每年供款外，毋須支付實際退休金，亦毋須負責僱員的退休後福利。截至二零零五年十二月三十一日止年度，退休計劃供款額約為971,000港元（二零零四年：1,029,000港元）。

本集團旗下一在香港營運的公司自二零零零年十二月一日起已參與強積金。該計劃為定額供款退休金計畫。該公司每月按僱員底薪5%向該計劃供款。截至二零零五年十二月三十一日止年度，本集團向強積金供款約45,000港元（二零零四年：43,000港元）。強積金的資產與本集團的資產分開持有，並由獨立專業基金經理管理。

12. EMPLOYMENT RETIREMENT BENEFITS

As stipulated by the relevant rules and regulations in the PRC, the PRC subsidiaries of the Company are required to contribute to a state-sponsored retirement plan for all of their employees based on 17% to 20% (2004: 17% to 20%) of the employee's basic salary. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees and the PRC subsidiaries of the Company have no further obligations for the actual pension payments or other post-retirement benefits beyond the annual contributions. For the year ended 31 December 2005, the retirement plan contributions amounted to approximately HK\$971,000 (2004: HK\$1,029,000).

A company in the Group operating in Hong Kong has participated in MPF, which is a defined contribution pension scheme, since 1 December 2000. The Company makes monthly contributions to the scheme based on 5% of the employees' basic salaries. For the year ended 31 December 2005, the Group's contributions to the MPF were approximately HK\$45,000 (2004: HK\$43,000). The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers.

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13. 稅項

13. TAXATION

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
企業所得稅	Enterprise Income Tax ("EIT")		
– 中國附屬公司	– The PRC subsidiaries	40,021	17,973

由於本集團的溢利均不在香港產生，故並無就香港利得稅計提撥備。

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong.

應付及預交稅項已包括中國增值稅及中國企業所得稅如下：

Tax payable and recoverable comprised PRC VAT and PRC EIT as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
中國增值稅	PRC VAT	9,399	3,024
中國企業所得稅	PRC EIT	22,416	4,037
		31,815	7,061

企業所得稅已根據各中國附屬公司的估計應課稅溢利按有關稅率計提。

EIT has been provided at the prevailing rates on the estimated assessable profits applicable to each PRC subsidiary.

根據中國有關稅法，中國附屬公司在經抵銷所有以前年度虧損後的首個盈利年度起兩年內獲享豁免繳付企業所得稅，並在其後三個年度獲減稅50%。

Pursuant to the relevant tax laws in the PRC, subsidiaries in the PRC are entitled to full exemption from EIT for two years starting from their first profit-making year, after offsetting all losses brought forward, followed by a 50% reduction for the next three years thereafter.

於本年內，有兩家（二零零四年：四家）中國附屬公司獲減免企業所得稅50%及兩家（二零零四年：無）中國附屬公司繳付所得稅全額。

During the year, two (2004: four) PRC subsidiaries are entitled to a 50% reduction of EIT and two (2004: Nil) PRC subsidiaries are subject to full provision of EIT.

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13. 稅項(續)

本年度內稅項與綜合損益表之溢利調節如下：

13. TAXATION (Continued)

The taxation for the years can be reconciled to the profit per the consolidated income statement as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
除稅前溢利	Profit before taxation	171,646	139,283
按國內所得稅率24%計算稅項 (二零零四年：24%)	Tax at domestic income tax rate of 24% (2004: 24%)	45,899	35,946
稅務寬減的影響	Effect of tax exemption	(5,878)	(17,973)
本年度稅項	Taxation for the year	40,021	17,973

由於沒有重大的暫時差額，在綜合財務報表中並未確認遞延稅項撥備。

No provision for deferred taxation has been recognised in the consolidated financial statements as there are no significant temporary differences.

14. 股息

14. DIVIDENDS

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
建議派發的末期股息： 每股0.04港元 (二零零四年：0.02港元)	Proposed final dividend: HK\$0.04 (2004: HK\$0.02) per share	47,374	19,739

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15. 每股盈利

每股基本盈利及攤薄盈利乃根據本集團在本年度本公司股東應佔溢利約130,207,000港元(二零零四年經重新表述: 119,658,000港元)及下列數據計算:

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$130,207,000 (2004 as restated: HK\$119,658,000) and the following data:

		二零零五年 2005	二零零四年 2004
用以計算每股基本盈利的 普通股加權平均數	Weighted average number of ordinary shares for the calculation of basic earnings per share	986,953,059	973,756,338
被視為無須代價而發行的普通股	Deemed issue of ordinary shares at no consideration	–	152,488
用以計算每股攤薄盈利的 普通股加權平均數	Weighted average number of ordinary shares for the calculation of diluted earnings per share	986,953,059	973,908,826

由於截至二零零五年十二月三十一日止年度並無潛在攤薄的普通股，故並無就該年度呈報每股攤薄盈利。

No diluted earnings per share was shown for 2005 as there was no dilutive potential ordinary share for the year.

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截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

16. 商譽

16. GOODWILL

		HK\$'000 千港元
成本	COST	
於二零零四年一月一日	At 1 January 2004	–
於收購附屬公司所產生	Arising on acquisition of a subsidiary	143,495
於二零零四年十二月三十一日及 二零零五年一月一日如原先呈列	At 31 December 2004 and 1 January 2005 as originally stated	143,495
應用香港會計準則第17號時 抵銷商譽(見附註3)	Elimination of goodwill upon the application of HKAS17 (see note 3)	(397)
於二零零四年十二月三十一日及 二零零五年一月一日經重新表述	At 31 December 2004 and 1 January 2005 as restated	143,098
應用香港財務報告準則第3號時 抵銷累計攤銷(見附註3)	Elimination of accumulated amortisation upon the application of HKFRS 3 (see note 3)	(6,558)
於收購附屬公司時產生	Arising on acquisition of a subsidiary	63,175
於二零零五年十二月三十一日	At 31 December 2005	199,715
累計攤銷	ACCUMULATED AMORTISATION	
於二零零四年一月一日	At 1 January 2004	–
本年度攤銷	Charge for the year	6,577
於二零零四年十二月三十一日及 二零零五年一月一日如原先呈列	At 31 December 2004 and 1 January 2005 as originally stated	6,577
應用香港會計準則第17號時 抵銷商譽(見附註3)	Elimination of accumulated amortisation of goodwill upon the application of HKAS17 (see note 3)	(19)
於二零零四年十二月三十一日及 二零零五年一月一日經重新表述	At 31 December 2004 and 1 January 2005 as restated	6,558
應用香港財務報告準則第3號時 抵銷累計攤銷(見附註3)	Elimination of accumulated amortisation upon the application of HKFRS 3 (see note 3)	(6,558)
於二零零五年十二月三十一日	At 31 December 2005	–
賬面淨額	CARRYING VALUES	
於二零零五年十二月三十一日	At 31 December 2005	199,715
於二零零四年十二月三十一日 經重新表述	At 31 December 2004 as restated	136,540

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

16. 商譽(續)

商譽約為199,715,000港元(二零零四年:136,540,000港元)乃於收購附屬公司時產生。約6,577,000的攤銷已在二零零四年綜合損益表中扣除。根據香港財務報告準則第3號,本集團自二零零五年一月一日起不再繼續攤銷商譽,而有關商譽至少每年進行一次減值測試。

有關商譽減值測試之詳情於附註17披露。

17. 商譽減值測試

於二零零五年十二月三十一日,商譽之賬面值已被劃撥至下列附屬公司:

16. GOODWILL (Continued)

Goodwill of HK\$199,715,000 (2004: HK\$136,540,000) was arising on acquisition of subsidiaries. The amortisation of approximately HK\$6,577,000 was charged to the consolidated income statement in 2004. Upon the application of HKFRS 3, the Group has discontinued amortising the goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually.

Particulars regarding impairment testing on goodwill are disclosed in note 17.

17. IMPAIRMENT TESTING ON GOODWILL

The carrying amount of goodwill as at 31 December 2005 related to the following subsidiaries:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
無錫新威高溫陶瓷有限公司	Wuxi Xinwei High Temperature Ceramics Co., Ltd.	136,540	136,540
海城蘇海鎂礦有限公司	Haicheng City Suhai Magnesium Ore Co., Ltd.	63,175	—
		199,715	136,540

於二零零五年十二月三十一日止年度,本集團之管理層根據一家與本集團並無關連的獨立專業合資格評估師所作的評估,認為以上兩間含有商譽之附屬公司並無出現減值。

During the year ended 31 December 2005, management of the Group determines that there are no impairment for the above two subsidiaries containing goodwill on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected with the Group.

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18. 物業、廠房及設備以及在建工程

18. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

		樓宇 Buildings 千港元 HK\$'000	機器及設備 Machinery and equipment 千港元 HK\$'000	辦公室設備 及裝置 Office equipment and fixtures 千港元 HK\$'000	汽車 Motor vehicles 千港元 HK\$'000	在建工程 Construction- in-progress 千港元 HK\$'000	總額 Total 千港元 HK\$'000
成本或估值	COST OR VALUATION						
於二零零四年一月一日	At 1 January 2004						
– 原先所列	– as originally stated	139,131	274,572	5,022	4,762	65,563	489,050
– 採納香港會計準則第17號的影響	– effect of adoption of HKAS 17	(3,917)	–	–	–	–	(3,917)
– 經重新表述	– as restated	135,214	274,572	5,022	4,762	65,563	485,133
收購附屬公司	Acquisition of a subsidiary						
– 原先所列	– as originally stated	37,842	73,028	76	–	–	110,946
– 採納香港會計準則第17號的影響	– effect of adoption of HKAS 17	(7,742)	–	–	–	–	(7,742)
– 經重新表述	– as restated	30,100	73,028	76	–	–	103,204
添置	Additions	–	23,570	203	692	101,598	126,063
由在建工程轉入	Transfer from construction-in-progress	7,631	122,783	–	–	(130,414)	–
處置	Disposals	–	–	(157)	(175)	–	(332)
於二零零四年十二月三十一日 及二零零五年一月一日	At 31 December 2004 and 1 January 2005	172,945	493,953	5,144	5,279	36,747	714,068
收購附屬公司	Acquisition of a subsidiary	17,850	40,089	125	1,308	–	59,372
添置	Additions	–	3,022	180	764	24,782	28,748
由在建工程轉入	Transfer from construction-in-progress	–	36,247	–	–	(36,247)	–
處置	Disposals	(20)	–	–	(1,000)	–	(1,020)
匯兌損益	Exchange difference	3,326	9,877	94	99	596	13,992
於二零零五年十二月三十一日	At 31 December 2005	194,101	583,188	5,543	6,450	25,878	815,160
包括：	Comprising:						
按成本	At cost	176,894	583,188	5,543	6,450	25,878	797,953
按估值	At valuation	17,207	–	–	–	–	17,207
		194,101	583,188	5,543	6,450	25,878	815,160

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

18. 物業、廠房及設備以及在建工程(續)

18. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS (Continued)

		樓宇 Buildings	機器及設備 Machinery and equipment	辦公室設備 及裝置 Office equipment and fixtures	汽車 Motor vehicles	在建工程 Construction- in-progress	總額 Total
		千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000	千港元 HK\$'000
累計攤銷及折舊	ACCUMULATED AMORTISATION AND DEPRECIATION						
於二零零四年一月一日	At 1 January 2004						
– 原先所列	– as originally stated	27,105	65,570	1,731	2,746	–	97,152
– 採納香港會計準則第17號 的影響	– effect of adoption of HKAS17	(399)	–	–	–	–	(399)
– 經重新表述	– as restated	26,706	65,570	1,731	2,746	–	96,753
收購附屬公司	Acquisition of a subsidiary						
– 原先所列	– as originally stated	4,299	14,002	8	–	–	18,309
– 採納香港會計準則第17號 的影響	– effect of adoption of HKAS17	(677)	–	–	–	–	(677)
– 經重新表述	– as restated	3,622	14,002	8	–	–	17,632
本年度計提	Charge for the year						
– 原先所列	– as originally stated	9,019	39,842	1,039	826	–	50,726
– 採納香港會計準則第17號 的影響	– effect of adoption of HKAS17	(551)	–	–	–	–	(551)
– 經重新表述	– as restated	8,468	39,842	1,039	826	–	50,175
處置撥回	Written back on disposals	–	–	(154)	(104)	–	(258)
於二零零四年十二月三十一日 及二零零五年一月一日	At 31 December 2004 and 1 January 2005	38,796	119,414	2,624	3,468	–	164,302
收購附屬公司	Acquisition of a subsidiary	2,975	13,360	76	683	–	17,094
本年度計提	Charge for the year	8,729	50,319	1,023	914	–	60,985
處置撥回	Written back on disposals	–	–	–	(1,000)	–	(1,000)
匯兌損益	Exchange difference	830	2,780	57	66	–	3,733
於二零零五年十二月三十一日	At 31 December 2005	51,330	185,873	3,780	4,131	–	245,114
賬面淨額	NET BOOK VALUES						
於二零零五年十二月三十一日	At 31 December 2005	142,771	397,315	1,763	2,319	25,878	570,046
於二零零四年十二月三十一日 經重新表述	At 31 December 2004 as restated	134,149	374,539	2,520	1,811	36,747	549,766

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

18. 物業、廠房及設備以及在建工程(續)

於以前年度，土地使用權以直線法分二十年攤銷。根據新香港會計準則第17號，從二零零五年一月一日起，預付租賃土地使用權款項應按照其租賃年期作攤銷。此會計政策變動已被追溯應用。於二零零四年一月一日之樓宇成本值及累計折舊值已經重新表述。

所有樓宇均位於中國。

若干本集團樓宇經已由一家獨立專業合資格評估師於二零零二年十二月三十一日按公開市值基準重估。自二零零二年起，並無進一步重估本集團之樓宇。於資產負債表日，假約以成本值減除累計折舊值列賬，評估值為13,706,000港元(二零零四年：14,701,000港元)之樓宇之賬面值應為15,303,000港元(二零零四年：16,360,000港元)。

物業、機器及設備以直線法按下列年率計提折舊：

樓宇	5%
機器及設備	10%
辦公室設備及裝置	20%
汽車	20%

18. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS (Continued)

In prior year, land use rights are amortised on a straight line basis over 20 years. With effect from 1 January 2005, prepaid lease payments on land use rights are amortised on a straight line basis over the lease term with the adopted of the new HKAS 17. This change in accounting estimate has been applied retrospectively. Accordingly, the cost and accumulated depreciation of buildings as at 1 January 2004 have been restated.

All buildings are located in PRC.

Certain of the Group's buildings were revalued at 31 December 2002 by an independent professionally qualified valuer on an open market basis. Since 2002, no further revaluations of the Group's buildings have been carried out. At the balance sheet date, the carrying amount of certain buildings with revalued amount of HK\$13,706,000 (2004: HK\$14,701,000) would have been HK\$15,303,000 (2004: HK\$16,360,000) have they been stated at cost less accumulated depreciation.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5%
Machinery and equipment	10%
Office equipment and fixtures	20%
Motor vehicles	20%

綜合財務報表附註 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

19. 預付租賃土地使用權款項

19. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
本集團預付租賃款項包括：	The Group's prepaid lease payments comprise:		
於中國之長期租賃土地	Long-term leasehold land in PRC	12,419	10,384
就報告而作出之分析如下：	Analysed for reporting purposes as:		
流動資產	Current asset	398	347
非流動資產	Non-current asset	12,021	10,037
		12,419	10,384

20. 存貨

20. INVENTORIES

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
原材料	Raw materials	37,096	54,341
在製品	Work in progress	68,892	66,330
產成品	Finished goods	136,687	118,581
		242,675	239,252
減：存貨撥備	Less: Allowance for inventories	(14,284)	(14,015)
		228,391	225,237

於資產負債表日，存貨中包括可變現淨額列賬的存貨約為5,725,000港元(二零零四年：25,599,000港元)。

At the balance sheet date, approximately HK\$5,725,000 (2004: HK\$25,599,000) of the inventories of the Group were carried at net realisable value.

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截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

21. 應收賬款及其他應收款

本集團給予貿易客戶平均三十至九十日的平均信貸期。

信貸額是經過評估客戶的財政實力及其過往的賬款支付記錄後而向客戶提供。所有客戶均設定信貸限額，而只有在得到本集團高級職員核准後才可以超過限額。與認為有信貸風險的客戶進行交易會以現金進行。專業職員監察逾期應收賬款，並負責跟進收款。

於資產負債表日，應收賬款及其他應收款已包括：

21. ACCOUNTS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers.

Credit is offered to customers following an assessment of their financial abilities and payment track record. Credit limits are set for all customers and these can be exceeded only with the approval of senior officers of the Group. Business with customers considered to have credit risk is conducted on a cash basis. Professional staff monitors overdue accounts receivable and follow up collections.

At the balance sheet date, accounts and other receivables comprised:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
應收賬款	Accounts receivable	326,865	201,124
其他應收款	Other receivables	20,313	10,644
		347,178	211,768
減：呆壞賬撥備	Less: Allowance for bad and doubtful debts	(8,377)	(8,212)
		338,801	203,556

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截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

21. 應收賬款及其他應收款(續)

應收賬款之賬齡分析如下：

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	286,780	180,549
六個月至一年內	6 months to less than 1 year	26,519	6,785
一至兩年內	1 to less than 2 years	5,773	7,581
兩年以上	Over 2 years	7,793	6,209
		326,865	201,124

於二零零五年十二月三十一日，本集團之應收賬款及其他應收款之公平值與其賬面值相若。

21. ACCOUNTS AND OTHER RECEIVABLES (Continued)

An ageing analysis of accounts receivable is as follows:

The fair values of the Group's accounts and other receivables at 31 December 2005 approximate to the corresponding carrying amounts.

22. 已抵押存款

於二零零五年及二零零四年十二月三十一日，該存款已抵押予銀行作為向一附屬公司的一個客戶作業務擔保。

22. PLEDGED DEPOSIT

At 31 December 2005 and 2004, the deposit was pledged to a bank as business guarantee given to a customer of a subsidiary.

23. 應付賬款

應付賬款之賬齡分析如下：

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
本期至六個月內	Current to less than 6 months	48,715	50,768
六個月至一年內	6 months to less than 1 year	4,581	4,549
一至兩年內	1 to less than 2 years	1,456	491
兩年以上	Over 2 years	1,497	74
		56,249	55,882

於二零零五年十二月三十一日，本集團之應付賬款之公平值與其賬面值相若。

23. ACCOUNTS PAYABLE

An ageing analysis of accounts payable is as follows:

The fair values of the Group's accounts payable at 31 December 2005 approximate to the corresponding carrying amounts.

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截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

24. 本公司股本

24. SHARE CAPITAL OF THE COMPANY

		股本數目 Number of shares	千港元 HK\$'000
每股面值0.10港元之普通股	Ordinary shares of HK\$0.10 each		
法定：	Authorised:		
於二零零四年一月一日	At 1 January 2004	1,000,000,000	100,000
本年度新增(附註a)	Increase during the year (Note a)	1,000,000,000	100,000
於二零零四年十二月三十一日 及二零零五年十二月三十一日	At 31 December 2004 and 31 December 2005	2,000,000,000	200,000
已發行及繳足：	Issued and fully paid:		
於二零零四年一月一日	At 1 January 2004	814,453,059	81,445
本年度發行股份(附註b)	Issue of shares during the year (Note b)	172,500,000	17,250
於二零零四年十二月三十一日 及二零零五年十二月三十一日	At 31 December 2004 and 31 December 2005	986,953,059	98,695

附註：

Notes:

(a) 於二零零四年一月二十九日，本公司之法定股本以新增每股面值0.10港元的普通股1,000,000,000股已由100,000,000港元增加至200,000,000港元。

(a) On 29 January 2004, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK\$0.10 each in the capital of the Company.

(b) 於二零零四年一月二十九日，本公司已發行172,500,000股每股面值0.10港元的普通股。新增股份在各方面與現有股份享有同等權利。

(b) On 29 January 2004, 172,500,000 ordinary shares of HK\$0.10 each were issued. The new shares rank pari passu with the existing shares in all respects.

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截至二零零五年十二月三十一日止年度 Year ended 31 December 2005

25. 承擔

於資產負債表日，本集團沒有在財務報表內撥備之承擔如下：

- (a) 購買機器及設備以及建造樓宇之資本承擔：

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
已授權及已訂約	Authorised and contracted for	67,461	45,434

- (b) 根據不可撤銷之土地及樓宇經營租賃於日後所需繳付的最低租金款項承擔如下：

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
一年內	Within one year	1,307	1,264
第二至第五年(包括首尾兩年)	In the second to fifth year inclusive	3,036	3,063
五年後	Over five years	10,543	10,898
		14,886	15,225

25. COMMITMENTS

At the balance sheet date, the Group had the following commitments, so far as not provided for in the financial statements, in respect of:

- (a) Capital commitments in respect of acquisition of machinery and equipment and construction of buildings:

- (b) Operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

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26. 購股權計劃

於二零零四年六月四日舉行之股東周年大會上，本公司股東批准終止於一九九九年十月十四日採納之購股權計劃（「舊計劃」）及採納新購股權計劃（「新計劃」）。

根據新計劃，董事可酌情邀請對本集團有所貢獻或將有貢獻之本集團全職僱員（包括本公司及其附屬公司之董事）、任何股東、供應商、客戶、專家顧問、顧問及合作夥伴或業務聯盟在新計劃條款及條件之規限下接受購股權認購本公司股份。合資格參與者將就每次授出之購股權支付象徵式代價。購股權可於董事在提出要約時所釐定及指定予各承授人之期間內任何時間行使，惟不得超過各購股權授出日起計十年之期間，惟可遵照新計劃予以提早終止。於二零零五及二零零四年十二月三十一日止年度，本公司並無根據舊計劃及新計劃授出購股權。

26. SHARE OPTION SCHEME

At the annual general meeting of the Company held on 4 June 2004, the shareholders of the Company approved the termination of the Company's share option scheme adopted on 14 October 1999 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme").

Under the New Scheme, the directors may, at their discretion, invite full-time employees of the Group, including directors of the Company and its subsidiaries, any of its shareholders, suppliers, customers, consultants, advisers and joint venture partners or business alliance who have contributed or will contribute to the Group to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. A nominal consideration will be paid by the eligible participants for each lot of share options granted. An option may be exercised at any time during a period to be determined and identified by the directors to each grantee at the time of making the offer, but in any event, shall not exceed the period of ten years from the date of grant of the particular option, subject to the early termination of the New Scheme. No option has been granted by the Company under the Old Scheme and the New Scheme during the two years ended 31 December 2005 and 2004.

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26. 購股權計劃(續)

(a) 年內購股權之變動如下：

26. SHARE OPTION SCHEME (Continued)

(a) Movements of the share options during the year are as follows:

舊計劃 Old Scheme		購股權數目 Number of share options			
授出日期 Date of grant	行使期 Exercisable period	行使價 Exercise price 港元 HK\$	於二零零四年 一月一日、 二零零四年 十二月三十一日及 二零零五年 一月一日 尚未行使 Outstanding at 1 January 2004, 31 December 2004 and 1 January 2005	於二零零五年 十二月三十一日 於年內取銷 Cancelled during the year	尚未行使 Outstanding at 31 December 2005
二零零三年一月二十三日 23 January 2003	二零零三年一月二十七日至 二零一三年一月二十六日 (唯授出之股權之50%·不可於 二零零四年一月二十七日前行使) 27 January 2003 – 26 January 2013 (Provided that 50% the option granted shall not be exercised prior to 27 January 2004)	1.10	6,500,000	(5,000,000)	1,500,000

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26. 購股權計劃(續)

- (b) 年內按類別分類之購股權變動情況概要如下：

26. SHARE OPTION SCHEME (Continued)

- (b) Summary of the movements of the share options during the year by category are as follows:

類別	行使價	購股權數目		
		於二零零四年 一月一日， 二零零四年 十二月三十一日及 二零零五年 一月一日 尚未行使	於年內取銷	於二零零五年 十二月三十一日 尚未行使
Category	Exercise price 港元 HK\$	Outstanding at 1 January 2004, 31 December 2004 and 1 January 2005	Cancelled during the year	Outstanding at 31 December 2005
董事 Directors	1.10	5,000,000	(5,000,000)	—
本集團僱員 Employees of the Group	1.10	1,500,000	—	1,500,000
		6,500,000	(5,000,000)	1,500,000

於二零零五年十二月三十一日，根據本公司舊計劃授出而尚未行使之購股權涉及之本公司股份數目為1,500,000股(二零零四年：6,500,000股)，佔於該日本公司已發行股份之0.15%(二零零四：0.66%)。按舊計劃，於任何時日未經本公司股東允許，可授出之購股權並不可以超過本公司已發行股份之10%。

At 31 December 2005, the number of shares in respect of which options had been granted and remained outstanding under the Old Scheme was 1,500,000 (2004: 6,500,000), representing 0.15% (2004: 0.66%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Old Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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27. 關聯人士交易

(a) 應付關聯公司款項詳情如下：

27. RELATED PARTY TRANSACTIONS

(a) Particulars of amount due to a related company is as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
關聯公司名稱	Name of related company		
無錫泛亞環保科技有限公司	Wuxi Pan-Asia Environmental Protection Technologies Limited	1,220	8,713

應付關聯公司款項是無抵押、不計利息及須應要求償還的。

蔣泉龍或錢元英或其近親在此等公司擁有實際權益。

The amount due to a related company is unsecured, non-interest bearing and repayable on demand.

Jiang Quanlong or Qian Yuanying or their close relatives have beneficial interests in this company.

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27. 關聯人士交易 (續)

(b) 於本年度，本集團進行以下關聯交易：

- (i) 本集團無須支付任何代價而使用宜興新威集團有限公司的出口配額並已安排其產品出口至中國以外地方，宜興新威集團有限公司為一間中國國內企業，由蔣泉龍擁有90%，而另外10%由蔣泉龍之子擁有。蔣泉龍亦是該企業的法定代表。透過上述安排而處理的出口銷售額約為5,662,000港元(二零零四年：12,695,000港元)。宜興新威集團有限公司亦持有本公司的附屬公司—宜興新威利成稀土有限公司的5%權益。
- (ii) 本集團已支付約206,000港元(二零零四年：204,000港元)的租金予蔣泉龍。
- (iii) 本集團已支付約51,000港元(二零零四年：46,000港元)的租金予無錫泛亞環保科技有限公司。

董事認為上述交易是一般的普通業務往來及基於普通的商業交易條件或有關交易的協定進行的。以上均得到非執行董事確認。

27. RELATED PARTY TRANSACTIONS (Continued)

(b) During the year, the Group entered into the following related party transactions:

- (i) The Group arranged export sales of its products outside the PRC using the export quota of Yixing Xinwei Group Co., Ltd. at nil consideration. Yixing Xinwei Group Co., Ltd. is a PRC domestic enterprise 90% owned by Jiang Quanlong and 10% owned by a son of Jiang Quanlong. Jiang Quanlong is also the legal representative of the enterprise. Export sales handled through this arrangement amounted to approximately HK\$5,662,000 (2004: HK\$12,695,000). Yixing Xinwei Group Co., Ltd. also holds a 5% equity interests in Yixing Xinwei Leeshing Rare Earth Company Limited, a subsidiary of the Company.
- (ii) The Group paid rent of approximately HK\$206,000 (2004: HK\$204,000) to Jiang Quanlong.
- (iii) The Group paid rent of approximately HK\$51,000 (2004: HK\$46,000) to Wuxi Pan-Asia Environmental Protection Technologies Limited.

The directors are of the opinion that the above transactions were entered into under the normal course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and this has been confirmed by the non-executive directors.

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27. 關聯人士交易(續)

(c) 應付董事款項詳情如下：

27. RELATED PARTY TRANSACTIONS (Continued)

(c) Particulars of amounts due to directors are as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
蔣泉龍	Jiang Quanlong	8,742	7,445
錢元英	Qian Yuanying	2,847	2,165
許盤鳳 ¹	Xu Panfeng ¹	39	–
蔣才南 ¹	Jiang Cainan ¹	222	–
范亞軍 ²	Fan Yajun ²	–	457
		11,850	10,067

應付董事款項是無抵押、不計利息及須應要求償還的。

The amounts due to directors are unsecured, non-interest bearing and repayable on demand.

主要管理人員之補償詳情載於附註11。

Details of key management personnel compensations are set out in note 11.

¹ 於二零零五年八月十九日委任

¹ Appointed on 19 August 2005

² 於二零零五年八月十九日辭任

² Resigned on 19 August 2005

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28. 收購附屬公司

- (a) 於二零零五年十二月二十三日，本集團收購海城市蘇海鎂礦有限公司之全部註冊資本，總代價為人民幣120,000,000 (折合約115,385,000港元)。此交易已採用收購會計法入賬。

交易所得的資產淨額及所產生的商譽如下：

		Fair value and acquiree's carrying amount before combination 公平值及合併前 被收購方之賬面值 千港元 HK\$'000
所得的資產淨額：	Net assets acquired:	
物業、廠房及設備以及 在建工程	Property, plant and equipment and construction-in-progress	42,278
預付租賃土地使用權款項	Prepaid lease payments on land use rights	2,190
存貨	Inventories	4,241
應收賬款及其他應收款	Accounts and other receivables	26,801
預付款項、按金及其他流動資產	Prepayments, deposits and other current assets	1,822
現金及銀行結存	Cash and bank balances	428
應付賬款	Accounts payable	(1,593)
預提費用及其他應付款	Accruals and other payables	(22,088)
應付稅項	Tax payable	(1,869)
		52,210
收購所產生的商譽	Goodwill arising on acquisition	63,175
現金代價	Cash consideration	115,385
收購所產生的現金流淨額：	Net cash flow arising on acquisition:	
現金代價支出	Cash consideration paid	(115,385)
所得的現金及銀行結存	Cash and bank balances acquired	428
		(114,957)

於收購日至結算日期間，海城市蘇海鎂礦有限公司對本集團的收入及除稅前溢利並無重大貢獻。

28. ACQUISITION OF SUBSIDIARIES

- (a) On 23 December 2005, the Group acquired the entire registered capital of Haicheng City Suhai Magnesium Ore Co., Ltd., at a total consideration of RMB120,000,000 (equivalent to approximately HK\$115,385,000). The transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

		Fair value and acquiree's carrying amount before combination 公平值及合併前 被收購方之賬面值 千港元 HK\$'000
所得的資產淨額：	Net assets acquired:	
物業、廠房及設備以及 在建工程	Property, plant and equipment and construction-in-progress	42,278
預付租賃土地使用權款項	Prepaid lease payments on land use rights	2,190
存貨	Inventories	4,241
應收賬款及其他應收款	Accounts and other receivables	26,801
預付款項、按金及其他流動資產	Prepayments, deposits and other current assets	1,822
現金及銀行結存	Cash and bank balances	428
應付賬款	Accounts payable	(1,593)
預提費用及其他應付款	Accruals and other payables	(22,088)
應付稅項	Tax payable	(1,869)
		52,210
收購所產生的商譽	Goodwill arising on acquisition	63,175
現金代價	Cash consideration	115,385
收購所產生的現金流淨額：	Net cash flow arising on acquisition:	
現金代價支出	Cash consideration paid	(115,385)
所得的現金及銀行結存	Cash and bank balances acquired	428
		(114,957)

Haicheng City Suhai Magnesium Ore Co., Ltd. did not make significant contribution to the Group's revenue and profit before taxation for the period between the date of acquisition and the balance sheet date.

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28. 收購附屬公司(續)

- (b) 於二零零四年一月二十九日，本集團以每股1.20港元之價格發行172,500,000股合共207,000,000港元之股份，作為收購持有無錫新威高溫陶瓷全部權益的Dynamic Goal Worldwide Inc.的全部已發行股份之非現金代價。此交易已採用收購會計法入賬。

交易所得的資產淨額及所產生的商譽如下：

28. ACQUISITION OF SUBSIDIARIES (Continued)

- (b) On 29 January 2004, the Group acquired the entire issued share capital of Dynamic Goal Worldwide Inc. which in turn owns the entire equity interest in Wuxi Xinwei High Temperature Ceramics Co., Ltd. for a non-cash consideration of HK\$207,000,000 by means of issuing 172,500,000 shares at HK\$1.20 per share. The transaction had been accounted for using the purchase method of accounting.

The net assets acquired in the transaction and the goodwill arising, as follows:

		二零零四年 2004 千港元 HK\$'000 (重新表述) (restated)
收購所得的資產淨額：	Net assets acquired:	
物業、廠房及設備以及 在建工程	Property, plant and equipment and construction-in-progress	85,540
預付租賃土地使用權款項	Prepaid lease payments on land use rights	7,495
存貨	Inventories	1,983
應收賬款及其他應收款	Accounts and other receivables	29,360
現金及銀行結存	Cash and bank balances	3,405
應收集團公司款項	Amount due from a group company	46
應付賬款	Accounts payable	(1,224)
預提費用及其他應付款	Accruals and other payables	(4,030)
應付關聯公司款項	Amount due to a related company	(11,340)
銀行借款	Bank loan	(47,170)
應付稅項	Tax payable	(163)
		63,902
收購所產生的商譽	Goodwill arising on acquisition	143,098
發行股份之非現金代價總額	Non-cash consideration in form of shares issued	207,000
收購所產生的現金流淨額：	Net cash flow arising on acquisition:	
所得的現金及銀行結存	Cash and bank balances acquired	3,405

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29. 結算日後事項

按於二零零六年三月二十八日訂立之配售及認購協議，本公司於二零零六年四月十日以現金每股1.38港元發行面值每股0.1港元共197,390,000普通股。

此項交易完成後，本公司發行股本由98,695,000港元增加至118,434,000港元。

29. POST BALANCE SHEET EVENT

Pursuant to the placing and subscription agreement dated on 28 March 2006, the Company issued 197,390,000 ordinary shares of HK\$0.10 each at a price of HK\$1.38 per share for cash on 10 April 2006.

Subsequent to the transaction, the issued share capital of the Company was increased from HK\$98,695,000 to HK\$118,434,000.

30. 附屬公司

於二零零五年十二月三十一日本公司的附屬公司詳情如下：

30. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2005 are as follows:

附屬公司名稱	註冊成立／營運之地點及日期	持有股份類別	註冊及已繳足資本	已發行及繳足資本	本公司應佔權益／有投票權股本百分比		主營業務
					直接	間接	
Name of subsidiary	Place and date of incorporation/operations	Class of shares held	Registered and fully paid capital	Issued and fully paid capital	Effective percentage of equity interests/voting rights held by the Company		Principal activities
					Directly %	Indirectly %	
利成控股有限公司	英屬處女群島 一九九八年 十二月三日	普通股	—	20美元	100	—	投資控股
Lee Shing Holdings Limited	British Virgin Islands 3 December 1998	Ordinary	—	US\$20	100	—	Investment holding
龍科國際貿易(上海)有限公司	中國 二零零零年 二月二十四日	繳入資本	200,000美元	—	100	—	貿易
Wellfire (Shanghai) Company Limited	The PRC 24 February 2000	Contributed capital	US\$200,000	—	100	—	Trading
Dynamic Goal Worldwide Inc.	英屬處女群島 二零零零年 五月三十一日	普通股	—	2美元	—	100	投資控股
Dynamic Goal Worldwide Inc.	British Virgin Islands 31 May 2000	Ordinary	—	US\$2	—	100	Investment holding

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30. 附屬公司(續)

30. SUBSIDIARIES (Continued)

附屬公司名稱	註冊成立/營運 之地點及日期	持有股份 類別	註冊及 已繳足資本	已發行及 繳足資本	本公司應佔權益/ 有投票權股本 百分比		主營業務
					Effective percentage of equity interests/voting rights held by the Company	Principal activities	
Name of subsidiary	Place and date of incorporation/ operations	Class of shares held	Registered and fully paid capital	Issued and fully paid capital	Directly	Indirectly	Principal activities
					%	%	
宜興新威利成稀土有限公司	中國 一九九三年 七月十七日	繳入資本	15,660,000美元	—	—	95	製造及銷售稀土 產品
Yixing Xinwei Leeshing Rare Earth Company Limited	The PRC 17 July 1993	Contributed capital	US\$15,660,000	—	—	95	Manufacture and sales of rare earth products
宜興新威利成耐火材料 有限公司	中國 一九九九年 七月三十日	繳入資本	17,000,000美元	—	—	100	製造及銷售耐火 產品
Yixing Xinwei Leeshing Refractory Materials Company Limited	The PRC 30 July 1999	Contributed capital	US\$17,000,000	—	—	100	Manufacture and sales of refractory products
無錫新威熒光材料有限公司	中國 二零零一年 十二月二十日	繳入資本	8,520,000美元	—	—	100	製造及銷售熒光 產品
Wuxi Xinwei Fluorescent Materials Company Limited	The PRC 20 December 2001	Contributed capital	US\$8,520,000	—	—	100	Manufacture and sales of fluorescent products
新威稀土集團(香港) 有限公司	香港 一九九八年 十月二十三日	普通股	—	2港元	—	100	暫無業務
Xinwei Rare Earth (Hong Kong) Limited	Hong Kong 23 October 1998	Ordinary	—	HK\$2	—	100	Dormant

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30. 附屬公司(續)

30. SUBSIDIARIES (Continued)

附屬公司名稱 Name of subsidiary	註冊成立/營運 之地點及日期 Place and date of incorporation/ operations	持有股份 類別 Class of shares held	註冊及 已繳足資本 Registered and fully paid capital	已發行及 繳足資本 and fully paid capital	本公司應佔權益/ 有投票權股本 百分比 Effective percentage of equity interests/voting rights held by the Company		主營業務 Principal activities
					直接 Directly %	間接 Indirectly %	
中國稀土貿易有限公司	香港 二零零一年 二月十六日	普通股	—	2港元	—	100	貿易
China Rare Earth Trading Limited	Hong Kong 16 February 2001	Ordinary	—	HK\$2	—	100	Trading
無錫新威高溫陶瓷有限公司	中國 二零零二年 四月一日	繳入資本	30,000,000港元	—	—	100	製造及銷售高溫 陶瓷產品
Wuxi Xinwei High Temperature Ceramics Co., Ltd	The PRC 1 April 2002	Contributed capital	HK\$30,000,000	—	—	100	Manufacture and sales of high temperature ceramics products
海城市蘇海鎂礦有限公司	中國 二零零二年 四月二十七日	繳入資本	人民幣25,000,000	—	—	100	製造及銷售鎂鈔 產品
Haicheng City Suhai Magnesium Ore Co., Ltd.	The PRC 27 April 2002	Contributed capital	RMB25,000,000	—	—	100	Manufacture and sales of magnesium products

概無附屬公司擁有任何於年結日或年內
任何時間繼續有效之債務證券。

None of the subsidiaries had any debt securities subsisting
at the end of the year or within any time during the year.