

1 GENERAL INFORMATION

Hualing Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) manufacture, distribute and sell household electrical appliances, which include air-conditioners, refrigerators and mini-refrigerators. The Group has manufacturing plants in the People’s Republic of China (“PRC”) and sells mainly within the PRC and countries in Europe, Americas, Asia Pacific and Africa.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Suite 3904, 39/F, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved for issue by the board of directors on 18 April 2007.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Going concern basis

The Group incurred a loss attributable to the equity holders of the Company of HK\$112,647,000 for the year ended 31 December 2006. In addition, the Group had net current liabilities and net liabilities of HK\$687,039,000 and HK\$300,490,000, respectively, as at 31 December 2006. Nevertheless, the directors have adopted the going concern basis in the preparation of these consolidated financial statements based on the following:

1 基本資料

華凌集團有限公司(「本公司」)及其附屬公司(統稱「本集團」)製造、分銷及銷售家庭電器，包括空調、冰箱及小型冰箱。本集團於中華人民共和國(「中國」)設有生產廠房，產品主要於中國以及歐洲、美洲、亞太及非洲等國家銷售。

本公司為於香港註冊成立之有限公司。其註冊辦事處地址為香港九龍尖沙咀廣東道9號海港城港威大廈第6座39樓3904室。

本公司股份於香港聯合交易所有限公司主板上市。

本綜合財務報表已於二零零七年四月十八日獲董事會批准刊發。

2 主要會計政策

編製該等綜合財務報表所應用之主要會計政策載列如下。除另有註明外，該等會計政策於所有呈列之年度中均已貫徹應用。

2.1 持續經營之基準

本集團於截至二零零六年十二月三十一日止年度錄得本公司股權持有人應佔虧損港幣112,647,000元。另外，本集團於二零零六年十二月三十一日之流動負債淨額及負債淨額分別為港幣687,039,000元及港幣300,490,000元。然而，該等綜合財務報表乃董事採納持續經營之基準，並基於下列各項編製而成：

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.1 Going concern basis** *(Continued)*

- The written intention of continuing financial support provided by the Group's ultimate holding company, Midea Group Co., Ltd. (the "Midea Group") in the future 12 months from the date of approval of the consolidated financial statements;
- As disclosed in Note 16 to the consolidated financial statements, certain bank loans, with which the Group largely finances its day-to-day working capital requirements, are due for repayment in 2007. Subsequent to the balance sheet date, bank loans of approximately HK\$39,813,000 have been rolled over and will be due for repayments in 2007 and 2008 and none of the banks have withdrawn their facilities extended to the Group to date. Besides, at 31 December 2006, the Group has unutilised banking facilities of approximately HK\$155,000,000, out of which approximately HK\$145,000,000 was guaranteed by the Midea Group or subsidiaries of the Midea Group. The directors are of the opinion that, the Group will succeed in negotiating with its bankers to renew its outstanding bank loans as they fall due and/or to extend their repayment terms to meet its future working capital and financial requirements. Nevertheless, the Group is also actively exploring the availability of alternative sources of financing; and
- As disclosed in Note 16 to the consolidated financial statements, the banking facilities of approximately HK\$316,512,000 were guaranteed by the Midea Group or a subsidiary of the Midea Group as at 31 December 2006. The directors believe that the Midea Group will continue to provide assistance to procure the Group in obtaining adequate additional banking facilities and in extending credit from established and new suppliers or to inject funding into the Group.

2 主要會計政策 *(續)***2.1 持續經營之基準** *(續)*

- 本集團之最終控股公司美的集團有限公司(「美的集團」)所提供由批准綜合財務報表日期起12個月之持續財務支持之書面意向書；
- 如綜合財務報表附註16所述，用以維持本集團日常營運資金需求之若干銀行貸款即將於二零零七年內到期償還。於資產負債表日後，約港幣39,813,000元之銀行貸款已續簽及將於二零零七年及二零零八年到期償還，並且目前並無任何銀行撤回已授予本集團之額度。此外，於二零零六年十二月三十一日，本集團之未動用銀行信用額度約港幣155,000,000元，其中約港幣145,000,000元由美的集團或美的集團之附屬公司擔保。董事認為，本集團將與銀行就已到期之尚未償還銀行貸款續簽及／或延長還款期限問題成功磋商，以滿足本集團未來營運資金及財務需求。然而，本集團亦將積極拓展其他融資渠道；及
- 如綜合財務報表附註16所述，於二零零六年十二月三十一日，約港幣316,512,000元之銀行信用額度由美的集團或美的集團之一間附屬公司作出擔保。董事相信，美的集團將會繼續協助本集團取得足夠之額外銀行信用額度，並延長已有及新簽供應商提供之信貸或向本集團注入資金。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.1 Going concern basis** *(Continued)*

In addition, the Group underwent the following activities in current year to improve its profitability and cash flows:

- The Group successfully implemented new business strategies which included the termination of production of certain unprofitable models and disposal of certain off-strategy investments to generate additional cash flows for the Group's operations. The Group's gross profit (gross profit margin) increased from HK\$154,874,000 (7.9%) in 2005 to HK\$244,236,000 (10.7%) in 2006;
- In August 2006, the Company raised approximately HK\$82,015,000 after expenses by issuing 640,000,000 placing shares at a price of HK\$0.13 per placing share which were used to provide working capital for the Group's operations; and
- In September and December 2006, the directors and the employees of the Company exercised 28,000,000 and 49,000,000 share options, respectively, at a price of HK\$0.1206 per share which raised approximately HK\$9,285,000 to provide additional funding to the Group.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 主要會計政策 *(續)***2.1 持續經營之基準** *(續)*

此外，本集團於本年內進行下列活動以改善未來盈利能力及現金流量：

- 本集團成功實施新的經營策略，包括終止部分無盈利機型之生產及出售部分非核心策略投資，以增加額外之現金流量作為本集團營運之用途。本集團之毛利(毛利率)由二零零五年之港幣154,874,000元(7.9%)增加至二零零六年之港幣244,236,000元(10.7%)；
- 於二零零六年八月，本公司以每股配售股份港幣0.13元之價格發行640,000,000股配售股份，扣除開支後，籌得約港幣82,015,000元，該款項將用於為本集團營運提供營運資金；及
- 於二零零六年九月及十二月，董事及本公司僱員按每股港幣0.1206元之價格分別行使28,000,000份及49,000,000份購股權，籌得約港幣9,285,000元，用於為本集團提供額外資金。

董事認為，基於上述措施，本集團將獲得充足之營運資金以支持本集團於可見將來之經營需要及維持持續經營。因此，董事確認按持續經營之基準編製此等綜合財務報表乃屬恰當。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 主要會計政策 (續)**2.2 編制基準**

本集團的綜合財務報表按香港財務報告準則(「香港財務報告準則」)編製。綜合財務報表乃按歷史成本慣例編製，並就重估投資物業作出修訂。

編製符合香港財務報告準則的財務報表需要使用若干關鍵會計估計。管理層在運用本集團會計政策過程中亦須行使其判斷。涉及很大程度的判斷或複雜性的範圍，或對綜合財務報表有重大影響的假設及估計的範圍乃於附註4披露。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

- (a) *Standards/ Interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

The following standards/ interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods that the Group has not early adopted:

- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements;

2 主要會計政策 (續)**2.2 編制基準** (續)

- (a) *尚未生效而未獲本集團提早採納的準則／現有準則詮釋*

下列為已頒佈須於本集團二零零七年一月一日或之後開始的會計期間或較後期間強制採納而本集團並無提早採納的準則／現有準則詮釋：

- 香港(國際財務報告詮釋委員會)－詮釋第8號，香港財務報告準則第2號的範圍(於二零零六年五月一日或之後開始的會計期間生效)。香港(國際財務報告詮釋委員會)－詮釋第8號規定，就發行股本工具而言，凡收取的可識別代價低於所發行股本工具的公平值，均須釐定有關代價，而不論該等交易是否屬於香港財務報告準則第2號的範圍內。本集團將於二零零七年一月一日起應用香港(國際財務報告詮釋委員會)－詮釋第8號，預料對本集團的綜合財務報表並無任何影響。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

(a) *Standards/ Interpretations to existing standards that are not yet effective and have not been early adopted by the Group* *(Continued)*

- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's consolidated financial statements;
- HKFRS 7, Financial instruments: Disclosures, and the complementary Amendment to HKAS 1, Presentation of Financial Statements — Capital Disclosures, will be effective for the Group's accounting period beginning on or after 1 January 2007. HKFRS 7 introduces new disclosures to improve the information about financial instruments. The Group will apply HKFRS 7 from 1 January 2007, but it is not expected to have any impact on the classification and valuation of the Company's financial statements; and

2 主要會計政策 *(續)***2.2 編制基準** *(續)*

(a) *尚未生效而未獲本集團提早採納的準則／現有準則詮釋* *(續)*

- 香港(國際財務報告詮釋委員會)－詮釋第10號，中期財務報告及減值(於二零零六年十一月一日或之後開始的會計期間生效)。香港(國際財務報告詮釋委員會)－詮釋第10號禁止在中期期間確認按成本值列賬的商譽、股本工具的投資和金融資產投資的減值虧損在之後的結算日撥回。本集團將由二零零七年一月一日起應用香港(國際財務報告詮釋委員會)－詮釋第10號，預料對本集團的綜合財務報表並無任何影響。
- 香港財務報告準則第7號，金融工具：披露，以及香港會計準則第1號的補充修訂，財務報表的呈列－資本披露，將於本集團二零零七年一月一日或之後開始的會計期間生效。香港財務報告準則第7號引入全新的披露規定，增加有關金融工具的資料。本集團將由二零零七年一月一日起應用香港財務報告準則第7號，惟預料對本公司財務報表的分類及估值並無任何影響；及

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

(a) *Standards/ Interpretations to existing standards that are not yet effective and have not been early adopted by the Group* *(Continued)*

- HK(IFRIC)-Int 11, HKFRS2-Group and Treasury Share Transactions (effective for annual period beginning on or after 1 March 2007). HK(IFRIC)-Int 11 addresses equity-settled awards and group scheme. The Group will apply HK(IFRIC)-Int 11 from 1 January 2008, but is not expected to have any impact on the Group's consolidated financial statements.

2 主要會計政策 *(續)***2.2 編制基準** *(續)*

(a) *尚未生效而未獲本集團提早採納的準則／現有準則詮釋* *(續)*

- 香港(國際財務報告詮釋委員會)－詮釋第11號，香港財務報告準則第2號－集團及庫存股份交易(於二零零七年三月一日或之後開始的會計期間生效)。香港(國際財務報告詮釋委員會)－詮釋第11號處理有關權益結算報酬及集團計劃。本集團將由二零零八年一月一日起應用香港(國際財務報告詮釋委員會)－詮釋第11號，惟預料對本集團的綜合財務報表並無任何影響。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

- (b) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations*

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group's operations;

2 主要會計政策 (續)**2.2 編制基準 (續)**

- (b) *尚未生效及與本集團業務無關的現有準則詮釋*

下列為已頒佈須於本集團二零零七年一月一日或之後開始的會計期間或較後期間強制採納惟與本集團的業務無關的現有準則詮釋：

- 香港(國際財務報告詮釋委員會)－詮釋第7號，根據香港會計準則第29號嚴重通貨膨脹經濟體系的財務報告內重列法的應用(由二零零六年三月一日起生效)。香港(國際財務報告詮釋委員會)－詮釋第7號就有關一個實體發現報告期間其功能貨幣的經濟體系出現嚴重通貨膨脹，而於前一期間並無嚴重通貨膨脹情況下如何應用香港會計準則第29號的規定提供指引。由於集團實體並無擁有於出現嚴重通貨膨脹經濟體系的功能貨幣，故香港(國際財務報告詮釋委員會)－詮釋第7號與本集團業務無關。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

(b) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations* *(Continued)*

- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have involved in such contracts, HK(IFRIC)-Int 9 is not relevant to the Group's operations; and

2 主要會計政策 *(續)***2.2 編制基準** *(續)*

(b) *尚未生效及與本集團業務無關的現有準則詮釋* *(續)*

- 香港(國際財務報告詮釋委員會)－詮釋第9號，重新評估附帶衍生工具(由二零零六年六月一日或之後開始的會計期間生效)。香港(國際財務報告詮釋委員會)－詮釋第9號規定實體須於首次成為合約訂約方時，評估是否需要將附帶衍生工具從主要合約中區分出來，並作衍生工具入賬。除非合約條款出現變更，重大改變合約原應規定作重新評估的現金流量，否則不得重新進行評估。由於有關合約並不牽涉集團實體，故香港(國際財務報告詮釋委員會)－詮釋第9號與本集團的經營業務並無關聯；及

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

(b) *Interpretations to existing standards that are not yet effective and not relevant for the Group's operations* *(Continued)*

- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual period beginning on or after 1 January 2008). HK(IFRIC)-Int 12, applies to companies that participate in service concession arrangement. It provides guidance on the accounting by operators in public-to-private service concession arrangements. As none of the group companies have participated in such service concession arrangements, HK(IFRIC)-Int 12 is not relevant to the Group's operations.

(c) *Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations*

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- HKAS 19 (Amendment) — Employee Benefits;
- HKAS 21 (Amendment) — Net Investment in a Foreign Operation;
- HKAS 39 (Amendment) — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;

2 主要會計政策 *(續)***2.2 編制基準** *(續)*

(b) *尚未生效及與本集團業務無關的現有準則詮釋* *(續)*

- 香港(國際財務報告詮釋委員會)－詮釋第12號，服務特許權安排(由二零零八年一月一日或之後開始的會計期間生效)。香港(國際財務報告詮釋委員會)－詮釋第12號適用於參與服務特許權安排的公司，為經營者提供公共至私人服務特許權安排的會計指引。由於集團公司並未參與該等服務特許權安排，因此香港(國際財務報告詮釋委員會)－詮釋第12號與本集團的業務無關。

(c) *於二零零六年生效但與本集團業務無關的準則、修訂及詮釋*

下列為須於二零零六年一月一日或之後開始的會計期間強制採納惟與本集團業務無關的準則、修訂及詮釋：

- 香港會計準則第19號(修訂)－僱員福利；
- 香港會計準則第21號(修訂)－海外業務的淨投資；
- 香港會計準則第39號(修訂)－預測集團內部交易的現金流量對沖會計法；

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.2 Basis of preparation** *(Continued)*

(c) *Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations* *(Continued)*

- HKAS 39 (Amendment) — The Fair Value Option;
- HKAS 39 (Amendment) — Financial Guarantee Contracts;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 (Amendment) — First-time Adoption of International Financial Reporting Standards;
- HK(IFRIC)-Int 4, Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

2 主要會計政策 (續)**2.2 編制基準** (續)

(c) 於二零零六年生效但與本集團業務無關的現有準則修訂及詮釋 (續)

- 香港會計準則第39號(修訂) — 公平值的選擇；
- 香港會計準則第39號(修訂) — 財務擔保合約；
- 香港財務報告準則第6號 — 礦產資源的開採和評估；
- 香港財務報告準則第1號(修訂) — 首次採納國際財務報告準則；
- 香港(國際財務報告詮釋委員會) — 詮釋第4號 — 釐定一項安排是否包含租賃；
- 香港(國際財務報告詮釋委員會) — 詮釋第5號 — 對拆卸、復原及環境復修基金權益的權利；及
- 香港(國際財務報告詮釋委員會) — 詮釋第6號 — 參予特殊市場 — 電氣及電子設備廢料 — 產生的負債。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.3 Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 主要會計政策 (續)**2.3 綜合賬目**

綜合財務報表包括本公司及各附屬公司截至十二月三十一日止之財務報表。

(a) 附屬公司

附屬公司指本集團有權規管其財務及經營政策、且一般擁有超過半數投票權之股權之所有實體。於評估本集團是否控制另一實體時，會考慮現時可行使或可兌換之潛在投票權的存在及其影響。

附屬公司乃於本集團獲轉交控制權當日起全數合併於賬目內，並於終止控制日起不再合併有關賬目。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.3 Consolidation** *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2 主要會計政策 *(續)***2.3 綜合賬目** *(續)*

本集團採用購買法將本集團收購之附屬公司入賬，收購成本是按收購當日所轉讓資產、已發行權益性工具及所產生或承擔之負債之公平價值，加上收購直接產生之成本計量。於業務合併中收購之可識別資產與負債及或然負債初始按於收購日之公平價值計量，與任何少數股東權益無關。收購成本超出本集團應佔所收購可識別資產淨值之公平價值之數額列作商譽。倘收購成本低於所收購附屬公司資產淨值之公平價值，則差額直接於收益表確認。

所有集團內公司間之交易、集團公司交易之結餘及未變現收益予以對銷。除非交易作為所轉讓資產減值之憑證，否則未變現虧損亦予以對銷。附屬公司之會計政策已按需要作出改變，以確保與本集團採納之政策一致。

在本公司之資產負債表內，附屬公司投資乃按成本扣除減值虧損準備列賬。本公司將附屬公司之業績按已收及應收股息為基準入賬。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.4 Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Foreign currency translation*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is different from the Group's functional currency of Renminbi. The Group has used Hong Kong Dollars as presentation currency, in view of the shares of the Company listed on the Hong Kong Stock Exchange.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

2 主要會計政策 (續)**2.4 分部報告**

業務分部指從事提供產品或服務之一組資產及業務，而該組資產及業務之風險及回報有別於其他業務分部。地區分部乃在某一特定經濟環境下從事提供產品或服務，而該分部之風險及回報與在其他經濟環境經營之分部有別。

2.5 外幣換算*(a) 功能貨幣及呈列貨幣*

本集團旗下各實體之財務報表所列項目均採用有關實體經營所在之主要經濟環境之通用貨幣（「功能貨幣」）計量。綜合財務報表以港幣（與本集團之功能貨幣人民幣不同）呈列。鑑於本公司股份在香港聯合交易所上市，本集團採用港幣為呈列貨幣。

(b) 交易及結餘

外幣交易按交易當日之當時匯率換算為功能貨幣。此等交易結算及按年結日匯率換算外幣計值之貨幣資產及負債而產生之滙兌收益及虧損於收益表確認，惟作為合資格現金流量對沖或淨投資對沖項目者，則在權益內遞延入賬。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.5 Foreign currency translation** *(Continued)**(b) Transactions and balances* *(Continued)*

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

2 主要會計政策 *(續)***2.5 外幣換算** *(續)**(b) 交易及結餘* *(續)*

非貨幣金融資產及負債之換算差異均列入公平價值損益之一部分，至於非貨幣金融資產及負債之換算差異，如按公平價值於損益表入賬之權益工具，則於損益表內確認為公平價值損益之一部分。至於非貨幣金融資產之換算差異，如歸類為可供出售股權項目，則計入權益內之公平價值儲備。

(c) 集團公司

集團所有實體之功能貨幣如與本公司呈列貨幣不一致(其中並無任何公司持有通脹嚴重之經濟體系之貨幣)，其業績及財務狀況均按以下方法換算為呈列貨幣：

- (i) 每項資產負債表內呈列之資產及負債均按照該資產負債表日期之匯率換算；
- (ii) 每項收益表之收入及支出均按照平均匯率換算(但若此平均匯率未能合理地反映各交易日之匯率所帶來之累積影響，則按照交易日之匯率換算此等收入及支出)；及
- (iii) 所有產生之滙兌差異均確認於權益內之一個獨立分項。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.5 Foreign currency translation** *(Continued)**(c) Group companies (Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

2 主要會計政策 (續)**2.5 外幣換算 (續)***(c) 集團公司 (續)*

在編制綜合賬目時，換算海外公司投資淨額及換算被指定為此等投資之對沖工具之借貸及其他貨幣工具而產生之匯兌差異，均列入股東權益。當處置部分或出售海外業務時，記錄於權益之匯兌差異將於收益表內確認為出售收益或虧損之一部分。

2.6 物業、廠房及設備

物業、廠房及設備按歷史成本減折舊及減值虧損列賬。歷史成本包括收購該等項目直接產生之開支。成本亦可包括自權益轉撥以外幣購置物業、廠房及設備時之合資格現金流量對沖項目所產生之收益／虧損。

日後出現之成本只有在與該項目有關之未來經濟利益有可能流入本集團，而該項目之成本能可靠計量時，方會包括在資產之賬面值或確認為獨立資產(按適用)。所有其他維修及保養均需於產生之財政期間內於收益表支銷。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.6 Property, plant and equipment** *(Continued)*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	10 - 30 years
Plant and machinery	10 - 20 years
Furniture, fixture and electronic equipment	5 - 10 years
Motor vehicles	5 - 10 years
Computer equipment	5 years
Moulds and other equipment	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statements.

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

2 主要會計政策 *(續)***2.6 物業、廠房及設備** *(續)*

物業、廠房及設備之折舊採用以下之估計可使用年期將成本或重估值按直線法分攤至剩餘價值計算：

	估計可使用年期
樓宇	10 - 30年
廠房及機器傢俬、裝置及電子設備	10 - 20年
汽車	5 - 10年
電腦設備	5年
模具及其他設備	5 - 10年

資產之剩餘價值及可使用年期在每個資產負債表日進行檢討及在適當時進行調整。

若資產之賬面值高於其估計可收回價值，其賬面值即時撇減至可收回價值(附註2.8)。

出售收益及虧損會透過比較所得款項與賬面值而釐定，並於收益表中其他(虧損)/收益—淨額確認。

2.7 投資物業

持作長期租金收益或資本增值或兩者兼備，而並非由本集團旗下任何公司佔用之物業，均列作投資物業。

投資物業包括以經營租賃持有之土地及以融資租賃持有之樓宇。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.7 Investment properties** *(Continued)*

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

2 主要會計政策 (續)**2.7 投資物業 (續)**

根據經營租賃持有之土地如能符合投資物業之其餘定義，均分類並入賬為投資物業。經營租賃則當作融資租賃入賬。

投資物業初步以成本(包括相關交易成本)計量。

經初步確認後，投資物業按公平價值入賬。公平價值乃以活躍市價為基礎，於必要時就特定資產之性質、地點或狀況之任何差異作出調整。倘無法獲得此等資料，本集團可採用其他估值方法，例如活躍度較低市場之近期價格或現金流量折現預測。該等估值每年由外部估值師審閱。現正重建以便繼續用作投資物業或交投活躍程度稍遜之投資物業繼續按公平價值計量。

投資物業之公平價值反映(其中包括)現有租賃所提供之租金收入及按當前市況對未來租賃所作出之租金收入假設。

公平價值亦反映(按類似基準)有關物業之任何預期現金流出。該等流出部分確認為負債(包括就已分類為投資物業之土地所承擔之融資租賃負債)，其餘部分(包括或然租金)則不在財務報表中確認。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.7 Investment properties** *(Continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

2.8 Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 主要會計政策 *(續)***2.7 投資物業** *(續)*

日後出現之支出只有在與該項目所附帶之未來經濟利益有可能流入本集團，而該項目之成本能可靠計量時，方會包括在有關資產之賬面值。所有其他維修及保養費用均需於產生有關費用之財政期間內於收益表支銷。

公平價值變動在收益表中確認。

2.8 附屬公司投資及非金融資產之減值

就因可使用年期不確定或未可使用之資產不予攤銷，並會每年進行減值測試。對進行攤銷之資產，本集團會於發生事件或情況有變顯示資產之賬面值可能無法收回時審閱減值。當資產賬面值超過可收回金額，則有關差額確認為減值虧損。可收回金額指資產公平價值減銷售成本與使用價值兩者之較高者。在評估減值時，資產會按其可分別辨認之現金流量之最低水平（現金產生單位）分類。出現減值之資產（商譽除外）須於各報告日期就潛在減值回撥進行檢討。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2 主要會計政策 (續)**2.9 存貨**

存貨按成本或可變現淨值兩者較低者列帳，成本按先進先出法釐定。製成品及半製成品成本包括設計成本、原材料、直接人工、其他直接成本及相關製造費用(以正常產能下計算)，但不包括借貸費用。可變現淨值按估計於日常業務過程中之售價減適用可變銷售費用計算。

2.10 貿易及其他應收款

貿易及其他應收款初時以公平價值確認，其後以實際利率法按已攤銷成本扣除減值準備計量。當出現客觀證據顯示本集團將不能根據應收款原有條款收回所有到期款項，將就貿易及其他應收款計提減值準備。

當債務人出現嚴重財務困難，或債務人可能破產或進行財務重組，以及拖欠還款可被視為應收貿易款減值之指標。準備金額乃資產之賬面值與估計未來現金流量之現值兩者之差額，再按實際利率折現。資產之賬面值透過使用準備賬扣減，而虧損金額會於收益表之管理費用中確認。若貿易應收款不能收回，則將應收賬款從準備賬撇銷。其後撥回過往撇銷之金額會計入收益表之管理費用。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.11 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 主要會計政策 (續)**2.11 現金及現金等價物**

現金及現金等價物包括手頭現金、銀行活期存款及原定到期日為三個月或以下之其他短期高流通量投資。

2.12 股本

普通股份分類為權益。

與發行新股或購股權直接有關之遞增成本，列入權益作為所得款項扣除稅項之減值。

2.13 貿易應付款

貿易應付款初時以公平價值確認，其後以實際利率法按已攤銷成本計量。

2.14 借貸

借款初始以公平價值減去所產生之交易成本確認。借貸其後按已攤銷成本列賬。所得款項(減去交易成本)與贖回價值之差額，乃以實際利率法於借貸期間在收益表確認。

借貸歸類為流動負債，除非本集團有權無條件將債項延長至結算日後最少十二個月清償則作別論。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.15 Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 主要會計政策 (續)**2.15 遞延所得稅**

遞延所得稅採用負債法就資產及負債之稅基與其在綜合財務報表之賬面值產生之暫時差異全數撥備。然而，若遞延所得稅來自在交易(不包括企業合併)中初步確認資產或負債而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用結算日前已頒佈或實質頒佈，並在有關之遞延所得稅資產變現或遞延所得稅負債清償時預期將會適用之稅率(及法例)而釐定。

遞延所得稅資產是就可能有未來應課稅溢利而就此可使用暫時差異而確認。

遞延所得稅乃就附屬公司及聯營公司投資產生之暫時差異而撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可預見將來有可能不會撥回則除外。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.16 Employee benefits***(a) Retirement benefits obligation*

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. The Group's subsidiaries incorporated in the PRC make contributions to a state-sponsored defined contribution scheme for the Group's local staff on a monthly basis pursuant to laws of the PRC and relevant regulations issued by local social security authorities.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2 主要會計政策 (續)**2.16 僱員福利***(a) 退休金責任*

本集團已安排其香港僱員參加一項由獨立受託人管理、名為強制性公積金計劃之既定供款計劃(「強積金計劃」)。按照中國法律及當地社會保障機構頒布之有關法規，本集團設於中國註冊成立之附屬公司為本集團當地員工向國家資助之既定供款計劃按月供款。

本集團向既定供款退休計劃之供款於供款產生時支銷。

(b) 以股份支付之酬金

本集團推行一項按權益結算、以股份支付酬金之計劃。為換取授出購股權而獲得之僱員服務按其公平價值確認為開支。於歸屬期內支銷之總金額乃參照已授出之購股權之公平價值釐定，不包括任何非市場歸屬條件(例如盈利能力及銷售增長目標)之影響。非市場歸屬條件包括在有關預期可予行使之購股權數目。於每個結算日，各實體均會修改其估計預期可行使之購股權數目，並於收益表內確認修改原來估計數字之影響(如有)，並對權益作相應調整。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.16 Employee benefits** *(Continued)**(b) Share-based compensation (Continued)*

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.17 Provisions

Provisions for warranty are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 主要會計政策 (續)**2.16 僱員福利 (續)***(b) 以股份支付之酬金 (續)*

當購股權獲行使時，已收取之所得款項(扣除任何直接應佔交易成本)均列入股本(面值)及股份溢價中。

2.17 撥備

當本集團因已發生之事件須承擔現有之法律性或推定性責任，而清償責任時有可能消耗資源，並在責任金額能夠可靠地作出估算之情況下，需確立產品保養撥備。未來經營虧損亦不會確認撥備。

如有多項類似責任，其需要在清償中流出資源之可能性是根據責任之類別整體考慮。即使同一責任類別所包含之任何一個項目相關之資源流出之可能性極低，仍須確認撥備。

撥備以預期用以清償責任之開支，按反映當時市場對金錢時間價值之評估及該責任之特有風險之稅前率計算之現值計量。因時間流失而產生之撥備增加則確認為利息開支。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.18 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 主要會計政策 (續)**2.18 收益確認**

收益包括本集團在日常業務過程中就出售貨品已收或應收之公平價值。收益按扣除增值稅、銷售退貨、回扣及折扣，以及抵銷本集團內部銷售後之淨值列示。

若收益金額能可靠地計量、未來經濟利益有可能流入該實體及下述本集團各項活動符合特定標準，則本集團會確認收益。於解決所有關於銷售之或然事項前不會將收益金額視為能可靠地計量。經考慮客戶種類、交易種類及各項安排的特點後，本集團根據過往業績作出估計。

(a) 貨品銷售

貨品銷售在本集團實體已將產品交付予客戶，客戶接收產品後，以及有關應收款之收回可合理確保時確認。

(b) 利息收入

利息收入採用實際利息法按時間比例基準確認。倘應收款出現減值，本集團會將賬面值減至其可收回金額（即按工具之原定實際利率折現之估計未來現金流量），並繼續解除貼現作為利息收入。減值貸款之利息收入使用原先實際利率確認。

2 PRINCIPAL ACCOUNTING POLICIES*(Continued)***2.18 Revenue recognition** *(Continued)**(c) Operating lease rental income*

Operating lease rental income is recognised on a straight-line basis over the terms of the lease.

2.19 Operating lease*(a) Leases (as the lessee)*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(b) Leases (as the lessor)

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2 主要會計政策 (續)**2.18 收益確認 (續)***(c) 經營租賃租金收入*

經營租賃租金收入於租期內按直線法確認。

2.19 經營租賃*(a) 租賃(作為承租人)*

如租賃資產之大部分擁有權之風險及回報由出租人保留，分類為經營租賃。根據經營租賃支付之款項在扣除自出租人收取之任何獎勵金後，於租賃期內以直線法在收益表內支銷。

(b) 租賃(作為出租人)

當本集團根據經營租賃租出資產，該資產根據其性質包括在資產負債表內。租金收入於租賃期內以直線法確認。

2.20 政府補助

當能夠合理地保證將可收取政府補貼，而本集團將會符合所有附帶條件時，則會按公平價值確認政府提供之補助。

與成本有關之政府補貼遞延入賬，並按擬補貼之成本配合所需期間在收益表中確認。

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

*(a) Market risk**(i) Foreign exchange risk*

The Group exposes to foreign exchange risks as certain portion of business activities are denominated in foreign currencies, primarily with respect to the US dollar. The Group has negotiated sales contracts to manage the risk arising from certain recognised liabilities. The directors are of the opinion that the Group's expose to foreign exchange risk is manageable.

(ii) Price risk

The Company is not exposed to equity securities price risk and commodity price risk.

(iii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3 財務風險管理**3.1 財務風險因素**

本集團業務承受各種財務風險：市場風險（包括外匯風險、公平價值利率風險及價格風險）、信貸風險、流動資金風險及現金流量利率風險。本集團整體之風險管理集中於不可預測之金融市場及尋求降低對本集團財務表現之潛在不利因素。

*(a) 市場風險**(i) 外匯風險*

由於本集團若干部分之業務活動以外幣（主要是美元）為單位，致使本集團面對外匯風險。本集團在議訂銷售合約時，致力控制若干已知負債所產生之風險。董事認為，本集團面對之外匯風險屬在可控範圍內。

(ii) 價格風險

本公司並無面臨股本證券價格風險及商品價格風險。

(iii) 現金流量及公平價值利率風險

由於本集團並無重大計息資產，故本集團之收入及經營現金流量大致上與市場利率之變動無關。

3 FINANCIAL RISK MANAGEMENT*(Continued)***3.1 Financial risk factors** *(Continued)***(iii) Cash flow and fair value interest rate risk**
(Continued)

The Group's interest rate risk arises mainly from short-term borrowings bearing fixed interest rates. The directors are of the opinion this risk is not material as at 31 December 2006.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Trade receivables are spread among a number of customers and cash is deposited with registered financial institutions in the PRC.

(c) Liquidity risk

Most of the bank financing of the Group is in the form of short-term bank loans. As a result, the Group had net current liabilities of approximately HK\$687,039,000 as at 31 December 2006. The Group has not experienced any difficulty in renewing the borrowings when they fell due. Besides, the Group has unutilised banking facilities of approximately HK\$155,000,000 at 31 December 2006, which the Group can utilise it to meet its short-term cash demands. As a result, the directors are of the opinion that liquidity risk is not material as at 31 December 2006.

3 財務風險管理 *(續)***3.1 財務風險因素** *(續)***(iii) 現金流量及公平價值利率**
風險 *(續)*

本集團之利率風險主要來自按固定利率計息之短期貸款。董事認為，於二零零六年十二月三十一日本項風險並不重大。

(b) 信貸風險

本集團並無高度集中之信貸風險。本集團有政策確保向信貸記錄良好之客戶銷售產品。貿易應收款分散於多個客戶，而現金則存放於在中國註冊之金融機構。

(c) 流動資金風險

本集團銀行融資大部分為短期銀行貸款。因此，本集團於二零零六年十二月三十一日之流動負債淨額約為港幣687,039,000元。本集團在重續到期借貸方面並無遇到任何困難。此外，本集團於二零零六年十二月三十一日未動用約港幣155,000,000元之銀行信貸額度，此信貸額度可用於應付其短期現金需求。因此，董事認為，於二零零六年十二月三十一日之流動資金風險並不重大。

3 FINANCIAL RISK MANAGEMENT*(Continued)***3.2 Fair value estimation**

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for warranty

The Company generally offers one to three years warranties for its products sold. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

3 財務風險管理 (續)**3.2 公平價值預測**

假設貿易應收款及貿易應付款之面值減去減值準備之數額與公平價值相若。於披露金融負債之公平價值時，乃根據本集團就類似金融工具所得之當時市場利率折現之未來合約現金流量估計。

4 重要會計估計及判斷

估計及判斷之評估會不斷進行，並且依據過往經驗及其他因素作為基礎，其中包括按現況對未來事件之合理預期。

4.1 重要會計估計及假設

本集團對未來作出估計及假設。所得之會計估計顧名思義甚少相當於實際結果。以下所述為有相當風險之估計及假設，可以引致須於下一個財政年度大幅調整資產及負債之賬面值。

(a) 產品保養撥備

本公司一般為其所售產品提供一至三年之保養。管理層會基於過往保養賠款資料及可能顯示過去成本資料可能與未來賠款不同之最近趨勢，估計未來保養賠款之相關撥備。

**4 CRITICAL ACCOUNTING ESTIMATES
AND JUDGMENTS** *(Continued)***4.1 Critical accounting estimates and
assumptions** *(Continued)*(a) Provision for warranty *(Continued)*

Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labour costs.

As at 31 December 2006, the carrying amounts of the provision for warranty amounted to HK\$36,304,000 (2005: HK\$30,352,000). The estimates and judgements used are however not expected to have a significant risk of causing a material adjustment to the carrying amounts of the provision for warranty within the next financial year.

(b) *Estimated impairment of non-current assets*

The Group tests annually whether the non-current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

4 重要會計估計及判斷 *(續)***4.1 重要會計估計及假設** *(續)*(a) 產品保養撥備 *(續)*

可能影響估計賠款資料之因素包括本公司生產力及質量措施能否成功以及零件及人工成本。

於二零零六年十二月三十一日，保養撥備之賬面值為港幣36,304,000元(二零零五年：港幣30,352,000元)。然而，所使用之估計及判斷並不預期有重大風險會導致須於下一個財政年度大幅調整保養撥備之賬面值。

(b) *非流動資產之估計減值*

本集團每年按照附註2.8所列之會計政策測試非流動資產是否有任何減值。現金產生單位之可收回金額乃根據使用價值計算而釐定，該等計算需要使用估計。

(c) *投資物業公平價值之估計*

公平價值之最佳憑證為同類租賃及其他合約於活躍市場所提供之最新價格。倘缺乏此方面資料，本集團按合理公平價值估計幅度釐定有關金額。在作出判斷時，本集團考慮多方面資料，其中包括：

- (i) 不同性質、狀況或地點之(或受不同租賃或其他合約規限)物業當時在活躍市場上之最新價格(須就各項差異作出調整)；

**4 CRITICAL ACCOUNTING ESTIMATES
AND JUDGMENTS** *(Continued)***4.1 Critical accounting estimates and
assumptions** *(Continued)*

(c) Estimate of fair value of investment properties
(Continued)

- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

As at 31 December 2006, the fair value of the investment properties of the Group were estimated as reported by a firm of independent qualified valuers.

4 重要會計估計及判斷 *(續)***4.1 重要會計估計及假設** *(續)*

(c) 投資物業公平價值之估計 *(續)*

- (ii) 活躍程度稍遜之市場所提供類似物業之近期價格 (須按自有關價格交易當日以來經濟狀況出現之任何變化作出調整)；及
- (iii) 根據未來現金流量所作可靠估計而預測之折讓現金流量，此項預測源自任何現有租賃與其他合約之條款及 (指在可能情況下) 外在因素 (如地點及狀況相同之類似物業最新市場租值)，並採用足以反映當時無法肯定有關現金流量金額及時間之折讓率計算。

於二零零六年十二月三十一日，本集團之投資物業公平價值乃根據一間獨立合資格估值公司之報告作出估計。

5 SEGMENT INFORMATION**5.1 Primary reporting format – business segments**

As at 31 December 2006, the Group is organised into three main business segments:

Refrigerator business	–	manufacture and distribution of a broad range of refrigerators
Air-conditioner business	–	manufacture and distribution of a broad range of air-conditioners
Mini-refrigerator business	–	manufacture and distribution of a broad range of mini-refrigerators

Other businesses of the Group mainly comprise holding of investment properties and renting of car parks and properties, neither of which are of a sufficient size to be reported separately.

5 分部資料**5.1 主要分部報告形式 – 業務分部**

於二零零六年十二月三十一日，本集團經營三項主要業務分部：

冰箱業務	–	製造及分銷廣泛類別之冰箱
空調業務	–	製造及分銷廣泛類別之空調
小型冰箱業務	–	製造及分銷廣泛類別之小型冰箱

本集團其他業務主要為持有投資物業及出租車位及物業，兩者的規模皆不足以作獨立分部報告。

5 SEGMENT INFORMATION (Continued)

5 分部資料 (續)

5.1 Primary reporting format – business
segments (Continued)5.1 主要分部報告形式 – 業務分部
(續)

		Air- Refrigerator business	conditioner business	Mini- refrigerator business 小型	Other businesses 其他業務	Group 集團
		2006	2006	2006	2006	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
Turnover	營業額	333,198	1,231,048	722,141	-	2,286,387
Segment results	分部業績	(30,333)	(53,217)	19,783	(1,215)	(64,982)
Unallocated costs	未分配成本					(10,535)
Operating loss	經營虧損					(75,517)
Finance costs	融資成本	(10,785)	(17,704)	(130)	7	(28,612)
Finance cost unallocated	未分配融資成本					741
Loss before income tax	扣除所得稅前虧損					(103,388)
Income tax expense	所得稅開支					(2,352)
Loss for the year	本年度虧損					(105,740)
Segment assets	分部資產	377,284	1,092,270	395,151	-	1,864,705
Unallocated assets	未分配資產					79,195
Total assets	總資產					1,943,900
Segment liabilities	分部負債	434,150	1,422,954	328,567	4,234	2,189,905
Unallocated liabilities	未分配負債					4,238
Total liabilities	總負債					2,194,143
Capital expenditures	資本性開支	10,693	5,217	52,010	-	67,920
Depreciation	折舊	22,619	27,850	9,387	154	60,010
Other non-cash expenses/(income)	其他非現金開支/(收入)					
- Provision for inventory obsolescence	- 存貨跌價及 殘次準備	34,344	2,389	597	-	37,330
- Provision for/(reversal of) doubtful trade and other receivables	- 貿易及其他應收款 呆賬準備/(撥回)	318	(6,454)	11,197	-	5,061
- (Reversal of)/impairment charge on property, plant and equipment	- 物業、廠房及設備 之(撥回)/減值開支	(2,358)	4,281	123	-	2,046
- Deficit on revaluation of investment properties	- 投資物業 重估虧絀	-	-	-	2,754	2,754

5 SEGMENT INFORMATION (Continued)

5 分部資料 (續)

5.1 Primary reporting format – business segments (Continued)

5.1 主要分部報告形式 – 業務分部 (續)

		Air- Refrigerator business	conditioner business	Mini- refrigerator business 小型	Other businesses	Group
		2005 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Turnover	營業額	414,509	880,569	664,843	-	1,959,921
Segment results	分部業績	(42,086)	(197,943)	(10,750)	(1,711)	(252,490)
Unallocated costs	未分配成本					188
Operating loss	經營虧損					(252,302)
Finance costs	融資成本	(8,877)	(19,479)	1,857	13	(26,486)
Finance cost unallocated	未分配融資成本					1,689
Loss on disposal of associates	處置聯營公司虧損	(947)	-	-	(11,248)	(12,195)
Loss before income tax	扣除所得稅前虧損					(289,294)
Income tax expense	所得稅開支	-	-	(507)	(60)	(567)
Loss for the year	本年度虧損					(289,861)
Segment assets	分部資產	429,772	958,363	420,410	2,636	1,811,181
Unallocated assets	未分配資產					67,214
Total assets	總資產					1,878,395
Segment liabilities	分部負債	488,873	1,289,624	306,419	5,930	2,090,846
Unallocated liabilities	未分配負債					5,829
Total liabilities	總負債					2,096,675
Capital expenditures	資本性開支	14,018	7,843	46,290	259	68,410
Depreciation	折舊	20,012	29,321	9,744	187	59,264
Other non-cash expenses/(income)	其他非現金開支/(收入)					
- Provision for inventory obsolescence	- 存貨跌價及殘次準備	3,395	26,324	1,985	-	31,704
- Provision for doubtful trade and other receivables	- 貿易及其他應收款呆賬準備	1,216	4,196	1,261	27	6,700
- Impairment charge on property, plant and equipment	- 物業、廠房及設備之減值開支	7,061	5,678	3,101	-	15,840
- Surplus on revaluation of investment properties	- 投資物業重估盈餘	-	-	-	(6,242)	(6,242)

5 SEGMENT INFORMATION (Continued)**5.2 Secondary reporting format – geographical segments**

The Group's three business segments are operated in five main geographical areas:

PRC – manufacture and sale of household electrical appliances

Other countries in

Europe – sale of household electrical appliances

Asia-Pacific – sale of household electrical appliances

Americas – sale of household electrical appliances

Africa – sale of household electrical appliances

There are no sales between the geographical segments. Analysis of financial information by geographical segment is as follows:

(a) Analysis of sales of refrigerators into domestic sales in the PRC and export sales outside the PRC by region is as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Domestic sales	國內銷售	231,831	306,722
Export sales	出口銷售		
Europe	歐洲	18,130	62,738
Asia-Pacific	亞太	69,454	41,150
Americas	美洲	10,642	915
Africa	非洲	3,141	2,984
Total export sales	出口銷售總額	101,367	107,787
Total	合計	333,198	414,509

5 分部資料 (續)**5.2 從屬分部報告形式—地區分部**

本集團三項業務分部在以下五個主要地區經營：

中國 – 家用電器製造及銷售

下列地區之其他國家

歐洲 – 家用電器銷售

亞太 – 家用電器銷售

美洲 – 家用電器銷售

非洲 – 家用電器銷售

地區分部之間並無買賣活動。按地區分部劃分之財務資料分析如下：

(a) 按地區劃分在中國國內及對國外出口之冰箱銷售分析如下：

5 SEGMENT INFORMATION (Continued)**5.2 Secondary reporting format – geographical segments** (Continued)

- (b) Analysis of sales of air-conditioners into domestic sales in the PRC and export sales outside the PRC by region is as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Domestic sales	國內銷售	708,635	582,761
Export sales	出口銷售		
Europe	歐洲	151,744	72,930
Asia-Pacific	亞太	70,453	176,401
Americas	美洲	300,216	36,557
Africa	非洲	-	11,920
Total export sales	出口銷售總額	522,413	297,808
Total	合計	1,231,048	880,569

- (c) Analysis of sales of mini-refrigerators into domestic sales in the PRC and export sales outside the PRC by region is as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Domestic sales	國內銷售	148,190	96,576
Export sales	出口銷售		
Europe	歐洲	160,893	103,033
Asia-Pacific	亞太	171,719	255,666
Americas	美洲	218,354	197,274
Africa	非洲	22,985	12,294
Total export sales	出口銷售總額	573,951	568,267
Total	合計	722,141	664,843

No geographical segment analysis on total assets and capital expenditure is prepared as over 90% of the Group's total assets and capital expenditures were located/incurred in the PRC.

5 分部資料 (續)**5.2 從屬分部報告形式—地區分部** (續)

- (b) 按地區劃分之在中國國內及對國外出口之空調銷售分析如下：

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Domestic sales	國內銷售	708,635	582,761
Export sales	出口銷售		
Europe	歐洲	151,744	72,930
Asia-Pacific	亞太	70,453	176,401
Americas	美洲	300,216	36,557
Africa	非洲	-	11,920
Total export sales	出口銷售總額	522,413	297,808
Total	合計	1,231,048	880,569

- (c) 按地區劃分之在中國國內及對國外出口之小型冰箱銷售分析如下：

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Domestic sales	國內銷售	148,190	96,576
Export sales	出口銷售		
Europe	歐洲	160,893	103,033
Asia-Pacific	亞太	171,719	255,666
Americas	美洲	218,354	197,274
Africa	非洲	22,985	12,294
Total export sales	出口銷售總額	573,951	568,267
Total	合計	722,141	664,843

由於本集團百分之九十以上之資產總值及資本性支出皆位於中國／在中國產生，故並無呈列資產總值及資本性支出之地區分部分析。

6 PROPERTY, PLANT AND EQUIPMENT

6 物業、廠房及設備

(a) Group

(a) 本集團

		Construction- in-progress	Buildings	Plant and machinery	Furniture, fixtures and electronic equipment	Motor vehicles	Computer equipment	Moulds and other equipment	Total
		在建工程	樓宇	廠房 及機器	傢俬、裝置 及電子設備	汽車	電腦設備	及電子設備 模具	合計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
At 1 January 2005	於二零零五年一月一日								
Cost	成本	10,766	217,743	569,988	79,480	16,200	16,367	243,570	1,154,114
Impairment	減值	-	(21,950)	(32,457)	(3,143)	(133)	-	(45,069)	(102,752)
Accumulated depreciation	累積折舊	-	(98,136)	(347,406)	(47,308)	(11,784)	(8,832)	(174,459)	(687,925)
Net book amount	賬面淨值	10,766	97,657	190,125	29,029	4,283	7,535	24,042	363,437
Year ended 31 December 2005	截至二零零五年 十二月三十一日止年度								
Opening net book amount	期初賬面淨值	10,766	97,657	190,125	29,029	4,283	7,535	24,042	363,437
Additions	添置	35,807	3,464	20,383	169	1,124	171	7,292	68,410
Transfers	轉撥	(25,743)	13,349	9,274	1,924	378	-	818	-
Disposals	處置	(928)	(1,603)	(1,021)	(7,284)	(708)	(186)	-	(11,730)
Depreciation	折舊	-	(12,337)	(28,076)	(1,749)	(729)	(3,550)	(12,823)	(59,264)
Impairment charge	減值開支	(396)	(1,843)	(8,429)	(938)	(264)	(3,970)	-	(15,840)
Foreign exchange adjustments	滙兌調整	239	2,168	4,222	615	95	-	534	7,873
Closing net book amount	期終賬面淨值	19,745	100,855	186,478	21,766	4,179	-	19,863	352,886
At 31 December 2005	於二零零五年 十二月三十一日								
Cost	成本	20,156	229,705	631,024	67,458	14,649	-	256,072	1,219,064
Impairment	減值	(411)	(23,793)	(59,635)	(4,081)	(190)	-	(38,956)	(127,066)
Accumulated depreciation	累積折舊	-	(105,057)	(384,911)	(41,611)	(10,280)	-	(197,253)	(739,112)
Net book amount	賬面淨值	19,745	100,855	186,478	21,766	4,179	-	19,863	352,886
Year ended 31 December 2006	截至二零零六年 十二月三十一日止年度								
Opening net book amount	期初賬面淨值	19,745	100,855	186,478	21,766	4,179	-	19,863	352,886
Additions	添置	35,747	1,870	10,039	6,231	2,005	-	12,028	67,920
Transfers	轉撥	(38,620)	32,198	3,792	1,077	135	-	1,418	-
Disposal of subsidiaries (Note 9)	處置附屬公司(附註9)	-	-	-	(25)	(355)	-	-	(380)
Other disposals	其他處置	(3,025)	(11,028)	(5,929)	(120)	(734)	-	(4,765)	(25,601)
Depreciation	折舊	-	(14,218)	(28,319)	(4,745)	(1,595)	-	(11,133)	(60,010)
Provision for/(reversal of) impairment change	減值開支準備/(撥回)	-	(1,011)	488	396	(123)	-	(1,796)	(2,046)
Foreign exchange adjustments	滙兌調整	707	3,604	6,663	748	149	-	770	12,641
Closing net book amount	期終賬面淨值	14,554	112,270	173,212	25,328	3,661	-	16,385	345,410
At 31 December 2006	於二零零六年 十二月三十一日								
Cost	成本	14,554	254,022	592,171	64,486	10,049	-	208,398	1,143,680
Impairment	減值	-	(23,782)	(54,032)	(2,627)	(60)	-	(29,053)	(109,554)
Accumulated depreciation	累積折舊	-	(117,970)	(364,927)	(36,531)	(6,328)	-	(162,960)	(688,716)
Net book amount	賬面淨值	14,554	112,270	173,212	25,328	3,661	-	16,385	345,410

6 PROPERTY, PLANT AND EQUIPMENT*(Continued)***(a) Group** *(Continued)*

At 31 December 2006, property, plant and equipment with net book value of approximately HK\$63,847,000 (2005: HK\$80,820,000) were pledged as security for the Group's short-term bank borrowings (Note 16).

In accordance with the accounting policy of the Group, the Group performs annual impairment tests on property, plant and equipment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The recoverable amounts of the property, plant and equipment were stated at the value in use since there is no active market for reference. The accuracy of the valuation and assessment rest on various estimates and assumptions employed in the compilation of a discounted projected cash flow model, which include projected growth of the industry, the economic development of the market, the impact of the assets conditions and any maintenance and overhaul activities to be undertaken, as well as the enterprise income tax rate and pre-tax discount rate. The directors of the Company have made these assumptions based on the best estimates developed from the current market conditions.

In current year, the Group recognised impairment provision of approximately HK\$2,046,000 (2005: HK\$15,840,000) in its consolidated financial statements.

6 物業、廠房及設備 (續)**(a) 本集團 (續)**

於二零零六年十二月三十一日，賬面淨值約港幣63,847,000元(二零零五年：港幣80,820,000元)之物業、廠房及設備已作抵押，作為本集團短期銀行借貸之擔保(附註16)。

根據本集團會計政策，本集團於發生事件或情況有變顯示物業、廠房及設備之賬面值可能無法收回時進行減值測試。由於並無活躍市場可作參考，故物業、廠房及設備之可收回金額按使用價值列賬。估值及評估是否準確會視乎多項編撰已貼現預測現金流量模型時所用之估計及假設而定，而已貼現預測現金流量模型包括預測行業增長、市場經濟發展、資產狀況影響及將進行之保養及整修活動，以及企業所得稅稅率及稅前貼現率。本公司之董事已根據按現行市況所得之最佳估計作出假設。

於本年度，本集團於綜合財務報表內確認約港幣2,046,000元(二零零五年：港幣15,840,000元)之減值準備。

6 PROPERTY, PLANT AND EQUIPMENT

(Continued)

(b) Company

6 物業、廠房及設備 (續)

(b) 本公司

		Furniture, fixtures and electronic equipment 傢俬、裝置 及電子設備 HK\$'000 港幣千元	Motor vehicles 汽車 HK\$'000 港幣千元	Total 合計 HK\$'000 港幣千元
At 1 January 2005	於二零零五年 一月一日			
Cost	成本	588	1,313	1,901
Accumulated depreciation	累積折舊	(265)	(1,313)	(1,578)
Net book amount	賬面淨值	323	–	323
Year ended 31 December 2005	截至二零零五年 十二月三十一日 止年度			
Opening net book amount	期初賬面淨值	323	–	323
Additions	添置	230	–	230
Disposals	處置	(29)	–	(29)
Depreciation	折舊	(95)	–	(95)
Closing net book amount	期終賬面淨值	429	–	429
At 31 December 2005	於二零零五年 十二月三十一日			
Cost	成本	637	–	637
Accumulated depreciation	累積折舊	(208)	–	(208)
Net book amount	賬面淨值	429	–	429
Year ended 31 December 2006	截至二零零六年 十二月三十一日 止年度			
Opening net book amount	期初賬面淨值	429	–	429
Disposals	處置	(205)	–	(205)
Depreciation	折舊	(58)	–	(58)
Closing net book amount	期終賬面淨值	166	–	166
At 31 December 2006	於二零零六年 十二月三十一日			
Cost	成本	338	–	338
Accumulated depreciation	累積折舊	(172)	–	(172)
Net book amount	賬面淨值	166	–	166

7 INVESTMENT PROPERTIES

7 投資物業

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Beginning of the year	年初	103,978	97,736
Fair value (loss)/gain	公平價值(虧損)/收益	(2,754)	6,242
End of the year	年終	101,224	103,978

The investment properties represent 11 floors and 12 car parking spaces in Guo Xin Building, located in Guangzhou, the PRC.

該等投資物業為位於中國廣州市國信大廈之十一個樓層及十二個車位。

The investment properties were revalued at 31 December 2006 by Vigers Hong Kong Limited, a firm of independent qualified valuers. Valuation was based on current prices in an active market for all properties by virtue of the investment approach. The decrease on revaluation in current year was charged to consolidated income statement.

該等投資物業於二零零六年十二月三十一日由一間獨立合資格估值公司威格斯香港有限公司評估，估值乃根據所有物業之活躍市場現價以投資法進行。年內重估減值已在綜合收益賬中支銷。

8 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Outside Hong Kong, held on leases of 10 to 50 years	香港以外，以10至50年之租賃持有	29,470	34,889

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Opening	期初	34,889	43,987
Amortisation of prepaid operating lease payment	預付經營租賃款之攤銷	(711)	(791)
Write off / disposal	撇銷／出售	(5,956)	(9,479)
Exchange difference	匯兌差異	1,248	1,172
		29,470	34,889

Leasehold land and land use right with net book value of approximately HK\$17,488,000 (2005: HK\$17,256,000) have been pledged as security for the Group's short-term bank borrowings (Note 16).

8 租賃土地及土地使用權

本集團於租賃土地及土地使用權之權益為預付經營租賃款，其賬面淨值分析如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Outside Hong Kong, held on leases of 10 to 50 years	香港以外，以10至50年之租賃持有	29,470	34,889

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Opening	期初	34,889	43,987
Amortisation of prepaid operating lease payment	預付經營租賃款之攤銷	(711)	(791)
Write off / disposal	撇銷／出售	(5,956)	(9,479)
Exchange difference	匯兌差異	1,248	1,172
		29,470	34,889

賬面淨值約港幣17,488,000元(二零零五年：港幣17,256,000元)之租賃土地及土地使用權已作抵押，作為本集團短期銀行貸款之擔保(附註16)。

9 INVESTMENTS IN SUBSIDIARIES

9 附屬公司投資

		Company 本公司	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Unlisted equity interests, at cost	非上市股權，按成本值	30,997	30,997
Due from subsidiaries	應收附屬公司款項	880,393	808,587
		911,390	839,584
Less: Provision	減：準備	(911,390)	(839,584)
		-	-

The amounts due from subsidiaries are interest-free and are repayable on demand.

應收附屬公司款項均為免息且需於要求時還款。

9 INVESTMENTS IN SUBSIDIARIES

(Continued)

The particulars of the subsidiaries at 31 December 2006 are:

9 附屬公司投資 (續)

附屬公司於二零零六年十二月三十一日之詳情如下：

Name 公司名稱	Place of incorporation/ establishment and kind of legal entity 註冊成立/成立 地點及公司類型	Principal activities and place of operation 主要業務 及經營地點	Particulars of issued share capital/ registered capital 已發行股本/ 註冊資本詳情	Effective interest held 所持有效權益
DIRECTLY HELD: 直接持有：				
China Refrigeration Industry Co., Ltd. ("China Refrigeration") 中國雪櫃實業有限公司(「中雪公司」)	PRC, limited liability company 中國，有限責任公司	Manufacture and sale of refrigerators in the PRC 於中國製造及銷售冰箱	Registered capital US\$10,000,000 註冊資本10,000,000美元	95%
Hualing Technology Limited 華凌科技有限公司	Hong Kong, limited liability company 香港，有限責任公司	Investment holding in Hong Kong 於香港投資控股	10 ordinary shares of HK\$1 each 10股每股港幣1元之普通股	100%
Hualing (Far East) Limited 華凌(遠東)有限公司	British Virgin Islands, limited liability company 英屬處女群島，有限責任公司	Investment holding in Hong Kong 於香港投資控股	1 ordinary share of US\$1 1股1美元之普通股	100%
Hualing (Guangzhou) Electrical Appliances Co., Ltd. ("Hualing Appliances") 華凌(廣州)電器有限公司(「華電公司」)	PRC, limited liability company 中國，有限責任公司	Distribution of HUALING brand products in the PRC 於中國分銷華凌品牌之產品	Registered capital HK\$10,000,000 註冊資本港幣10,000,000元	100%
Hualing Investments Limited *	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK\$1 each	100%
華凌投資有限公司*	香港，有限責任公司	已無業務	2股每股港幣1元之普通股	100%
Hualing International Limited *	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK\$1 each	100%
華凌國際有限公司*	香港，有限責任公司	已無業務	2股每股港幣1元之普通股	100%
Hualing Refrigerant Engineering Limited*	Hong Kong, limited liability company	Dormant	2 ordinary shares of HK\$1 each	100%
華凌製冷工程有限公司*	香港，有限責任公司	已無業務	2股每股港幣1元之普通股	100%

Notes to the Consolidated Financial Statements

綜合財務報表附註

9 INVESTMENTS IN SUBSIDIARIES

9 附屬公司投資 (續)

(Continued)

Name	Place of incorporation/ establishment and kind of legal entity 註冊成立/成立 地點及公司類型	Principal activities and place of operation 主要業務 及經營地點	Particulars of issued share capital/ registered capital 已發行股本/ 註冊資本詳情	Effective interest held 所持有效權益
INDIRECTLY HELD: 間接持有:				
Guangzhou Hualing Air-conditioning & Equipment Co., Ltd. ("Guangzhou Air-conditioning") 廣州華凌空調設備有限公司(「華凌空調」)	PRC, limited liability company 中國, 有限責任公司	Manufacture and sale of air-conditioners and electronic appliances in the PRC 於中國製造及銷售空調及家電	Registered capital US\$60,000,000 註冊資本60,000,000美元	100% 100%
Guangzhou Hualing Electrical Household Appliance Enterprise Co., Ltd. ("Hualing Household") 廣州華凌家電企業有限公司(「華凌家電」)	PRC, limited liability company 中國, 有限責任公司	Distribution of HUALING brand products in the PRC 於中國分銷華凌品牌之產品	Registered capital RMB3,000,000 註冊資本人民幣3,000,000元	95.5% 95.5%
Hefei Hualing Co., Ltd. 合肥華凌股份有限公司	PRC, limited liability company 中國, 有限責任公司	Manufacture and sale of mini-refrigerators in the PRC 於中國製造及銷售小型冰箱	Registered capital RMB91,200,000 註冊資本人民幣91,200,000元	50.05% 50.05%
Growth Plus Properties Ltd. Growth Plus Properties Ltd.	British Virgin Islands, limited liability company 英屬處女群島, 有限責任公司	Investment holding in the British Virgin Islands 於英屬處女群島投資控股	1 ordinary share of US\$1 each 1股1美元之普通股	100% 100%
Guangdong Hualing Commercial Air-conditioning Equipment Co., Ltd. 廣東華凌中央空調設備有限公司	PRC, limited liability company 中國, 有限責任公司	Dormant 已無業務	Registered capital RMB30,000,000 註冊資本人民幣30,000,000元	100% 100%
Guangzhou Hualing Refrigeration Co., Ltd.* 廣州華凌雪櫃有限公司*	PRC, limited liability company 中國, 有限責任公司	Dormant 已無業務	Registered capital US\$6,600,000 註冊資本6,600,000美元	96.25% 96.25%
Hualing Technology (Investment) Limited* 華凌科技(投資)有限公司*	British Virgin Islands, limited liability company 英屬處女群島, 有限責任公司	Dormant 已無業務	1 ordinary share of US\$1 1股1美元之普通股	100% 100%
Chengdu Hualing Electrical Household Appliance Co., Ltd.* 成都華凌家電有限公司*	PRC, limited liability company 中國, 有限責任公司	Dormant 已無業務	Registered capital RMB2,500,000 註冊資本人民幣2,500,000元	95% 95%
Foshan City Shunde District Hualing Electrical Appliance Sales Co., Ltd.* 佛山市順德區華凌電器銷售有限公司*	PRC, limited liability company 中國, 有限責任公司	Distribution of HUALING brand products in the PRC 於中國分銷華凌品牌之產品	Registered capital RMB5,000,000 註冊資本人民幣5,000,000元	99.5% 99.5%

* As at 31 December 2006, these subsidiaries were to be closed and in the process of winding up.

* 於二零零六年十二月三十一日, 此等附屬公司將予結業並正在辦理清算。

9 INVESTMENTS IN SUBSIDIARIES*(Continued)*

During the year, the Group disposed all of its equity interest in Guangzhou Hualing Property Management Co., Limited, a subsidiary indirectly held by the Group at 95.5%, to independent third party and deregistered Chongqing Shuigang Hualing Electrical Household Appliance Co., Limited.

The loss and net cash outflow on disposal was determined as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Cash and cash equivalent	現金及現金等價物	571	15,117
Property, plant and equipment (Note 6)	物業、廠房及設備(附註6)	380	-
Trade and other receivables	貿易及其他應收款	5,142	7,263
Trade and other payables	貿易及其他應付款	(5,500)	(7,175)
		593	15,205
Less : minority interests disposed	減：已處置少數股東權益	4	(3,506)
		597	11,699
Net assets disposal	處置資產淨值	597	11,699
Loss on disposal	處置虧損	(520)	(4,763)
		77	6,936
Cash consideration	現金代價	77	6,936
		(571)	(15,117)
Less: cash and cash equivalent disposal	減：處置現金及現金等價物	(571)	(15,117)
		(494)	(8,181)
Net cash outflow on disposal	處置之現金流出淨額	(494)	(8,181)

本年度內，本集團已將廣州市華凌實業有限公司，本集團間接持有其95.5%權益之附屬公司，之所有股權轉售予獨立第三方及註銷了重慶穗港華凌電器銷售有限公司。

處置之虧損及現金流出淨額釐定如下：

10 INVENTORIES**10 存貨**

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Raw materials	原材料	76,598	79,002
Work-in-progress	在製品	18,824	35,042
Finished goods	製成品	396,487	250,775
		491,909	364,819

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK\$1,873,598,000 (2005: HK\$1,616,553,000).

確認為支出並計入銷售貨品成本之存貨成本達港幣1,873,598,000元(二零零五年：港幣1,616,553,000元)。

11 TRADE AND OTHER RECEIVABLES

11 貿易及其他應收款

		Group 本集團		Company 本公司	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Trade receivables (Note (a))	貿易應收款(附註(a))	220,691	234,416	-	-
Less: provision for impairment of trade receivables	減：貿易應收款 減值準備	(44,424)	(70,720)	-	-
Trade receivables – net	貿易應收款 – 淨額	176,267	163,696	-	-
Notes receivable (Note (b))	應收票據(附註(b))	262,563	417,309	-	-
Prepayments and other receivables	預付賬款及 其他應收款	100,571	72,013	202	302
		539,401	653,018	202	302

(a) The majority of the Group's export sales are on letter of credit or documents against payment, or covered by customers' standby letters of credit or bank guarantees. The remaining amounts are with credit terms of 30 days to 270 days. As at 31 December 2006, the ageing analysis of the trade receivables are as follows:

(a) 本集團之出口銷售大部分為信用證或付款交單，或由客戶之備用信用證或銀行擔保。其餘之信貸期為30日至270日。於二零零六年十二月三十一日，貿易應收款之賬齡分析如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Within 1 year	一年以內	177,681	187,367
In the second year	第二年內	20,237	26,790
Over 2 years	兩年以上	22,773	20,259
		220,691	234,416

(b) The balance represents bank acceptance notes with maturity periods within six months.

(b) 該餘額為六個月內到期之銀行承兌匯票。

The carrying amounts of the Group's trade and other receivables are all denominated in RMB and approximate their fair value.

本集團之貿易及其他應收款之賬面值均以人民幣列值，與其公平價值相若。

11 TRADE AND OTHER RECEIVABLES*(Continued)*

Movements on the provision for impairment of trade receivables are as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
As at 1 January	於一月一日	70,720	72,139
Provision for receivable impairment	應收款減值準備	18,555	—
Receivables written off during the year as uncollectible	年內撇銷為不可收回之應收款	(30,805)	—
Unused amounts reversed	撥回未動用款項	(14,046)	(1,419)
As at 31 December	於十二月三十一日	44,424	70,720

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement (Note 21).

貿易應收款之減值準備變動如下：

新增及解除減值應收款之準備已計入綜合收益表之管理費用內(附註21)。

12 PREPAID VALUE-ADDED TAX — NET

Hualing Household and Hualing Appliances have paid input value-added taxes ("VAT") to the State Tax Bureau for the finished goods purchased from China Refrigeration and Guangzhou Air-conditioning. In accordance with the relevant PRC tax regulations, these VAT can be offset with the output VAT arising from the sales in the future but are not refundable. The balances at 31 December 2006 and 2005 represented net input VAT after offsetting the output VAT payable by the Group for the domestic sales made in current year.

12 預付增值稅—淨額

華凌家電及華電公司為購自中雪公司及華凌空調之製成品向國家稅務局支付進項增值稅(「增值稅」)。根據中國稅收法規，該等增值稅可用於抵扣未來銷售產品之銷項增值稅，但不可退還。於二零零六年及二零零五年十二月三十一日之餘額乃進項增值稅扣除本集團於年內於中國境內銷售產生之銷項增值稅後之淨額。

13 CASH AND CASH EQUIVALENTS

		Group 本集團		Company 本公司	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Cash at bank and in hand	銀行存款及手頭現金	247,199	307,454	12,662	615

The effective interest rate on bank deposits was 0.72% (2005: 0.7%).

銀行存款之實際利率為0.72%(二零零五年：0.7%)。

13 CASH AND CASH EQUIVALENTS*(Continued)*

For the purposes of cash flow statement, cash and cash equivalents comprise the following:

13 現金及現金等價物 (續)

就現金流量表而言，現金及現金等價物包括下列各項：

	Group		Company	
	本集團		本公司	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	港幣千元	港幣千元	港幣千元	港幣千元
Cash at bank and in hand	247,199	307,454	12,662	615
Less: Pledged bank deposits *	(95,557)	(177,384)	-	-
	151,642	130,070	12,662	615

* These represented bank balances pledged against bank acceptance notes issued by the Group (Note 17(b)).

* 該數額為抵押本集團開出之銀行承兌匯票之銀行存款結餘(附註17(b))。

At 31 December 2006, cash at bank and in hand of the Group (including pledged deposits) amounted to HK\$234,515,000 (2005:HK\$306,674,000), were kept in bank accounts opened with banks in the PRC of which the remittance of funds were subject to foreign exchange control.

於二零零六年十二月三十一日，本集團存放於銀行及手頭現金(包括用作抵押之存款)達港幣234,515,000元(二零零五年：港幣306,674,000元)，為存放於在中國開立的銀行賬戶中，該等資金的匯出須受外匯管制規限。

14 SHARE CAPITAL

14 股本

(a) Share capital

(a) 股本

		Issued and fully paid Ordinary shares of HK\$0.1 each 已發行及繳足股本 普通股每股面值港幣0.1元	
		Number of shares ('000) 股份數目(千股)	HK\$ '000 港幣千元
At 1 January 2005	於二零零五年一月一日	1,588,036	158,804
Issue of rights shares	發行供股股份	2,382,055	238,205
At 31 December 2005 and 1 January 2006	於二零零五年 十二月三十一日 及二零零六年 一月一日	3,970,091	397,009
Issue of ordinary shares (i)	發行普通股 (i)	640,000	64,000
Employee share option scheme – proceeds from shares issued (ii)	僱員購股權計劃 – 發行股份 所得款項 (ii)	77,000	7,700
At 31 December 2006	於二零零六年 十二月三十一日	4,687,091	468,709

The total authorised number of ordinary shares is 10,000 million shares (2005: 10,000 million shares) with a par value of HK\$0.1 per share (2005: HK\$0.1 per share). All issued shares are fully paid.

普通股之法定總數為10,000,000,000股(二零零五年: 10,000,000,000股), 面值為每股港幣0.1元(二零零五年: 每股港幣0.1元)。所有已發行股份已繳足。

14 SHARE CAPITAL (Continued)**(a) Share capital** (Continued)

- (i) On 15 August 2006, Midea International Corporation Company Limited (“Midea International”), an intermediate holding company, entered into a placing agreement with a placing agent and a subscription agreement with the Company respectively. Pursuant to the placing agreement, Midea International placed 640,000,000 existing shares to independent investors at a price of HK\$0.13 per share, representing a discount of 8.45% to the closing price of the Company’s shares on 14 August 2006. Pursuant to the subscription agreement, Midea International subscribed for 640,000,000 new shares at a price of HK\$0.13 per share. 640,000,000 new shares were issued for the subscription on 29 August 2006 raising net proceeds of approximately HK\$82,015,000 which were intended to be used for general working capital of the Group. The net price raised per share is approximately HK\$0.128. These shares rank pair par with the existing shares.
- (ii) The share options exercised by the directors and employees of the Group during the year (Note 14(b) below), resulted in 77,000,000 shares being issued at HK\$0.1206, yielding proceeds after transaction costs of approximately HK\$9,285,000.

14 股本 (續)**(a) 股本** (續)

- (i) 於二零零六年八月十五日，本公司之間接控股公司美的國際控股有限公司(「美的國際」)與配售代理及本公司分別訂立配售協議及認購協議。根據配售協議，美的國際按每股港幣0.13元之價格(較本公司股份於二零零六年八月十四日之收市價折讓8.45%)，向獨立投資者配售640,000,000股現有股份。根據認購協議，美的國際按每股港幣0.13元之價格認購640,000,000股新股。640,000,000股新股已於二零零六年八月二十九日發行以供認購，籌集所得款項淨額約港幣82,015,000元，擬用作本集團之一般營運資金。每股集資淨額約港幣0.128元。該等股份與現有股份擁有相同權益。
- (ii) 本集團董事及僱員於年內已行使之購股權(下文附註14(b))導致77,000,000股股份按港幣0.1206元發行，扣除交易成本後之所得款項約為港幣9,285,000元。

14 SHARE CAPITAL (Continued)**(b) Share options**

Share options were granted to the directors of the Company and certain employees of the Group in respect of their services provided to the Group in accordance with the scheme adopted by the Company on 27 June 2003 (the "2003 Share Option Scheme").

The purpose of the 2003 Share Option Scheme is for the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Eligible participants of the 2003 Share Option Scheme include the directors (including executive directors and non-executive directors) or employees of the Group, consultants or advisors of the Group, substantial shareholders or employees of substantial shareholders of the Company, associates of directors or chief executives or substantial shareholders of the Company, employees or directors of suppliers or customers of the Group, discretionary objects of a discretionary trust established by employees or directors of the Group, as to be determined by the board at its absolute discretion within the above categories.

The maximum numbers of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under 2003 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at 27 June 2003, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under 2003 Share Option Scheme.

14 股本 (續)**(b) 購股權**

購股權是根據本公司於二零零三年六月二十七日採納之計劃(「二零零三年購股權計劃」)，就本公司董事及本集團若干僱員向本集團提供服務而授予彼等。

二零零三年購股權計劃之目的，是讓本公司招攬、挽留及鼓勵有才幹之參與者為本集團之未來發展及擴展出力，以及使本公司有更靈活之方法向參與者提供獎勵、獎賞、酬勞、報酬及／或福利。二零零三年購股權計劃之合資格參與者包括本集團之董事(包括執行董事及非執行董事)或僱員、本集團顧問或專業諮詢人士、本公司主要股東或其僱員、本公司之董事、高級行政人員或主要股東之任何聯繫人士、本集團供應商或客戶之僱員或董事、本集團僱員或董事所設立之全權信託之任何全權受益人(由董事會在上述人士中全權酌情決定)。

根據二零零三年購股權計劃及本公司採納之任何其他購股權計劃授出而尚未行使之所有購股權獲行使時，可予發行之最高股份數目不得超過不時已發行股份之30%。根據二零零三年購股權計劃及本公司任何其他購股權計劃授出之所有購股權獲行使時，可予發行之股份總數合共不得超過二零零三年六月二十七日本公司已發行股份之10%，惟本公司可於股東大會徵求股東批准更新二零零三年購股權計劃下之10%限額。

14 SHARE CAPITAL (Continued)**(b) Share options** (Continued)

The total number of shares issued and to be issued upon exercise of the share options granted under 2003 Share Option Scheme and any other share option schemes of the Company to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to the approval of shareholders in general meeting of the Company.

Share options granted under the 2003 Share Option Scheme to director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5,000,000, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

The exercise price of the share options will be at least the highest of (i) the closing price of the Company's shares as stated in daily quotations sheet of HKSE on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in HKSE's daily quotations sheet for the five business days immediately preceding the date of the offer for grant, which must be a business day; and (iii) the nominal value of the share.

14 股本 (續)**(b) 購股權** (續)

於截至授出日期止任何十二個月期間，根據二零零三年購股權計劃及本公司任何其他購股權計劃授出之購股權獲行使時，已發行及將發行予每名參與者之股份總數不得超過授出日期已發行股份之1%。進一步授出超出此限額之購股權須獲股東於本公司股東大會批准。

根據二零零三年購股權計劃向本公司董事、高級行政人員或主要股東或彼等任何聯繫人士授出之購股權，須獲本公司獨立非執行董事(不包括身為購股權承授人之任何獨立非執行董事)批准。此外，於截至授出日期(包括該日)止之任何十二個月期間，向本公司主要股東或獨立非執行董事或彼等任何聯繫人士授出之任何購股權，倘若超過任何時間本公司已發行股份0.1%，或總值(根據本公司於各授出日期之股份收市價計算)超過港幣5,000,000元，則須獲股東於本公司股東大會批准。

購股權之行使價將不低於下列之最高者(i)於發出授出購股權日期(該日必須為營業日)本公司股份在聯交所每日報價表中所列之收市價；(ii)緊接授出購股權之日期(該日必須為營業日)前五個營業日，本公司股份於聯交所每日報價表中所列之平均收市價；及(iii)股份之面值。

14 SHARE CAPITAL (Continued)**(b) Share options** (Continued)

The share options granted may be exercised at any time during the period commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors which shall not be more than 10 years from the date on which the share option is deemed to be granted and accepted. 2003 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 27 June 2003.

On 23 January 2006, 115,900,000 share options were granted to the directors of the Company and certain employees of the Group in respect of their services provided to the Group. These share options are exercisable immediately on its grant day, and will be lapsed on 22 January 2016 at an exercise price of HK\$0.1206 per share.

The fair value of options granted was determined using the Black-Scholes Model. The key assumptions used in the valuation include: (i) an expected dividend yield of 0% per annum, (ii) volatility of share price of 44.15% per annum (expressed as weighted average volatility used in the modelling of Black-Scholes Model, which is the annualised standard deviation of the continuously compounded rate of return on the share over a period of time), (iii) a risk free rate of interest on options exercisable before 25 January 2008 and 25 June 2008 of 3.766% and 3.786% per annum respectively, and (iv) the option life is 10 years.

14 股本 (續)**(b) 購股權** (續)

授出之購股權可於緊隨購股權被視作授出及接納當日後隨時行使，而其屆滿日期將由董事會釐定及發出通知，惟不得超過購股權被視作授出及接納當日起計十年。二零零三年購股權計劃將由二零零三年六月二十七日起計後十年期間內有效及生效。

於二零零六年一月二十三日，本公司董事及本集團若干僱員因其向本集團提供服務而獲授115,900,000份購股權。該等購股權可於其授出日期即時按每股港幣0.1206元之行使價行使，並於二零一六年一月二十二日失效。

所授出之購股權公平價值乃採用柏力克－舒爾斯期權定價模式釐定。估價所採用之主要假設包括：(i)預期股息率每年0%，(ii)股價波幅每年44.15% (柏力克－舒爾斯期權定價模式採用加權平均波幅列示，有關波幅為於一段期間股份之連續複利回報率之年度化標準差)，(iii)於二零零八年一月二十五日及二零零八年六月二十五日前可予行使購股權每年之無風險利率分別為3.766%及3.786%，及(iv)購股權年期為10年。

Notes to the Consolidated Financial Statements

綜合財務報表附註

14 SHARE CAPITAL (Continued)

(b) Share options (Continued)

Based on the valuation, the fair value of the 115,900,000 share options granted this year was approximately HK\$4,125,000, which was recognised as employee benefit expense (Note 22) and a corresponding increase in share option reserve (Note 15).

Movements of the share options granted under the 2003 Share Option Scheme during the year are as follows:

Name	姓名	Options held at 1 January 2006 於二零零六年一月一日 購股權數目	Options granted during the year (ii) 年內授出之 購股權(ii)	Options exercised during the year 年內行使 之購股權	Options held at 31 December 2006 (v) 於二零零六年十二月三十一日 購股權數目(v)	Exercise price HK\$ 行使價 港幣元	Grant date 授出日期	Exercisable from 行使期由	Exercisable until 行使期至
Directors:	董事：								
Fang Hongbo	方洪波	-	25,000,000	-	25,000,000	0.1206	23/1/2006	23/1/2006	22/1/2016
Wang Wei (i)	王偉(i)	-	25,000,000	(25,000,000) (iii)	-	0.1206	23/1/2006	23/1/2006	22/1/2016
Zhang Quan	張權	-	25,000,000	(25,000,000) (iv)	-	0.1206	23/1/2006	23/1/2006	22/1/2016
Li Jianwei	栗建偉	-	5,000,000	-	5,000,000	0.1206	23/1/2006	23/1/2006	22/1/2016
Yuan Liquan	袁利群	-	3,900,000	-	3,900,000	0.1206	23/1/2006	23/1/2006	22/1/2016
Chen Yu Hang	陳宇航	-	3,000,000	(3,000,000) (iv)	-	0.1206	23/1/2006	23/1/2006	22/1/2016
Zhang Xin Hua	張新華	-	3,000,000	(3,000,000) (iv)	-	0.1206	23/1/2006	23/1/2006	22/1/2016
Employees	僱員	-	26,000,000	(21,000,000) (iii)&(iv)	5,000,000	0.1206	23/1/2006	23/1/2006	22/1/2016
		-	115,900,000	(77,000,000)	38,900,000				

14 股本 (續)

(b) 購股權 (續)

根據估價，本年度已授出之 115,900,000 份購股權之公平價值約為港幣 4,125,000 元，有關金額已確認為僱員福利開支(附註 22) 及於購股權儲備中相應增加(附註 15)。

本年度內，根據二零零三年購股權計劃授出之購股權之變動如下：

14 SHARE CAPITAL (Continued)**(b) Share options** (Continued)

Note:

- (i) Mr. Wang Wei was appointed as an executive director on 17 January 2006 and resigned on 16 August 2006.
- (ii) The closing price of the shares of the Company immediately before the date of grant (as of 20 January 2006) was HK\$0.120.
- (iii) The closing price of the shares of the Company immediately before the date on which the share options were exercised (as of 28 September 2006) was HK\$0.237.
- (iv) The closing price of the shares of the Company immediately before the date on which the share options were exercised (as of 14 December 2006) was HK\$0.39.
- (v) The remaining options were fully exercised on 9 January 2007.

Options exercised in 2006 resulted in 77,000,000 shares being issued at HK\$0.1206 each. The related weighted average share price at the time of exercise was HK\$0.336 per share. The related transaction costs amounting to HK\$1,600 have been netted off with the proceeds received.

Total consideration received during the year from the grantees for taking up the share options granted amounted to HK\$15 (2005: Nil).

In January 2007, 38,900,000 share options were exercised by the directors of the Company and employees of the Group with an exercise price of HK\$0.1206 which resulted in the issue of 38,900,000 additional ordinary shares for a total cash consideration, before expenses, of approximately HK\$4,691,000 was raised.

14 股本 (續)**(b) 購股權** (續)

附註：

- (i) 王偉先生於二零零六年一月十七日獲委任為執行董事，並於二零零六年八月十六日辭任。
- (ii) 本公司股份於緊接授出日期前(二零零六年一月二十日)之收市價為港幣0.120元。
- (iii) 本公司股份於緊接購股權獲行使前(二零零六年九月二十八日)之收市價為港幣0.237元。
- (iv) 本公司股份於緊接購股權獲行使前(二零零六年十二月十四日)之收市價為港幣0.39元。
- (v) 餘下之購股權已於二零零七年一月九日獲悉數行使。

二零零六年獲行使之購股權產生按每股港幣0.1206元發行77,000,000股股份。行使時之相關加權平均股價為每股港幣0.336元。相關交易成本港幣1,600元已於收取之所得款項內扣減。

本年度內，收取承授人接納所授出購股權之總代價為港幣15元(二零零五年：無)。

於二零零七年一月，本公司董事及本集團僱員按行使價港幣0.1206元行使38,900,000份購股權，因而發行38,900,000股額外普通股，籌集之總現金代價(未扣除開支)約港幣4,691,000元。

15 OTHER RESERVES

15 其他儲備

(a) Group	(a) 本集團	Share	General	Enterprise	Exchange	Share	Total
		premium	reserve	expansion	reserve	option	
		股份溢價	一般儲備	企業發展	匯兌	購股權	總額
		基金	基金	基金	儲備	儲備	總額
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
Balances as at 1 January 2005	於二零零五年 一月一日餘額	567,435	31,721	16,958	27,568	-	643,682
Translation difference during the year	本年度匯兌差異	-	-	-	(14,083)	-	(14,083)
Reserves transferred to income statement upon disposal of subsidiaries	於處置附屬公司 時轉撥至收益 表之儲備	-	(184)	-	-	-	(184)
Balances as at 31 December 2005	於二零零五年 十二月三十 一日餘額	567,435	31,537	16,958	13,485	-	629,415
Balances as at 1 January 2006	於二零零六年 一月一日餘額	567,435	31,537	16,958	13,485	-	629,415
Reserves transferred to income statement upon disposal of subsidiaries	於處置附屬 公司時轉撥至 收益表之儲備	-	(358)	-	-	-	(358)
Translation difference during the year	本年度匯兌 差異	-	-	-	(21,294)	-	(21,294)
Issue of ordinary shares (Note 14(a))	發行普通股 (附註14(a))	19,200	-	-	-	-	19,200
Share issuance expenses (Note 14(a))	股份發行費用 (附註14(a))	(1,185)	-	-	-	-	(1,185)
Employee share option scheme - value of services provided (Note 14(b))	僱員購股權計劃 - 已提供的服務價值 (附註14(b))	-	-	-	-	4,125	4,125
- proceeds from shares issued (Note 14(a))	- 發行股份 所得款項 (附註14(a))	1,585	-	-	-	-	1,585
Balances as at 31 December 2006	於二零零六年 十二月 三十一日餘額	587,035	31,179	16,958	(7,809)	4,125	631,488

15 OTHER RESERVES (Continued)

15 其他儲備 (續)

		Share premium	Share option reserve	Total
		股份溢價	購股權 儲備	總額
		HK\$'000	HK\$'000	HK\$'000
		港幣千元	港幣千元	港幣千元
(b) Company	(b) 本公司			
Balances as at 1 January 2005	於二零零五年一月一日餘額	567,435	–	567,435
Balances as at 31 December 2005	於二零零五年十二月三十一日餘額	567,435	–	567,435
Issue of ordinary shares (Note 14(a))	發行普通股份(附註14(a))	19,200	–	19,200
Share issuance expenses (Note 14(a))	股份發行費用(附註14(a))	(1,185)	–	(1,185)
Employee share option scheme	僱員購股權計劃			
– value of services provided (Note 14(b))	— 已提供服務的價值 (附註14(b))	–	4,125	4,125
– proceeds from shares issued (Note 14(a))	— 發行股份所得款項 (附註14(a))	1,585	–	1,585
Balances as at 31 December 2006	於二零零六年 十二月三十一日餘額	587,035	4,125	591,160

(c) The Company's PRC subsidiaries are required to follow the laws and regulations of the PRC and their articles of association. These subsidiaries are required to provide for certain statutory funds, namely, general reserve fund and enterprise expansion fund, which are appropriated from net profit after taxation but before dividend distribution based on the local statutory accounts prepared in accordance with accounting principles and relevant financial regulations applicable to enterprises established in the PRC. These PRC subsidiaries are required to allocate at least 10% of its net profit to the reserve fund until the balance of such fund has reached 50% of its registered capital. Such appropriations are determined at the discretion of the directors. The general reserve fund can only be used, upon approval by the relevant authority, to offset accumulated deficit or increase capital.

(c) 本公司在中國之附屬公司須遵守中國法律和法規及彼等的公司章程細則。該等附屬公司須提供若干法定基金，分別為一般儲備基金及企業發展基金，均自除稅後但未計股息分派之純利中提取。該純利根據按中國內地企業適用之會計準則及相關財務法規而編製之國內法定賬目計算。此等中國之附屬公司須將其純利最少10%分配至儲備基金，直至該儲備基金結餘達至其註冊資本之50%為止。此等撥款由董事酌情釐定。一般儲備基金僅在有關當局批准後始可用作抵銷累計虧損或增加資本。

16 BORROWINGS

16 貸款

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Non-current	非即期		
Bank borrowings, secured	銀行貸款，已擔保	39,813	-
Current	即期		
Bank borrowings, secured	銀行貸款，已擔保	276,699	173,254
Bank borrowings, unsecured	銀行貸款，無擔保	74,650	277,724
		391,162	450,978

At 31 December 2006, the Group's bank borrowings were repayable as follows:

於二零零六年十二月三十一日，本集團銀行借貸之還款情況如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Within one year	一年以內	351,349	450,978
In the second year	第二年在內	39,813	-
		391,162	450,978

The exposure of the Group's borrowing to interest rate changes and the contractual repricing dates are as follows:

本集團面臨之借貸利率變動及合約重新定價日如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
6 months or less	六個月或以下	391,162	450,978

The effective interest rates at the balance sheet date were 7.47% per annum (2005: 5.23% per annum).

於結算日之實際利率為每年7.47% (二零零五年：每年5.23%)。

As at 31 December 2006, approximately HK\$316,512,000 (2005: HK\$100,903,000) of the loans were guaranteed by Midea Group or a subsidiary of the Midea Group.

於二零零六年十二月三十一日，約港幣316,512,000元 (二零零五年：港幣100,903,000元) 之貸款由美的集團或美的集團之一間附屬公司作出擔保。

16 BORROWINGS (Continued)

Property, plant and equipment and leasehold land and land use right with net book value of approximately HK\$81,335,000 (2005: HK\$98,076,000) have been pledged as security for the Group's short-term bank borrowings (Note 6 and 8).

Subsequent to 31 December 2006 and up to the date of these consolidated financial statements, short-term bank borrowings of approximately HK\$39,813,000 have been renewed and will be due for repayments in 2007 or 2008.

The carrying amounts of short-term borrowings approximate their fair value. The carrying amounts of the borrowings are denominated in the RMB.

16 貸款 (續)

賬面淨值約港幣81,335,000元(二零零五年：港幣98,076,000元)之物業、廠房及設備以及租賃土地及土地使用權已抵押作為本集團短期銀行貸款之擔保(附註6及8)。

由二零零六年十二月三十一日至綜合財務報表日，短期銀行貸款約港幣39,813,000元已獲續期，並將於二零零七年或二零零八年到期償還。

短期借貸之賬面值與其公平價值相近。貸款之賬面值以人民幣列值。

17 TRADE AND OTHER PAYABLES**17 貿易及其他應付款**

		Group 本集團		Company 本公司	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元	2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Trade payables (Note (a))	貿易應付款(附註(a))	929,729	907,228	-	-
Provision for staff welfare and bonus	員工福利及花紅準備	3,240	1,036	78	78
Accruals	預提費用	87,451	122,634	-	-
Advances from customers	預收客戶賬款	118,037	106,395	-	-
Notes payable (Note (b))	應付票據(附註(b))	401,185	277,345	-	-
Others	其他	56,050	54,784	3,028	2,206
		1,595,692	1,469,422	3,106	2,284

17 TRADE AND OTHER PAYABLES*(Continued)*

(a) At 31 December 2006, the ageing analysis of the trade payables was as follows:

Within 1 year	一年內
In the second year	第二年內
Over 2 years	兩年以上

(b) The balance represents bank acceptance notes issued by the Group with maturity periods of less than six months. At 31 December 2006, the notes payable were pledged by bank deposits of approximately HK\$95,557,000 (2005: HK\$177,384,000).

18 DEFERRED INCOME TAX

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rates applicable to the companies comprising the Group.

Temporary differences are mainly arising from:

Accumulated losses of some of its subsidiaries carried forward	部分附屬公司之累計虧損
Provision for inventory obsolescence	存貨跌價及殘次準備
Provision for doubtful trade and other receivables	貿易及其他應收款呆賬準備
Provision of impairment charge of property, plant and equipment	物業、廠房及設備之減值準備
Provision for warranty	產品保養準備

17 貿易及其他應付款 (續)

(a) 於二零零六年十二月三十一日，貿易應付款之賬齡分析如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Within 1 year	一年內	903,519	834,373
In the second year	第二年內	11,518	60,424
Over 2 years	兩年以上	14,692	12,431
		929,729	907,228

(b) 該餘額為本集團開出之銀行承兌匯票，均在六個月內到期。於二零零六年十二月三十一日，為應付票據作抵押之銀行存款約為港幣95,557,000元（二零零五年：港幣177,384,000元）。

18 遞延所得稅

遞延稅項全數採用負債法就暫時差異按本集團旗下公司適用之稅率計算。

暫時差異主要來自：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Accumulated losses of some of its subsidiaries carried forward	部分附屬公司之累計虧損	1,118,666	909,175
Provision for inventory obsolescence	存貨跌價及殘次準備	58,438	85,421
Provision for doubtful trade and other receivables	貿易及其他應收款呆賬準備	53,511	82,113
Provision of impairment charge of property, plant and equipment	物業、廠房及設備之減值準備	109,554	127,066
Provision for warranty	產品保養準備	36,304	30,352
		1,376,473	1,234,127

18 DEFERRED INCOME TAX (Continued)

The potential deferred tax assets not provided for in the consolidated financial statements amounted to:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Accumulated losses of some of its subsidiaries carried forward	部分附屬公司之累計虧損	289,962	257,263
Provisions for inventory obsolescence	存貨跌價及殘次準備	15,422	25,975
Provision for doubtful trade and other receivables	貿易及其他應收款呆賬準備	14,406	26,391
Provision of impairment charge of property, plant and equipment	物業、廠房及設備之減值準備	28,985	35,797
Provision for warranty	產品保養準備	11,980	10,016
		360,755	355,442

At the balance sheet date, there was no material unprovided deferred tax liabilities. Deferred tax assets arising from above temporary differences have not been recognised as it is uncertain that future taxable profit will be available against which the temporary differences can be utilised.

The expiry date of deferred tax assets not provided as at 31 December 2006 is as follows:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Expire within 1 year	一年內到期	30,682	24,977
Expire in 1 – 2 years	一至兩年到期	30,517	30,682
Expire in 2 – 3 years	兩至三年到期	80,870	30,517
Expire in 3 – 4 years	三至四年到期	90,217	80,870
Expire in 4 – 5 years	四至五年到期	57,676	90,217
No expiry date	無到期日	70,793	98,179
		360,755	355,442

According to Provisional Regulations on PRC Enterprise Income Tax No.11, tax losses of the PRC subsidiaries of the Group can be carried forward to offset future assessable profit for a period of 5 years.

18 遞延所得稅 (續)

未在綜合財務報表中撥備之潛在遞延稅項資產金額如下：

於資產負債表日，並無重大未撥備遞延稅項負債。由於不確定將來是否具有應課稅溢利抵銷可動用暫時差異，因此並無確認上述暫時差異產生之遞延稅項資產。

於二零零六年十二月三十一日，未撥備之遞延稅項資產到期日如下：

根據中國企業所得稅暫行條例第十一條，本集團中國附屬公司之稅項虧損可予結轉，以抵銷未來五年之應課稅利潤。

19 PROVISIONS FOR WARRANTY

The movement of warranty provision was analysed as follows:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Beginning of the year	年初	30,352	19,406
Charge for the year (Note 21)	本年計提(附註21)	27,339	22,745
Less: Amounts utilised	減：已動用款項	(21,387)	(11,799)
End of the year	年終	36,304	30,352

The Group provides free repair and replacement services ranging from one year to three years after sales. The cost of the warranty obligation under which the Group agrees to remedy defects in its products is accrued at the time the related sales are recognised. As at 31 December 2006, the Group had provided for expected warranty claims on household electrical appliance items sold.

產品保養準備之變動分析如下：

本集團提供產品售後一至三年不等之免費維修及零件更換服務。本集團因產品缺損而提供之保養責任成本，於相關銷售確認時計提。於二零零六年十二月三十一日，本集團對已出售之家用電器計提預期保養準備。

20 OTHER (LOSSES)/GAINS – NET

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Rental income	租金收入	5,523	6,199
Less: expenses in respect of the above rental income	減：有關上述租金收入之開支	(2,386)	(298)
		3,137	5,901
Fair value (loss)/gain on investment properties	投資物業之公平價值(虧損)/收益	(2,754)	6,242
Government grants	政府補貼收入	4,437	8,257
Loss on sales of scrap materials	廢料銷售虧損	(5,429)	(9,826)
(Loss)/gain on disposal of leasehold land and land use right	處置租賃土地及土地使用權之(虧損)/收益	(5,956)	2,124
Loss on disposal of subsidiaries	處置附屬公司虧損	(520)	(4,763)
Write-off of long outstanding payables (i)	撇銷長期尚未償還應付款(i)	5,929	-
Others	其他	(251)	258
		(1,407)	8,193

(i) The amount represented certain write-off long outstanding payables owe from those subsidiaries deregistered during the year (Note 9).

20 其他(虧損)/收益 — 淨額

(i) 有關金額指撇銷年內撇銷註冊之附屬公司之若干長期未償還應付款(附註9)。

21 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs, administrative expenses and other operating expenses are analysed as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Depreciation (Note 6)	折舊(附註6)	60,010	59,264
Loss on disposal of property, plant and equipment	處置物業、廠房及設備之虧損	19,677	4,998
Provision of impairment charge of property, plant and equipment (Note 6)	物業、廠房及設備之減值開支準備(附註6)	2,046	15,840
Employee benefit expenses (Note 22)	僱員福利開支(附註22)	94,160	125,937
Cost of inventories recognised as expense	確認為開支之存貨成本	1,873,598	1,616,553
Provision for inventory obsolescence	存貨跌價及殘次準備	37,330	31,704
Provision/(reversal) for impairment of trade receivables	貿易應收款之減值撥備/(撥回)	4,509	(1,419)
Provision for impairment of other receivables	其他應收款之減值撥備	552	8,119
Operating leases rental for land and buildings	土地及樓宇之經營租賃租金	14,643	13,851
Auditors' remuneration	核數師酬金	3,995	2,338
Provision for warranty (Note 19)	產品保養準備(附註19)	27,339	22,745
Research and development costs	研究及開發費用	1,803	2,715

包括在銷售貨品成本、銷售及市場推廣成本、行政開支及其他經營開支內之開支分析如下：

21 按性質分類之開支

22 EMPLOYEE BENEFIT EXPENSES

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Wages and salaries	工資及薪金	81,814	118,850
Share options granted to directors and employees (Note 14(b))	授予董事及僱員之購股權(附註14(b))	4,125	-
Pension costs (Note a)	退休金成本(附註a)	8,221	7,087
		94,160	125,937

22 僱員福利開支

22 EMPLOYEE BENEFIT EXPENSES (Continued)

- (a) The Group has arranged for its Hong Kong employees to join the MPF Scheme. Under the MPF Scheme, each of the group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employers and employees are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary. For the year ended 31 December 2006, no contribution was forfeited.

The Company's subsidiaries established in the PRC participate in the local retirement schemes of the PRC. Pursuant to the relevant regulations, the Group is currently required to make a monthly contribution equivalent to 15% to 28% of the monthly salaries in respect of its full-time and temporary employees. The aggregate amount of the Group's contributions (net of forfeited contributions) for the year ended 31 December 2006 amounted to approximately HK\$8,221,000 (2005: HK\$7,087,000).

22 僱員福利開支 (續)

- (a) 本集團已安排其香港僱員參加一項由獨立受託人管理之強積金計劃。根據強積金計劃，集團公司(僱主)及其僱員分別須按照強制性公積金法例規定，每月將僱員入息之5%作為計劃供款。僱主及僱員各自之供款上限為每月港幣1,000元，其後均為自願供款。截至二零零六年十二月三十一日止年度，概無沒收之供款。

本公司於中國成立之附屬公司均參與中國本地退休金計劃。根據有關條款，本集團現須每月支付相當於全職及臨時僱員月薪15%至28%之供款。於截至二零零六年十二月三十一日止年度，本集團之供款總額(已扣除沒收之供款)約為港幣8,221,000元(二零零五年：港幣7,087,000元)。

22 EMPLOYEE BENEFIT EXPENSES (Continued)**22 僱員福利開支** (續)**(b) Directors' and senior managements' emoluments****(b) 董事及高級管理人員酬金**

The remuneration of every director for the year ended 31 December 2006 is set out below:

每位董事於截至二零零六年十二月三十一日止年度之酬金載列如下：

Name of Director	董事姓名	Fees	Salary	Discretionary bonuses	Inducement fees	Other benefits (a)	Employer's contribution	Compensation for loss	Total
							to pension scheme	of office as director	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	退休金計劃之 僱主供款	董事離職之 補償	HK\$'000
		港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元	港幣千元
Executive Directors		執行董事							
Mr. Fang Hongbo	方洪波先生	-	-	-	-	932	-	-	932
Mr. Zhang Quan	張權先生	-	-	-	-	932	-	-	932
Mr. Wang Wei (c)	王偉先生(c)	-	55	-	-	932	-	-	987
Mr. Li Jianwei	栗建偉先生	-	-	-	-	202	-	-	202
Mr. Li Dong Lai (d)	李東來先生 (d)	-	-	-	-	18	-	-	18
Non-executive Directors		非執行董事							
Ms. Yuan Liqun (e)	袁利群女士 (e)	-	-	-	-	161	-	-	161
Mr. Zhang Xin Hua	張新華先生	-	-	-	-	128	-	-	128
Mr. Chen Yu Hang	陳宇航先生	-	-	-	-	128	-	-	128
Independent non-executive Directors		獨立非執行董事							
Mr. Chan Wai Dune	陳維端先生	180	-	-	-	18	-	-	198
Mr. Lam Ming Yung	林明勇先生	180	-	-	-	18	-	-	198
Ms. Chen Chunhua	陳春花女士	180	-	-	-	18	-	-	198

22 EMPLOYEE BENEFIT EXPENSES (Continued)**22 僱員福利開支** (續)**(b) Directors' and senior managements' emoluments** (Continued)**(b) 董事及高級管理人員酬金** (續)

The remuneration of every director for the year ended 31 December 2005 is set out below:

每位董事於截至二零零五年十二月三十一日止年度之酬金載列如下：

Name of Director	董事姓名	Fees 袍金 HK\$'000 港幣千元	Salary 薪金 HK\$'000 港幣千元	Discretionary bonuses 酌情花紅 HK\$'000 港幣千元	Inducement fees 加盟酬金 HK\$'000 港幣千元	Other benefits (a) 其他福利(a) HK\$'000 港幣千元	Employer's contribution	Compensation for loss	Total 合計 HK\$'000 港幣千元
							to pension scheme 退休金計劃之 僱主供款 HK\$'000 港幣千元	of office as director 董事離職之 補償 HK\$'000 港幣千元	
Executive Directors 執行董事									
Mr. Fang Hongbo	方洪波先生	-	-	-	-	-	-	-	-
Mr. Liu Liang (b)	劉亮先生(b)	-	86	-	-	-	-	-	86
Mr. Zhang Quan	張權先生	-	-	-	-	-	-	-	-
Mr. Li Jianwei	栗建偉先生	-	-	-	-	-	-	-	-
Non-executive Directors 非執行董事									
Ms. Yuan Liqun	袁利群女士	-	-	-	-	-	-	-	-
Mr. Zhang Xin Hua	張新華先生	-	-	-	-	-	-	-	-
Mr. Chen Yu Hang	陳宇航先生	-	-	-	-	-	-	-	-
Independent non-executive Directors 獨立非執行董事									
Mr. Chan Wai Dune	陳維端先生	100	-	-	-	-	-	-	100
Mr. Lam Ming Yung	林明勇先生	100	-	-	-	-	-	-	100
Ms. Chen Chunhua	陳春花女士	100	-	-	-	-	-	-	100

Notes:

- (a) Other benefits include leave pay, share based payments and insurance premium.
- (b) Resigned on 17 January 2006 and was replaced by Mr. Wang Wei.
- (c) Appointed on 17 January 2006 and resigned on 16 August 2006 and was replaced by Mr. Li Dong Lai.
- (d) Appointed on 16 August 2006.
- (e) Ms. Yuan Liqun, who was a non-executive director, was redesignated as an executive director on 4 January 2007.

Directors' fees disclosed above include HK\$540,000 (2005: HK\$300,000) paid to independent non-executive directors.

附註：

- (a) 其他福利包括有薪假期、以股付款及保費。
- (b) 於二零零六年一月十七日辭任並由王偉先生代替。
- (c) 於二零零六年一月十七日獲委任，於二零零六年八月十六日辭任並由李東來先生代替。
- (d) 於二零零六年八月十六日獲委任。
- (e) 非執行董事袁利群女士於二零零七年一月四日調任為執行董事。

上述披露之董事袍金包括支付予獨立非執行董事之酬金港幣540,000元(二零零五年：港幣300,000元)。

22 EMPLOYEE BENEFIT EXPENSES (Continued)**22 僱員福利開支** (續)**(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include three (2005: None) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2005: five) individuals during the year are as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Basic salaries, housing allowances, other allowances and benefits in kind	基本薪金、房屋津貼、其他津貼及實物利益	927	1,067
Contribution to pension schemes	退休金計劃供款	47	32
		974	1,099

(c) 五位最高薪酬人士

本年度集團內五位最高薪酬人士包括三位(二零零五年：無)董事，其酬金已載於上文分析。本年度餘下兩位(二零零五年：五位)最高薪酬人士之酬金分析如下：

The emoluments fell within the following bands:

最高薪酬人士之酬金組別如下：

Emolument bands 酬金組別		Number of individuals 人數	
		2006	2005
Nil – HK\$1,000,000	港幣0元 - 港幣1,000,000元	2	5

23 FINANCE COSTS – NET**23 融資成本 — 淨額**

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Interest on bank borrowings	銀行借貸之利息	20,455	31,903
Bank handling charges	銀行手續費	3,444	4,040
Interest income (Note 33)	利息收入(附註33)	(7,856)	(7,728)
Exchange loss/(gain) (Note 33)	匯兌虧損/(收益) (附註33)	11,828	(3,418)
		27,871	24,797

24 INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group did not have any assessable profit in Hong Kong. PRC enterprise income tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the respective jurisdictions.

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Enterprise income tax	企業所得稅	2,352	567

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Loss before income tax	扣除所得稅前虧損	(103,388)	(289,294)
Calculated at the PRC statutory tax rate of 33% (2005: 33%)	按中國法定稅率33%計算 (二零零五年：33%)	(34,118)	(95,467)
Effect of different tax rates	稅率差異影響	3,457	4,843
Expenses not deductible for taxation purposes	不可用作扣減稅項 之費用	2,723	143
Unrecognised deferred tax assets	未確認遞延稅項資產	30,290	91,048
Taxation charge	稅項支出	2,352	567

The unprovided deferred taxation as at 31 December 2006 was detailed in Note 18.

由於本集團並無賺取任何應課香港利得稅收入，故此並無提取任何香港利得稅準備。中國企業所得稅乃根據本年度之估計應課稅利潤按當地之現行稅率計算。

本集團就除稅前虧損之應課稅項與採用適用於綜合實體之加權平均稅率計算之理論稅款差異如下：

於二零零六年十二月三十一日之未撥備遞延稅項詳情見附註18。

**25 LOSS ATTRIBUTABLE TO EQUITY
HOLDERS OF THE COMPANY**

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$84,563,000 (2005: HK\$236,065,000).

26 LOSS PER SHARE**Basic**

The calculations of basic loss per share are based on Group's loss attributable to equity holders of the Company of approximately HK\$112,647,000 (2005: HK\$283,540,000).

The basic loss per share is based on the weighted average number of 4,196,798,257 (2005: 2,677,908,148) ordinary shares in issue during the year.

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company (collectively forming the denominator for computing the diluted loss per share). A calculation is done to determine the number of shares that could have been issued at fair value (determined as the average market price of the Company's shares during the periods) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares so calculated is compared against the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to the loss (numerator). For the year ended 31 December 2006 and 2005, potential dilutive ordinary shares were not included in the calculation of diluted loss per share because they are anti-dilutive.

25 本公司股權持有人應佔虧損

計入本公司財務報表之本公司股權持有人應佔虧損約為港幣84,563,000元(二零零五年：港幣236,065,000元)。

26 每股虧損**基本**

每股基本虧損是根據本公司股權持有人應佔本集團虧損約港幣112,647,000元(二零零五年：港幣283,540,000元)計算。

每股基本虧損乃按年內已發行普通股之加權平均數4,196,798,257股(二零零五年：2,677,908,148股)計算。

攤薄

每股攤薄虧損之計算方法為假設本公司授出之購股權產生之所有潛在攤薄普通股獲兌換而調整相關普通股之加權平均數(兩者共同組成計算每股攤薄虧損之分母)。有關計算方法旨在根據未行使購股權所附認購權之貨幣價值，釐定可能按公平價值(視為期內本公司股份平均市價而釐定)發行之股份數目。按此計算方法計算之股份數目將與假設購股權獲行使而發行之股份數目作比較，有關差額將加進分母，作為無需代價而發行之普通股。虧損(分子)則不予以調整。截至二零零六年及二零零五年十二月三十一日止年度，由於潛在攤薄普通股並無攤薄效應，故在計算每股攤薄虧損時並無將潛在攤薄普通股計算在內。

27 DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

27 股息

董事不建議派發截至二零零六年十二月三十一日止年度之股息(二零零五年：無)。

28 CASH (USED IN)/GENERATED FROM
OPERATIONS

(a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities:

28 經營(動用)/產生之現金

(a) 經營虧損與經營之現金(流出)/流入淨額對賬表：

		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Loss before income tax	扣除所得稅前虧損	(103,388)	(289,294)
Adjustments for:	調整：		
- Depreciation	- 折舊	60,010	59,264
- Amortisation of leasehold land and land use right	- 租賃土地及土地使用權攤銷	711	791
- Loss on disposal of associates	- 處置聯營公司之虧損	-	12,195
- Impairment of property, plant and equipment	- 物業、廠房及設備減值	2,046	15,840
- Deficit/(surplus) on revaluation of investment properties	- 投資物業重估虧絀/(盈餘)	2,754	(6,242)
- Loss on disposals of property, plant and equipment	- 處置物業、廠房及設備之虧損	19,677	4,998
- Loss/(gain) on disposal of leasehold land and land use rights	- 處置租賃土地及土地使用權之虧損/(收益)	5,956	(2,124)
- Loss on disposal of subsidiaries	- 處置附屬公司之虧損	520	4,763
- Share-based payment expenses	- 以股付款開支	4,125	-
- Government grants	- 政府補貼收入	(4,437)	(8,257)
- Interest income	- 利息收入	(7,856)	(7,728)
- Interest expense	- 利息支出	20,455	31,903
- Bank handling charges	- 銀行手續費	3,444	4,040
- Effect of foreign exchange translation	- 外幣匯兌影響	(35,183)	(23,128)
Changes in working capital:	營運資金變動：		
- Inventories	- 存貨	(127,090)	(20,475)
- Due from related companies	- 應收關聯公司款項	(163,658)	(4,067)
- Trade and other receivables	- 貿易及其他應收款	113,617	(313,103)
- Prepaid value-added tax	- 預付增值稅	35,991	1,676
- Provision for warranty	- 產品保養準備	5,952	10,946
- Due to related companies	- 應付關聯公司款項	27,426	130,111
- Trade and other payables	- 貿易及其他應付款	126,270	453,364
Cash (used in)/generated from operations	經營(所用)/產生之現金	(12,658)	55,473

**28 CASH (USED IN)/GENERATED FROM
OPERATIONS** (Continued)**(a) Reconciliation of operating loss to net
cash (outflow)/inflow from operating
activities:** (Continued)

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

Net book amount (Note 6)	賬面淨值(附註6)
Loss on sale of property, plant and equipment	出售物業、廠房及設備之虧損
Proceeds from sale of property, plant and equipment	出售物業、廠房及設備所得款項

28 經營(動用)／產生之現金 (續)**(a) 經營虧損與經營之現金(流出)
／流入淨額對賬表：** (續)

於綜合現金流量表中，出售物業、廠房及設備所得款項包括：

	2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
	25,601	11,730
	(19,677)	(4,998)
	5,924	6,732

29 CONTINGENT LIABILITIES

During the year ended 31 December 2006, an action was brought by a subsidiary of the Group, Guangzhou Air-conditioning to a customer for an outstanding accounts receivable amount of Euro 2,140,984, in the Multi Member Court of First Instance of Thessalonica, Greece. On the other hand, the said customer brought an action against Guangzhou Air-conditioning for an alleged breach of contract. Compensation for loss and damage of reputation, totalling approximately Euro 13,680,625 were sorted by the said customer in the Multi Member Court of First Instance of Thessalonica.

As at the date of this report, the trial has not yet commenced and the parties are negotiating to settle the above case out of the court. Having sought independent legal advice, the directors consider that the possibility of the success of claim from the said customer is remote. Accordingly, no provision has been made in the financial statement in respect of the above claim.

Other than the above, there are no material contingent liabilities or off-balance sheet obligations for the year ended 31 December 2006.

29 或然負債

截至二零零六年十二月三十一日止年度，本集團一家附屬公司華凌空調在希臘薩洛尼卡多法官一審法庭就一名客戶未償還應收款約2,140,984歐元作出起訴。另一方面，該客戶於薩洛尼卡多法官一審法庭對華凌空調作出起訴，指稱其違約。該客戶就損失及對其聲譽受損而尋求賠償，總額約13,680,625歐元。

於本報告日，審訊尚未展開，而各方正就庭外和解進行磋商。董事於取得獨立法律意見後，認為上述客戶申索獲判勝訴的機會不大。因此，財務報表中並無就上述申索提撥任何準備。

除上文所述者外，於截至二零零六年十二月三十一日止年度，概無任何重大或然負債或資產負債表外責任。

30 COMMITMENTS

- (a) Capital commitments at the balance sheet date but not yet incurred for purchases of property, plant and equipment:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Contracted but not provided for	已簽約但未撥備	54,381	56,048

- (b) Commitments under operating leases — Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Not later than one year	第一年內	717	1,127
Later than one year and not later than five years	第一年後至 第五年內	572	2,466
		1,289	3,593

30 承擔

- (a) 於結算日，購買物業、廠房及設備而尚未產生之資本承擔：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Contracted but not provided for	已簽約但未撥備	54,381	56,048

- (b) 經營租賃承擔—本集團作為承租人

本集團根據不可撤銷之經營租賃而於未來應付之最低租賃付款總額如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Not later than one year	第一年內	717	1,127
Later than one year and not later than five years	第一年後至 第五年內	572	2,466
		1,289	3,593

31 RELATED PARTY TRANSACTIONS

Save as disclosed in other notes to the consolidated financial statements, the material related party transactions are as follows:

- (a) The following transactions were carried out with related parties in accordance with the terms mutually agreed by the respective parties:

31 關聯方交易

除在本綜合財務報表中其他附註中披露之交易外，本集團重大關聯方交易詳情如下：

- (a) 與關聯方依據各方共同協定之條款進行之交易如下：

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Sales of finished goods:	銷售製成品		
– Guangdong Midea Commercial Air Conditioner & Equipment Co., Ltd.** (“Midea Commercial Air Conditioner”)	– 廣東美的商用空調設備有限公司** (「美的商用空調」)	–	348
– Hefei Midea-Royalstar Electrical Equipment Marketing Co., Ltd.* (“Midea-Royalstar”)	– 合肥榮事達美的電器營銷有限公司* (「榮事達美的」)	35,358	23,178
– Guangdong Midea Air Conditioning Equipment Co., Ltd. ** (“Midea Air Conditioning”)	– 廣東美的製冷設備有限公司** (「美的製冷」)	152,298	58,372
		187,656	81,898

31 RELATED PARTY TRANSACTIONS

(Continued)

- (a) The following transactions were carried out with related parties in accordance with the terms mutually agreed by the respective parties:
(Continued)

31 關聯方交易 (續)

- (a) 與關聯方依據各方共同協定之條款進行之交易如下：(續)

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Purchases of household appliances, semi-finished goods and materials and spare parts:	購買家用電器、半製成品、物料及零件：		
- Midea Commercial Air Conditioner	- 美的商用空調	450	14,200
- Midea Air Conditioning	- 美的製冷	153,743	96,628
- Foshan Midea Household Appliance Co., Ltd.* ("Midea Household Appliance")	- 佛山市美的家用電器有限公司* (「美的家電」)	9,310	31,895
- Guangdong Meizhi Compressor Limited ** ("Meizhi Compressor")	- 廣東美芝製冷設備有限公司** (「美芝製冷」)	69,772	78,069
- Guangdong Welling Motor Manufacturing Company Limited* ("Welling Motor")	- 廣東威靈電機製造有限公司* (「威靈電機」)	58,996	24,430
		292,271	245,222

* These are related parties controlled by the ultimate holding company of the Company.

** These are related parties under common significant influence.

* 該等關聯公司由本公司最終控股公司所控制。

** 該等關聯公司受共同重大影響。

31 RELATED PARTY TRANSACTIONS

(Continued)

(b) Key management compensation

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Salaries and other short-term employee benefits	薪金及其他短期 僱員福利	1,370	1,485
Share-based payments	以股份支付支出	3,763	–
		5,133	1,485

(c) Balances with related companies:

		Group 本集團	
		2006 HK\$'000 港幣千元	2005 HK\$'000 港幣千元
Due from related companies:	應收關聯公司：		
– Midea-Royalstar	– 榮事達美的	27,258	5,386
– Midea Air Conditioning	– 美的製冷	141,826	40
		169,084	5,426

(b) 主要管理人員酬金

(c) 與關聯公司之餘額如下：

31 RELATED PARTY TRANSACTIONS*(Continued)*(c) Balances with related companies: *(Continued)*

		2006	2005
		HK\$'000	HK\$'000
		港幣千元	港幣千元
Due to related companies:	應付關聯公司		
– Midea Household Appliance	– 美的家電	3,216	4,805
– Midea Commercial Air Conditioner	– 美的商用空調	8,827	10,056
– Midea Air Conditioning	– 美的製冷	114,422	38,576
– Meizhi Compressor	– 美芝製冷	23,065	78,030
– Welling Motor	– 威靈電機	21,241	11,878
		170,771	143,345

The balances due from/to related companies are interest free and are repayable on demand.

32 ULTIMATE HOLDING COMPANY

The directors regard Midea Group, a company incorporated in the PRC, as being the ultimate holding company.

31 關聯方交易 (續)

(c) 與關聯公司之餘額如下：(續)

		Group
		本集團
		2006
		HK\$'000
		港幣千元
Due to related companies:	應付關聯公司	
– Midea Household Appliance	– 美的家電	3,216
– Midea Commercial Air Conditioner	– 美的商用空調	8,827
– Midea Air Conditioning	– 美的製冷	114,422
– Meizhi Compressor	– 美芝製冷	23,065
– Welling Motor	– 威靈電機	21,241
		170,771

應收／應付關聯公司餘額乃免息及按通知還款。

32 最終控股公司

董事認為最終控股公司為在中國註冊成立之美的集團。

33 COMPARATIVE FIGURES

In current year, interest income and exchange gain are included in finance costs-net (Note 23), whereas in prior years these accounts had been included in other income and separated from finance cost. Accordingly, comparative figures have been reclassified so as to confirm with current year's presentation.

33 比較數字

利息收入及滙兌收益已於本年度計入融資成本－淨額(附註23)，而過往年度該等賬目已計入其他收入，並與融資成本分開入賬。因此，比較數字已經重新分類，與本年度之呈報一致。