

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and trading investments are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income taxes" issued by HKSA which is effective for accounting periods commencing on or after 1st January 2003. The change to the Group's accounting policy and the effect of adopting this revised policy is set out in note 1(m) below.

(b) Group accounting consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill, including goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Goodwill/negative goodwill

Goodwill represents the excess of cost of acquisition over the fair value of the Group's share of the net assets of subsidiaries, associated companies and jointly controlled entities acquired at the date of acquisition.

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not more than twenty years. Goodwill on acquisitions that occurred prior to 1st January 2001 was taken directly to reserves. Where the fair values ascribed to the net assets of subsidiaries, associated companies and jointly controlled entities acquired exceeded the purchase consideration, such differences were taken directly to capital reserves on acquisitions prior to 1st January 2001.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously taken to reserves, is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) *Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) *Construction-in-progress*

Construction-in-progress, representing building on which construction work has not been completed, is stated at cost, which includes construction expenditures incurred and other direct costs capitalised during the construction period, less accumulated impairment losses. No depreciation is provided in respect of construction-in-progress until the construction work is completed. On completion, the construction-in-progress is transferred to appropriate categories of fixed assets.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Fixed assets *(continued)*

(iii) Other properties, plant and equipment

Other properties are interests in land and buildings other than investment properties as mentioned in note 1(d)(i). Freehold land is stated at cost less accumulated impairment losses. Plant and equipment and other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not amortised whereby leasehold land is amortised on a straight line basis over the unexpired period of the lease.

Improvements are capitalised and depreciated over their expected useful lives to the Group.

Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Buildings on freehold and leasehold land	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20%
Computers	30%
Motor vehicles	20%

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in construction-in-progress, other properties and other tangible fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any remaining revaluation reserve balance attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)***(e) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payment obligations in respect of operating leases on properties with fixed rentals are accounted for on a straight-line basis over the periods of the respective leases. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

(f) Trading investments

Trading investments are carried at fair value. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. At each balance sheet date, the net unrealised gains and losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits and losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade debtors

Provision is made against trade debtors to the extent that they are considered to be doubtful. Trade debtors in the balance sheet is stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investments and bank overdrafts.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Translation of foreign currencies *(continued)*

The balance sheets of subsidiaries expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average exchange rate during the year. Exchange differences are dealt with as a movement in reserves.

(k) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Operating lease rental income is recognised on a straight line basis over the periods of the respective leases.

Royalty income and building management fee income are recognised on an accrual basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(iii) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in the Peoples' Republic of China (the "PRC") and is required to make annual contributions in the range of 2% to 28% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the profit and loss account as incurred.

(iv) Equity compensation benefits

Share options are granted to certain directors and employees. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(m) Deferred taxation

Deferred taxation 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred 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 taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(m) **Deferred taxation** *(continued)*

As detailed in note 19(a) to the accounts, opening retained profits at 1st January 2002 and 2003 has been increased by HK\$59,680,000 and HK\$37,068,000 respectively. In addition, the balances of the Group's capital reserve and properties revaluation reserves at 1st January 2002 and 2003 have been reduced by HK\$127,182,000 and HK\$92,038,000 respectively. These changes have resulted in increases in deferred tax assets and deferred tax liabilities at 31st December 2002 by HK\$39,849,000 and HK\$94,819,000 respectively. The loss for the year ended 31st December 2002 has been increased by HK\$22,612,000.

(n) **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(o) **Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that the primary segment reporting format is by business segments and the secondary segment reporting is by geographical segments.

Unallocated costs represent corporate expenses less interest income. Segment assets consist primarily of fixed assets, stocks, receivables and operating cash, and mainly exclude corporate cash funds and trading investments. Segment liabilities comprise operating liabilities and exclude items such as payables and accruals for corporate expenses. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the countries in which the group company operates. Total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in distribution and manufacturing of garments, leather goods and accessories and property investments. Revenues recognised during the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sales of goods	451,690	467,927
Gross rental income from investment properties	38,272	31,579
Income from the operation of a commercial center	–	7,689
Building management fee	2,869	2,739
Licensing income	18,427	13,047
	<u>511,258</u>	<u>522,981</u>
Other revenues		
Interest income	2,921	3,632
Dividend income from trading investments	9	–
	<u>2,930</u>	<u>3,632</u>
Total revenues	514,188	526,613

Primary reporting format – business segments

The Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories.

Property investments – Investments in properties in China mainland, Hong Kong SAR and Singapore.

There are no material transactions between the business segments except for office rental charge.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's segment information by business segment is set out as follows:

	2003				2002 (Restated)			
	Apparel HK\$'000	Property investments HK\$'000	Eliminations HK\$'000	Group HK\$'000	Apparel HK\$'000	Property investments HK\$'000	Eliminations HK\$'000	Group HK\$'000
Results								
Turnover	470,117	41,141	-	511,258	480,974	42,007	-	522,981
Inter-segment sales	-	4,911	(4,911)	-	-	6,489	(6,489)	-
	<u>470,117</u>	<u>46,052</u>	<u>(4,911)</u>	<u>511,258</u>	<u>480,974</u>	<u>48,496</u>	<u>(6,489)</u>	<u>522,981</u>
Segment results	<u>73,315</u>	<u>19,636</u>		<u>92,951</u>	<u>78,534</u>	<u>(36,558)</u>		41,976
Unallocated costs				(29,266)				(27,779)
Operating profit				63,685				14,197
Finance costs				-				(41)
Profit before taxation				63,685				14,156
Taxation				(17,691)				(25,482)
Profit/(loss) after taxation				45,994				(11,326)
Minority interests				(844)				(848)
Profit/(loss) attributable to shareholders				<u>45,150</u>				<u>(12,174)</u>
Assets								
Segment assets	445,224	961,831		1,407,055	483,453	908,930		1,392,383
Unallocated assets				281,745				283,776
Total assets				<u>1,688,800</u>				<u>1,676,159</u>
Liabilities								
Segment liabilities	95,334	15,978		111,312	76,423	18,712		95,135
Unallocated liabilities				110,691				104,958
Total liabilities				<u>222,003</u>				<u>200,093</u>
Other information								
Capital expenditure	5,284	4,418		9,702	3,751	24,022		27,773
Depreciation	14,476	4,597		19,073	13,180	13,421		26,601
Impairment loss of fixed assets	-	-		-	415	29,428		29,843
Provision for slow moving stocks	14,878	-		14,878	14,634	-		14,634

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)**Secondary reporting format – geographical segments**

The Group operates in the following three main geographical areas:

China mainland – Apparel and property investments

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

An analysis of the Group's segment information by geographical segment is as follows:

	2003			Capital expenditure HK\$'000
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	
Geographical segments				
China mainland	394,824	85,848	1,035,363	8,300
Hong Kong SAR	42,489	1,769	586,405	954
Singapore and Malaysia	71,557	7,208	56,278	443
Other countries	2,388	(1,874)	10,754	5
	<u>511,258</u>	<u>92,951</u>	<u>1,688,800</u>	<u>9,702</u>
Unallocated costs		<u>(29,266)</u>		
Operating profit		<u>63,685</u>		

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)**Secondary reporting format – geographical segments** (continued)

	2002			
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000 (Restated)	Capital expenditure HK\$'000
Geographical segments				
China mainland	411,120	39,666	1,007,996	24,263
Hong Kong SAR	46,360	(3,119)	607,601	3,353
Singapore and Malaysia	62,722	6,603	49,431	146
Other countries	2,779	(1,174)	11,131	11
	<u>522,981</u>	<u>41,976</u>	<u>1,676,159</u>	<u>27,773</u>
Unallocated costs		<u>(27,779)</u>		
Operating profit		<u>14,197</u>		

3. IMPAIRMENT LOSS OF COMMERCIAL CENTER

In 2002, the Group decided to change the mode of operation of a commercial center located at the Goldlion Digital Network Centre in the PRC. On 18th July 2002, the Group entered into an operating lease agreement to lease out the premises occupied by, together with the furniture, fixtures and equipments of the commercial center effective on 1st August 2002.

The Group made an assessment on the carrying amount of the fixed assets of the commercial center in accordance with SSAP 31 "Impairment of assets", and as a result of which an impairment loss of HK\$29,428,000 for these fixed assets was charged to the consolidated profit and loss account for the year ended 31st December 2002. No such provision was made for the year ended 31st December 2003.

The revenue and operating result relating to the operation of the commercial center for the period prior to the effective change in mode of operation, are disclosed below and are included in the Property Investments business segment:

	2003 HK\$'000	2002 HK\$'000
Turnover	<u>-</u>	<u>7,689</u>
Operating loss (including impairment loss)	<u>-</u>	<u>(41,746)</u>

4. OPERATING PROFIT

	2003 HK\$'000	2002 HK\$'000
Operating profit is stated after charging the following:		
Cost of stocks sold	221,781	228,651
Provision for slow moving stocks	14,878	14,634
Outgoings in respect of investment properties	9,407	8,629
Operating lease rentals – land and buildings	12,210	15,995
Depreciation	19,073	26,601
Staff costs including Directors' emoluments (<i>note 9</i>)	76,170	80,509
Auditors' remuneration	1,490	1,518
Provision for doubtful debts	967	2,567
Loss on disposal of fixed assets	1,045	1,286
Impairment loss of fixed assets other than commercial center (<i>note 3</i>)	–	415
Unrealised losses on trading investments	–	330
	_____	_____

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable for the year. In 2003, the Government of Hong Kong SAR enacted a change in the profits tax rate from 16.0% to 17.5% for the fiscal year 2003/2004. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2003 HK\$'000	2002 HK\$'000
Hong Kong profits tax		
Under/(over) provision in prior years	70	(134)
Overseas taxation		
Current year	4,013	2,671
(Over)/under-provision in prior years	(657)	333
	3,356	3,004
Deferred taxation	14,265	22,612
Total taxation charges	17,691	25,482

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	63,685	14,156
Calculated at a taxation rate of 17.5%	11,145	2,477
Effect of difference taxation rates in other countries	8,149	1,047
Income not subject to taxation	(3,910)	(2,483)
Expenses not deductible for taxation purposes	847	1,184
Utilisation of previously unrecognised tax losses	(3,630)	(4,911)
Tax loss for the year not recognised	8,431	26,969
Recognition of previously unrecognised deferred tax assets	(2,750)	-
Others	(591)	1,199
Total taxation charges	17,691	25,482

6. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes profit of the Company to the extent of HK\$197,273,000 (2002: loss of HK\$3,229,000).

7. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
2003 interim dividend, paid, of 1.5 HK cents per ordinary share	14,057	–
2002 interim dividend, paid, of 1.0 HK cent per ordinary share	–	9,371
2003 final dividend, proposed of 3.0 HK cents per ordinary share (<i>Note</i>)	28,113	–
2002 final dividend, paid, of 2.0 HK cents per ordinary share	–	18,742
	<hr/> 42,170 <hr/>	<hr/> 28,113 <hr/>

Note:

At a meeting held on 1st April 2004, the Directors declared a final dividend of 3.0 HK cents per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2004.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic and fully diluted earnings/(loss) per share is based on the profit attributable to shareholders of HK\$45,150,000 (2002: restated loss of HK\$12,174,000).

The basic earnings/(loss) per share is based on the weighted average number of 937,114,035 (2002: 920,511,295) shares in issue during the year.

No fully diluted earnings per share for current year is presented as all share options granted by the Company to employees were exercised on 11th April 2002 and no share options were outstanding during the year.

The fully diluted loss per share for the year 2002 was based on 926,416,235 shares which was the weighted average number of shares in issue during the year plus the weighted average number of shares of 5,904,940 which are deemed to be issued at no consideration if the outstanding share options had been exercised.

9. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Staff costs		
– Wages and salaries	72,365	76,092
– Termination benefits	–	970
– Retirement benefit costs (note 10)	3,805	3,447
	<hr/> 76,170 <hr/>	<hr/> 80,509 <hr/>

10. RETIREMENT BENEFIT COSTS

	2003 HK\$'000	2002 HK\$'000
Defined contribution schemes for:		
The Hong Kong employees (note (a))	597	926
The Singaporean employees (note (b))	2,022	1,884
The PRC employees (note (c))	1,186	637
	<hr/> 3,805 <hr/>	<hr/> 3,447 <hr/>

Notes:

- (a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK\$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK\$786,000 (2002: HK\$940,000) including forfeited contributions of HK\$189,000 (2002: HK\$14,000). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK\$129,000 (2002: HK\$134,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2002: Nil).

- (b) Contributions paid and payable by the Group to the schemes amounted to HK\$2,022,000 (2002: HK\$1,884,000). Contributions totalling HK\$986,000 (2002: HK\$620,000) payable to the schemes at the year end are included in other payables. There was no unutilised forfeited contribution at year end (2002: Nil).
- (c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2002: Nil) to the municipal governments at the year end.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to the Directors of the Company during the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Fees	360	360
Basic salaries, housing and other allowances, and benefits in kind	13,180	26,310
Contributions to retirement scheme	29	44
	<hr/> 13,569 <hr/>	<hr/> 26,714 <hr/>

The emoluments of the Directors fell within the following bands:

	Number of Directors	
	2003	2002
Emolument bands		
HK\$ nil – HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$11,500,001 – HK\$12,000,000	–	1
	<hr/> – <hr/>	<hr/> 1 <hr/>

Directors' fees include HK\$240,000 (2002: HK\$240,000) paid to two (2002: two) independent non-executive Directors.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

- (b) The five individuals whose emoluments were the highest in the Group for the year included three (2002: four) Directors whose emoluments are reflected in the analysis presented in 11(a) above. The emoluments payable to the remaining two (2002: one) individual during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Basic salaries, housing and other allowances, and benefits in kind	<u>3,213</u>	<u>1,698</u>

The emoluments fell within the following band:

Emolument bands	Number of individual	
	2003	2002
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	<u>1</u>	<u>–</u>

- (c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

12. FIXED ASSETS – GROUP

	Investment properties HK\$'000	Other properties HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Computers HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1st January 2003	886,742	392,134	15,488	80,787	9,930	11,447	1,396,528
Translation differences	-	-	-	344	(1)	-	343
Additions	4,037	-	271	3,512	566	1,316	9,702
Disposals	-	-	-	(1,990)	(160)	(1,959)	(4,109)
Transfer	68,800	(68,800)	-	-	-	-	-
Revaluation (note 12(a))	(32,376)	-	-	-	-	-	(32,376)
At 31st December 2003	927,203	323,334	15,759	82,653	10,335	10,804	1,370,088
Accumulated depreciation and impairment losses							
At 1st January 2003	-	78,757	12,032	74,897	6,874	7,249	179,809
Translation differences	-	-	-	345	(1)	-	344
Depreciation charge	-	10,693	1,605	3,753	1,536	1,486	19,073
Disposals	-	-	-	(723)	(143)	(1,658)	(2,524)
Transfer	11,710	(11,710)	-	-	-	-	-
Revaluation (note 12(a))	(11,710)	-	-	-	-	-	(11,710)
At 31st December 2003	-	77,740	13,637	78,272	8,266	7,077	184,992
Net book value							
At 31st December 2003	927,203	245,594	2,122	4,381	2,069	3,727	1,185,096
At 31st December 2002	886,742	313,377	3,456	5,890	3,056	4,198	1,216,719
The analysis of the cost or valuation of the above assets is as follows:							
At cost	-	323,334	15,759	82,653	10,335	10,804	442,885
At 2003 professional valuation	927,203	-	-	-	-	-	927,203
At 31st December 2003	927,203	323,334	15,759	82,653	10,335	10,804	1,370,088
At cost	-	392,134	15,488	80,787	9,930	11,447	509,786
At 2002 professional valuation	886,742	-	-	-	-	-	886,742
At 31st December 2002	886,742	392,134	15,488	80,787	9,930	11,447	1,396,528

12. FIXED ASSETS – GROUP (continued)

- (a) Investment properties were revalued at 31st December 2003 and 2002 on an open market value basis by Mr Ng Sai Hee, an independent professional valuer, for properties located in Hong Kong and the PRC, and Knight Frank Pte Limited, an independent professional valuer, for properties located in Singapore. The gross revaluation deficit of HK\$20,666,000 (2002: HK\$203,865,000) was taken to investment properties revaluation reserve (note 19(a)).
- (b) The Group's interests in investment properties and other properties are analysed at their net book values as follows:

	2003		2002	
	Investment properties	Other properties	Investment properties	Other properties
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	30,200	–	30,400	–
Leases of between 10 to 50 years	222,610	121,190	188,300	181,932
	<u>252,810</u>	<u>121,190</u>	<u>218,700</u>	<u>181,932</u>
Outside Hong Kong, held on:				
Freehold	10,113	13,482	10,922	13,845
Leases of over 50 years	8,480	3,831	8,720	4,352
Leases of between 10 to 50 years	655,800	107,091	648,400	113,248
	<u>674,393</u>	<u>124,404</u>	<u>668,042</u>	<u>131,445</u>
	<u>927,203</u>	<u>245,594</u>	<u>886,742</u>	<u>313,377</u>

- (c) Included in other properties are properties with aggregate net book value of HK\$50,797,000 as at 31st December 2003 (2002: HK\$54,055,000) located in the PRC in respect of which title documents have not been obtained from the relevant government authorities.

12. FIXED ASSETS – GROUP (continued)

- (d) Included in investment properties is a property with total net book value of HK\$579,000,000 as at 31st December 2003 (2002: HK\$580,400,000) which represents the Group's interests of approximately 53% of the gross floor area and the car parking spaces of a commercial complex, named as Goldlion Digital Network Centre, situated at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC ("the Designated Property").

On 22nd July 1994, Goldlion (Guangdong) Limited ("Goldlion Guangdong"), a wholly owned subsidiary of the Group, entered into a contract (the "Contract") with Goldlion Property Development Limited ("GPD") to acquire 53% of GPD's capital contribution to, and the right and obligation to contribute 53% of the capital requirement of Guangzhou Goldlion City Properties Company Limited ("GGCP"). In accordance with GGCP's Articles of Association, Goldlion Guangdong, other than receiving the Designated Property as mentioned above, will not participate in any profit or loss of GGCP and will not be entitled to the distribution of GGCP's assets on liquidation. The entire issued share capital of GPD is beneficially owned by three executive Directors, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, and the Tsang family trust. The principal activity of GGCP is to develop, construct, market, let and manage Goldlion Digital Network Centre. In consideration of the capital contribution to GGCP, Goldlion Guangdong, on completion of Goldlion Digital Network Centre, is entitled to receive, free of further payment to GGCP or any other partner thereto, approximately 53% of the Designated Property. The construction of Goldlion Digital Network Centre was practically completed as at 31st March 1999.

On 29th May 1999, Goldlion Guangdong entered into a supplemental contract and a memorandum with GPD and the other PRC joint venture partner of GGCP to amend certain terms of the Contract for the purpose of minimising tax liabilities of GGCP. Simultaneously, Dr. Tsang Hin Chi and GPD had executed an indemnity in favour of Goldlion Guangdong as an additional measure to safeguard Goldlion Guangdong's interest in the Designated Properties. The Directors are of the opinion that the entitlements and the rights of the Group in the Designated Property before and after the amendment of the terms of the Contract remain unchanged. In this connection, the Group has not obtained the title documents in respect of the Designated Properties from the relevant government authorities.

- (e) The aggregate cost, accumulated depreciation and accumulated impairment losses of the Group's furniture and fixtures held for use under operating leases as at 31st December 2003, amounted to approximately HK\$34,278,000 (2002: HK\$35,048,000), HK\$7,099,000 (2002: HK\$6,991,000) and HK\$25,042,000 (2002: HK\$25,042,000) respectively.

13. SUBSIDIARIES – COMPANY

	2003 HK\$'000	2002 <i>HK\$'000</i>
Unlisted investments, at cost	10	10
Amounts due from subsidiaries, net of provision	1,262,885	1,098,334
Amount due to a subsidiary	(827)	(827)
	<u>1,262,068</u>	<u>1,097,517</u>

The balances with subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2003	2002
China Silverlion Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB3,613,724	–	90%	90%
Goldlion (China) Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US\$6,330,110	–	98.82%	98.82%
# Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	S\$1,000,000	Ordinary	100%	100%
# Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	MYR1,200,000	Ordinary	100%	100%
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	EUR127,823	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	HK\$200 HK\$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%

13. SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest	
					2003	2002
* Goldlion Group (BVI) Limited	British Virgin Islands Limited liability company	Investment holding in Hong Kong	US\$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	HK\$2	Ordinary	100%	100%
Guangzhou Goldlion Commercial Network Limited	PRC Limited liability company	Commercial center operation in the PRC	RMB10,609,000	–	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	US\$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	HK\$2 HK\$59,999,998 (redeemable shares)	Ordinary	100%	100%
Shenyang Goldlion Commercial Mansion Limited	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	–	100%	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property investment in Hong Kong	HK\$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	HK\$2	Ordinary	100%	100%

* Subsidiary held directly by the Company

Subsidiaries not audited by PricewaterhouseCoopers

The aggregate net assets and turnover of subsidiaries not audited by PricewaterhouseCoopers accounted for approximately 3% and 14% (2002: 2% and 12%) of the Group's net assets and turnover respectively.

14. STOCKS – GROUP

	2003 HK\$'000	2002 <i>HK\$'000</i>
Raw materials	2,927	4,095
Work in progress	14,727	18,384
Finished goods	79,919	88,620
	<hr/> 97,573 <hr/>	<hr/> 111,099 <hr/>

At 31st December 2003, the carrying amount of stocks that are carried at net realisable value amounted to HK\$74,278,000 (2002: HK\$84,426,000).

15. TRADE DEBTORS – GROUP

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2003, the ageing analysis of the trade debtors, net of provision, was as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Current	16,613	18,918
31-90 days	7,405	6,343
Over 90 days	2,255	454
	<hr/> 26,273 <hr/>	<hr/> 25,715 <hr/>

16. BANK BALANCE AND CASH – GROUP

Bank balances and cash of the Group include an amount of HK\$139,994,000 (2002: HK\$77,137,000) denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

17. CREDITORS AND BILLS PAYABLES – GROUP

At 31st December 2003, the ageing analysis of the creditors and bills payables was as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Current	17,230	9,432
31-90 days	3,717	3,759
Over 90 days	6,583	7,071
	<u>27,530</u>	<u>20,262</u>

18. SHARE CAPITAL

	2003 HK\$'000	2002 <i>HK\$'000</i>
<i>Authorised:</i>		
1,200,000,000 (2002: 1,200,000,000) shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
937,114,035 (2002: 937,114,035) shares of HK\$0.10 each	<u>93,711</u>	<u>93,711</u>

Details of the movements in the issued and fully paid up share capital of the Company during the year are summarised as follows:

	2003		2002	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1st January	937,114,035	93,711	877,114,035	87,711
Issue of shares upon exercise of share options	<u>–</u>	<u>–</u>	<u>60,000,000</u>	<u>6,000</u>
At 31st December	<u>937,114,035</u>	<u>93,711</u>	<u>937,114,035</u>	<u>93,711</u>

At an Extraordinary General Meeting of the Company held on 21st May 2002, a new share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2002: Nil) under the New Option Scheme.

19. RESERVES

(a) Group

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2002, as previously reported	916,573	225,338	106,095	183,844	484	27,801	(11,359)	189,357	1,638,133
Change in accounting policy									
- Provided for net deferred tax liabilities (note 1(m))	-	(92,765)	(33,574)	(843)	-	-	-	59,680	(67,502)
At 1st January 2002, as restated	916,573	132,573	72,521	183,001	484	27,801	(11,359)	249,037	1,570,631
(Deficit)/surplus on revaluation of investment properties (note 12(a))									
- gross	-	(203,865)	-	-	-	-	-	-	(203,865)
- taxation	-	35,144	-	-	-	-	-	-	35,144
Exchange translation differences	-	-	-	-	-	-	575	-	575
Issue of shares upon exercise of share options	12,739	-	-	-	-	-	-	-	12,739
Transfers	-	72,521	(72,521)	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	(12,174)	(12,174)
2001 final dividend paid	-	-	-	-	-	-	-	(14,057)	(14,057)
2002 interim dividend paid	-	-	-	-	-	-	-	(9,371)	(9,371)
At 31st December 2002	929,312	36,373	-	183,001	484	27,801	(10,784)	213,435	1,379,622
Representing:									
Reserves	929,312	36,373	-	183,001	484	27,801	(10,784)	194,693	1,360,880
2002 final dividend proposed	-	-	-	-	-	-	-	18,742	18,742
	929,312	36,373	-	183,001	484	27,801	(10,784)	213,435	1,379,622

19. RESERVES (continued)

(a) Group (continued)

	Share premium HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Other reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	929,312	127,568	183,844	484	27,801	(10,784)	176,367	1,434,592
Change in accounting policy								
- Provided for net deferred tax liabilities (note 1(m))	-	(91,195)	(843)	-	-	-	37,068	(54,970)
At 1st January 2003, as restated	929,312	36,373	183,001	484	27,801	(10,784)	213,435	1,379,622
(Deficit)/surplus on revaluation of investment properties (note 12(a))								
- gross	-	(20,666)	-	-	-	-	-	(20,666)
- taxation	-	125	-	-	-	-	-	125
Exchange translation differences	-	-	-	-	-	(231)	-	(231)
Profit for the year	-	-	-	-	-	-	45,150	45,150
2002 final dividend paid	-	-	-	-	-	-	(18,742)	(18,742)
2003 interim dividend paid	-	-	-	-	-	-	(14,057)	(14,057)
At 31st December 2003	929,312	15,832	183,001	484	27,801	(11,015)	225,786	1,371,201
Representing:								
Reserves	929,312	15,832	183,001	484	27,801	(11,015)	197,673	1,343,088
2003 final dividend proposed	-	-	-	-	-	-	28,113	28,113
	929,312	15,832	183,001	484	27,801	(11,015)	225,786	1,371,201

Other reserves are attributable to certain subsidiaries established in the PRC. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in the PRC. The amount set aside is determined by the Board of Directors of these subsidiaries at their financial year end.

19. RESERVES (continued)

(b) Company

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2002	916,573	484	99,999	1,017,056
Issue of shares upon exercise of share options	12,739	–	–	12,739
Loss for the year	–	–	(3,229)	(3,229)
2001 final dividend paid	–	–	(14,057)	(14,057)
2002 interim dividend paid	–	–	(9,371)	(9,371)
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
At 31st December 2002	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
Representing:				
Reserves	929,312	484	54,600	984,396
2002 final dividend proposed	–	–	18,742	18,742
	<u>929,312</u>	<u>484</u>	<u>73,342</u>	<u>1,003,138</u>
At 1st January 2003	929,312	484	73,342	1,003,138
Profit for the year	–	–	197,273	197,273
2002 final dividend paid	–	–	(18,742)	(18,742)
2003 interim dividend paid	–	–	(14,057)	(14,057)
	<u>929,312</u>	<u>484</u>	<u>237,816</u>	<u>1,167,612</u>
At 31st December 2003	<u>929,312</u>	<u>484</u>	<u>237,816</u>	<u>1,167,612</u>
Representing:				
Reserves	929,312	484	209,703	1,139,499
2003 final dividend proposed	–	–	28,113	28,113
	<u>929,312</u>	<u>484</u>	<u>237,816</u>	<u>1,167,612</u>

20. DEFERRED TAXATION – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5%.

The movement on the net deferred tax liabilities of the Group is as follows:

	2003	2002
	HK\$'000	HK\$'000
At 1st January	54,970	67,502
Exchange differences	–	29
Deferred taxation charged to profit and loss account	14,264	22,583
Taxation credited to investment properties revaluation reserves (note 19(a))	(125)	(35,144)
	<hr/>	<hr/>
At 31st December	69,109	54,970
	<hr/>	<hr/>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$444,154,000 (2002: HK\$402,793,000) to carry forward against future taxable income. Included in the unrecognised tax losses, HK\$341,664,000 (2002: HK\$290,656,000) has no expiry date and the remaining losses will expire at various dates up to and including 2008.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities	Accelerated taxation depreciation		Fair values gains		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	6,825	8,283	91,195	126,339	1,471	1,001	99,491	135,623
Charged/(credited) to profit and loss account	(1,022)	(1,458)	–	–	(697)	470	(1,719)	(988)
Credited to equity	–	–	(125)	(35,144)	–	–	(125)	(35,144)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	5,803	6,825	91,070	91,195	774	1,471	97,647	99,491
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

20. DEFERRED TAXATION – GROUP (continued)

Deferred tax assets	Provisions		Tax losses		Others		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1st January	(16,282)	(13,436)	(17,810)	(33,503)	(10,429)	(21,182)	(44,521)	(68,121)
Charged/(credited) to profit and loss account	(3,072)	(2,846)	13,441	15,693	5,614	10,753	15,983	23,600
At 31 December	(19,354)	(16,282)	(4,369)	(17,810)	(4,815)	(10,429)	(28,538)	(44,521)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2003 HK\$'000	2002 HK\$'000
Deferred tax assets	(24,093)	(39,849)
Deferred tax liabilities	93,202	94,819
	69,109	54,970

The amounts shown in the balance sheet include the following:

	2003 HK\$'000	2002 HK\$'000
Deferred tax assets to be recovered after more than 12 months	(24,093)	(39,849)
Deferred tax liabilities to be settled after more than 12 months	93,202	94,819

21. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

	2003 HK\$'000	2002 HK\$'000
Operating profit	63,685	14,197
Depreciation	19,073	26,601
Interest income	(2,921)	(3,632)
Dividend income	(9)	–
Loss on disposal of fixed assets	1,045	1,286
Impairment of fixed assets	–	29,843
Unrealised loss on trading investments	–	330
	<hr/>	<hr/>
Operating profit before working capital changes	80,873	68,625
Decrease in stocks	13,526	14,053
Decrease/(increase) in debtors and prepayments	5,814	(13,095)
Increase in creditors, other payables and accruals	24,122	300
	<hr/>	<hr/>
Cash generated from operations	124,335	69,883

(b) Analysis of changes in financing during the year

	Share capital and share premium		Dividends payable		Bank loans		Minority interests	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance at 1st January	1,023,023	1,004,284	–	–	–	3,371	2,733	1,885
Issue of shares upon exercise of share options	–	18,739	–	–	–	–	–	–
Minority interests in share of results	–	–	–	–	–	–	844	848
Repayment of bank loans	–	–	–	–	–	(3,371)	–	–
Dividends declared	–	–	32,799	23,428	–	–	–	–
Dividends paid	–	–	(32,799)	(23,428)	–	–	–	–
Dividends paid to minority shareholders	–	–	–	–	–	–	(1,692)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December	1,023,023	1,023,023	–	–	–	–	1,885	2,733

21. CONSOLIDATED CASH FLOW STATEMENT *(continued)***(c) Analysis of balances of cash and cash equivalents**

	2003 HK\$'000	2002 HK\$'000
Bank balances and cash	<u>340,141</u>	<u>260,251</u>

22. CONTINGENT LIABILITIES – COMPANY

	2003 HK\$'000	2002 HK\$'000
Guarantees for credit facilities given to subsidiaries	<u>162,464</u>	<u>157,464</u>

At 31st December 2003 and 31st December 2002, the above facilities, which were covered by the Company's guarantee, were not utilised by the subsidiaries.

23. COMMITMENTS – GROUP**(a) Commitments under operating leases – where the Group is the lessee**

At 31st December 2003, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2003 HK\$'000	2002 HK\$'000
Land and buildings		
Not later than one year	2,551	3,046
Later than one year and not later than five years	<u>1,199</u>	<u>930</u>
	<u>3,750</u>	<u>3,976</u>

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

The Company did not have any commitments at 31st December 2003 (2002: Nil).

23. COMMITMENTS – GROUP (continued)**(b) Commitments under operating leases – where the Group is the lessor**

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2003	2002
	HK\$'000	HK\$'000
Land and buildings		
Not later than one year	36,349	36,281
Later than one year and not later than five years	96,732	57,173
Later than five years	68,141	9,020
	201,222	102,474

24. RELATED PARTY TRANSACTIONS – GROUP

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a)	Note	2003	2002
		HK\$'000	HK\$'000
Building management fees paid to a related company	(i)	756	979
Professional fees paid to a related company	(ii)	680	320
Rental paid to a related company	(iii)	251	–
Administrative and conference fees received from a related company		–	531

Notes:

- (i) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. The fees were charged monthly at a fixed amount. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.
- (ii) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fees of HK\$680,000 (2002: HK\$320,000) were paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director of, and a principal shareholder in Equitas Capital Limited.
- (iii) Rentals were paid to Guangzhou Goldlion City Properties Company Limited at a fixed monthly rate of HK\$72,000 for the period from 11th August 2003 to 31st December 2003 for lease of office area in Goldlion Digital Network Centre. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

24. RELATED PARTY TRANSACTIONS – GROUP *(continued)*

- (b) On 28th January 2003, Goldlion (Far East) Limited (“GFEL”), a subsidiary of the Company, and Mr. Ng Ming Wah, Charles entered into a Memorandum of Trust under which and in consideration of the indemnity given by Mr. Ng Ming Wah, Charles in the Memorandum, GFEL agreed to hold the legal title to a motor vehicle beneficially owned by Mr. Ng Ming Wah, Charles in trust for him.
- (c) On 18th July 2002, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited (“GWTCCL”) as lessee and China World Trade Corporation (“CWTC”), the holding company of GWTCCL, as guarantor in respect of a business center and facilities therein located at Goldlion Digital Network Centre. During the year, the Group received HK\$3,448,000 (2002: HK\$1,579,210) from GWTCCL as rental payment under the lease. Mr. Tsang Chi Hung, a former executive director of the Company who resigned on 1st August 2002, has indirect beneficial interest in CWTCCL as he becomes a major shareholder of CWTC starting from 17th December 2002.

25. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 1st April 2004.