

NOTES TO FINANCIAL STATEMENTS

31 December 2003

1. CORPORATE INFORMATION

The head office and principal place of business of Glorious Sun Enterprises Limited is located at Glorious Sun Group Building, 97 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was engaged in the retailing, export and production of casual wear.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The following revised SSAP and Interpretation are effective for the first time for the current year's financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): "Income taxes"
- Interpretation 20: "Income taxes – Recovery of revalued non-depreciable assets"

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact on these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 10 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year/period.

Interpretation 20 requires that a deferred tax asset or liability that arises from the revaluation of certain non-depreciable assets and investment properties is measured based on the tax consequences that would follow from the recovery of the carrying amount of that asset through sale. The adoption of this Interpretation has had no significant impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment property and certain fixed assets, as further explained below.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

Pursuant to the board resolution dated 2 December 2002, the Company has changed its accounting year end from 31 March to 31 December to bring its accounting year end in line with the statutory accounting year end date of the principal subsidiaries of the Company and jointly-controlled entities of the Group in Mainland China.

Consequently, the comparative amounts for the consolidated profit and loss account, the consolidated summary statement of changes in equity, the consolidated cash flow statement and related notes are presented for a period of nine months rather than for a period of twelve months as adopted for the accounting year ended 31 December 2003 and accordingly are not comparable with those of the current twelve months accounting period.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint venture companies (Continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations", goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative Goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Negative Goodwill (Continued)

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations", negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (Continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Land and buildings are stated at valuation. It is the Group's policy to review regularly the carrying value of land and buildings, and adjustment is made where there has been a material change in value. Independent professional valuations are performed when appropriate.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Freehold land	Nil
Buildings	1.67% – 5% or over the terms of the leases, whichever is shorter
Leasehold improvements	20% – 25% or over the terms of the leases, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

NOTES TO FINANCIAL STATEMENTS

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets and depreciation (Continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Textile quota entitlements

Temporary textile quota entitlements purchased from outside parties are charged to the profit and loss account at the time of utilisation, or in the absence of such utilisation, upon the expiry of the relevant utilisation period. Profit arising from disposal of temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrevocable transfer to a third party.

Permanent textile quota entitlements ("permanent quota") are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. Revenue arising from temporary transfer of permanent quota is recognised upon execution of a legally binding, unconditional and irrevocable transfer to a third party. The gain or loss on disposal or retirement of permanent quota recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant permanent quota.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out and weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) commission income, when the services are rendered;
- (c) from the temporary transfer of permanent quota, upon execution of a legally binding, unconditional and irrevocable transfer to a third party;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) rental income, on a time proportion basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

With respect to investments in certain overseas subsidiaries which are financed by way of loans that are not repayable in the foreseeable future, rather than equity, the resulting exchange differences on translation of the loans are included in the exchange fluctuation reserve. In the opinion of the directors, such loans are for practical purposes as permanent as equity and, accordingly, are treated as part of the Company's net investment in those subsidiaries.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year/period, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year/period are translated into Hong Kong dollars at the weighted average exchange rates for the year/period.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Employee benefits

Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefits schemes for its employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions are made based on a percentage of the eligible employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group employer contribution vesting fully, the ongoing contributions payable by the Group may be reduced the relevant amount of forfeited contribution. This scheme is still operating after 1 December 2000.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) retail operations segment engages in the retailing of casual wear;
- (b) export operations segment manufactures and exports apparels; and
- (c) the "others" segment comprises, principally, the trading of fabric and other businesses.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no inter-segment sales and transfers during the year (period from 1 April 2002 to 31 December 2002: Nil).

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

Group

	Retail operations		Export operations		Others	Consolidated		
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000		Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000
Segment revenue:								
Sales to external customers	1,836,446	1,252,698	1,266,510	981,686	207,353	202,183	3,310,309	2,436,567
Other revenue and gains	12,016	3,766	42,922	29,496	11,403	33,365	66,341	66,627
Total	1,848,462	1,256,464	1,309,432	1,011,182	218,756	235,548	3,376,650	2,503,194
Segment results	164,318	113,959	143,988	77,781	41,233	52,544	349,539	244,284
Interest income and unallocated revenue							14,292	10,808
Unallocated expenses							(27,014)	(23,453)
Profit from operating activities							336,817	231,639
Finance costs							(18,273)	(15,723)
Share of profits and losses of:								
Jointly-controlled entities	-	-	389	1,083	2,696	1,261	3,085	2,344
Associates	(1,103)	-	43,684	23,376	-	-	42,581	23,376
Profit before tax							364,210	241,636
Tax							(106,690)	(53,194)
Profit before minority interests							257,520	188,442
Minority interests							(92,495)	(60,362)
Net profit from ordinary activities attributable to shareholders							165,025	128,080

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4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Group	Retail operations		Export operations		Others		Consolidated	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Segment assets	550,746	499,508	825,599	844,834	198,033	199,958	1,574,378	1,544,300
Interests in jointly- controlled entities	-	-	7,320	10,258	17,956	6,995	25,276	17,253
Interests in associates	13,174	-	90,927	71,968	-	-	104,101	71,968
Unallocated assets							1,171,556	940,693
Total assets							2,875,311	2,574,214
Segment liabilities	360,831	209,391	377,256	402,730	236,301	206,902	974,388	819,023
Unallocated liabilities							374,392	346,518
Total liabilities							1,348,780	1,165,541
Other segment information:								
Depreciation and amortisation	49,101	40,654	52,351	37,564	4,975	3,076	106,427	81,294
Net impairment/ (reversal of impairment) recognised in the profit and loss account	-	-	6,104	7,731	(32)	32	6,072	7,763
Deficit on revaluation recognised in the profit and loss account	-	-	-	513	-	2,018	-	2,531
Other non-cash expenses	18,062	8,114	221	11,019	(444)	52	17,839	19,185
Capital expenditure	63,774	51,839	59,060	44,182	14,150	23,259	136,984	119,280
Deficit on revaluation recognised directly in equity	-	-	-	7,417	-	1,213	-	8,630
Surplus on revaluation recognised directly in equity	-	-	-	483	-	-	-	483

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4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table present revenue, certain asset and expenditure information for the Group's geographical segments.

Group

	Mainland China		Hong Kong		United States of America ["US"]		Australia and New Zealand		Canada		Others		Consolidated	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Segment revenue:														
Sales to external customers	1,315,590	909,322	127,696	119,252	1,039,061	847,147	594,338	415,972	78,230	48,251	155,394	96,623	3,310,309	2,436,567
Other segment information:														
Segment assets	844,326	840,175	69,851	123,044	229,920	230,767	166,676	107,096	16,951	14,379	246,654	228,839	1,574,378	1,544,300
Capital expenditure	80,652	77,223	1,322	3,835	-	-	34,210	19,088	-	-	20,800	19,134	136,984	119,280

5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions, and revenue from temporary transfer of permanent quota.

Revenue from the following activities has been included in turnover as follows:

	Group	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Retailing of casual wear	1,836,446	1,252,698
Export of apparels	1,266,510	981,686
Trading of fabric and other businesses	207,353	202,183
Turnover	3,310,309	2,436,567

NOTES TO FINANCIAL STATEMENTS

31 December 2003

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

		Group	
	Notes	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Cost of inventories sold*		1,858,585	1,423,002
Depreciation	14	104,397	79,654
Amortisation of permanent quota**	19	2,030	1,640
Minimum lease payments under operating leases:			
Land and buildings		275,569	195,532
Plant and machinery		1,827	1,524
		277,396	197,056
Auditors' remuneration		3,865	3,780
Staff costs (including directors' remuneration, note 7):			
Wages and salaries		552,373	380,911
Pension scheme contributions		13,816	9,192
Less: Forfeited contributions		(375)	(592)
Net pension contributions***		13,441	8,600
Total staff costs		565,814	389,511
Impairment of fixed assets	14	6,372	3,644
Impairment/(reversal of impairment) of interests in jointly-controlled entities		(300)	4,119
Loss on disposal of fixed assets		5,953	8,233
Net revaluation deficit on land and buildings		-	2,331
Revaluation deficit on an investment property	15	-	200
Exchange losses, net		8,763	9,425
Gain on disposal of permanent quota		(2,466)	(6,218)
Loss on disposal of a jointly-controlled entity		80	-
Interest income		(11,656)	(10,808)
Provision/(reversal of provision) for inventories obsolescence		3,524	(2,853)
Provision for a loan to an associate		8,282	-
Gross rental income from an investment property		(204)	(160)
Less: Outgoings		9	8
Net rental income from an investment property		(195)	(152)

* The cost of inventories sold and the cost of sales include provision for inventories obsolescence of HK\$3,524,000 (period from 1 April 2002 to 31 December 2002: reversal of provision for inventories obsolescence of HK\$2,853,000).

** The amortisation of permanent quota for the year/period is included in "Cost of sales" on the face of the consolidated profit and loss account.

*** As at 31 December 2003, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (period from 1 April 2002 to 31 December 2002: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2003

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year/period disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	200	150
	200	150
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	6,398	4,793
Discretionary bonuses	5,706	5,329
Pension scheme contributions	261	196
	12,365	10,318

The number of directors whose remuneration fell within the following bands is as set out below:

	Number of directors	
	Year ended 31 December 2003	Period from 1 April 2002 to 31 December 2002
Nil – HK\$1,000,000	3	5
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,500,001 – HK\$4,000,000	2	1
	8	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

NOTES TO FINANCIAL STATEMENTS

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year/period included three (period from 1 April 2002 to 31 December 2002: three) directors, details of whose remuneration are set out in note 7 above. Further details of the remuneration of the remaining two (period from 1 April 2002 to 31 December 2002: two) non-director, highest paid employees for the year/period are set out below:

	Group	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Salaries, allowances and benefits in kind	2,488	1,888
Discretionary bonuses	2,907	2,841
Pension scheme contributions	89	67
	5,484	4,796

The number of non-director, highest paid employees whose remuneration fell within the following bands is as set out below:

	Number of employees	
	Year ended 31 December 2003	Period from 1 April 2002 to 31 December 2002
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$2,500,001 – HK\$3,000,000	2	–
	2	2

NOTES TO FINANCIAL STATEMENTS

31 December 2003

9. FINANCE COSTS

	Group	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	17,952	15,511
Interest on finance leases	321	212
	18,273	15,723

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (period from 1 April 2002 to 31 December 2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Group:		
Current – Hong Kong		
Charge for the year/period	15,106	12,074
Under-provision/(over-provision) in prior years/period	3,003	(3,054)
Current – Elsewhere	76,708	38,618
Deferred	(269)	1,492
	94,548	49,130
Share of tax attributable to:		
Jointly-controlled entities	294	33
Associates	11,848	4,031
	12,142	4,064
Total tax charge for the year/period	106,690	53,194

NOTES TO FINANCIAL STATEMENTS

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10. TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the Group's effective tax rate and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate is as follows:

	Group			
	Year ended 31 December 2003		Period from 1 April 2002 to 31 December 2002	
	HK\$'000	%	HK\$'000	%
Profit before tax	364,210		241,636	
Tax at the statutory tax rate	63,737	17.5	38,662	16.0
Higher tax rates of other countries	39,309	10.8	17,388	7.2
Adjustments in respect of current tax of previous years/period	3,029	0.8	(3,054)	(1.3)
Income not subject to tax	(4,075)	(1.1)	(2,198)	(0.9)
Expenses not deductible for tax	816	0.2	900	0.4
Tax losses utilised from previous periods	(4)	0.0	(185)	(0.1)
Tax losses not recognised	3,878	1.1	1,681	0.7
Tax charge at effective rate	106,690	29.3	53,194	22.0

Under The People's Republic of China (the "PRC") income tax law, companies with operations in the PRC are subject to corporate income tax ("CIT") at a rate of 33% on the taxable income as reported in their statutory accounts, which are prepared in accordance with PRC Accounting Regulation.

Sino-foreign equity joint ventures are subject to State CIT rate of 30% and local CIT rate at 3%. As regards to State CIT, they are entitled to full exemption from such tax for the first two/three years and 50% reduction in the next three/four years, commencing from the first profitable year.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$137,503,000 (period from 1 April 2002 to 31 December 2002: HK\$112,932,000).

12. DIVIDENDS

	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Interim – HK2.70 cents (period from 1 April 2002 to 31 December 2002: HK2.70 cents) per ordinary share – note 31	27,016	27,016
Proposed final – HK7.50 cents (period from 1 April 2002 to 31 December 2002: HK7.50 cents) per ordinary share – note 31	75,044	75,044
	102,060	102,060

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$165,025,000 (period from 1 April 2002 to 31 December 2002: HK\$128,080,000) and 1,000,584,000 (period from 1 April 2002 to 31 December 2002: 1,000,584,000) ordinary shares in issue during the year/period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the net profit from ordinary activities attributable to shareholders of HK\$165,025,000. The weighted average number of ordinary shares used in the calculation is the 1,000,584,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 6,492,898 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted earnings per share for the period from 1 April 2002 to 31 December 2002 has not been disclosed as no diluting events existed during that period.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

14. FIXED ASSETS

Group

	land and buildings HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 January 2003	101,243	246,452	11,715	371,459	214,601	42,276	987,746
Additions	-	33,441	11,882	45,723	38,295	8,897	138,238
Disposals	(219)	(27,370)	-	(5,851)	(20,431)	(6,629)	(60,500)
Transfers	23,273	-	(23,273)	-	-	-	-
Exchange realignment	(290)	(135)	(216)	4,549	29,654	1,224	34,786
At 31 December 2003	124,007	252,388	108	415,880	262,119	45,768	1,100,270
Analysis of cost or valuation:							
At cost	-	252,388	108	415,880	262,119	45,768	976,263
At valuation	124,007	-	-	-	-	-	124,007
At 31 December 2003	124,007	252,388	108	415,880	262,119	45,768	1,100,270
Accumulated depreciation and impairment:							
At 1 January 2003	-	159,766	-	175,254	139,541	29,514	504,075
Provided during the year	3,303	28,729	-	40,731	26,275	5,359	104,397
Impairment/(reversal of impairment) recognised in the profit and loss account during the year	2,027	(271)	-	2,821	1,303	492	6,372
Disposals	-	(22,745)	-	(4,364)	(17,483)	(5,269)	(49,861)
Exchange realignment	-	(46)	-	3,860	19,832	799	24,445
At 31 December 2003	5,330	165,433	-	218,302	169,468	30,895	589,428
Net book value:							
At 31 December 2003	118,677	86,955	108	197,578	92,651	14,873	510,842
At 31 December 2002	101,243	86,686	11,715	196,205	75,060	12,762	483,671

The net book value of fixed assets under finance leases at 31 December 2003 amounted to HK\$4,551,000 (2002: HK\$3,095,000).

Last year, the Group's land and buildings were revalued individually by DTZ Debenham Tie Leung Limited, S. F. Ahmed & Co. and PT Saptasentra Jasa Pradana, independent professionally qualified valuers, at an aggregate open market value of HK\$101,243,000 based on their existing use. In the opinion of the directors, there has been no material change in valuation as at the balance sheet date. Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$101,254,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

14. FIXED ASSETS (CONTINUED)

The Group's land and buildings at valuation included above are held under the following lease terms:

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Freehold	–	9,521	9,521
Long term leases	–	82,737	82,737
Medium term leases	1,800	29,949	31,749
	1,800	122,207	124,007

At 31 December 2003, certain of the Group's land and buildings with an aggregate net book value of HK\$6,049,000 (2002: HK\$1,800,000) and plant and machinery with an aggregate net book value of HK\$28,750,000 (2002: HK\$2,435,000), were pledged to secure banking facilities granted to the Group (note 25).

15. INVESTMENT PROPERTY

	Group	
	2003 HK\$'000	2002 HK\$'000
At beginning of year/period	1,650	1,850
Deficit on revaluation	–	(200)
At end of year/period	1,650	1,650

The Group's investment property is situated in Hong Kong and held under a medium term lease.

The Group's investment property was revalued on 31 December 2003 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$1,650,000 on an open market, existing use basis. The investment property is leased to third parties under operating leases. The particulars of the Group's investment property are as follows:

Location	Use	Tenure	Attributable interest of the Group
Workshop Nos. 1, 2, 3 and 5 10th Floor, International Trade Centre No. 11 Sha Tsui Road Tsuen Wan New Territories, Hong Kong	Industrial	Medium term lease	60%

NOTES TO FINANCIAL STATEMENTS

31 December 2003

16. INTEREST IN A SUBSIDIARY

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	377,717	377,717
Due from a subsidiary	393,339	400,017
	771,056	777,734
Provision for impairment	(45,000)	(45,000)
	726,056	732,734

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal subsidiaries are set out in note 37 to the financial statements.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	47,130	34,649
Due from jointly-controlled entities	1,359	2,586
Due to jointly-controlled entities	(15,071)	(11,540)
	33,418	25,695
Provision for impairment	(8,142)	(8,442)
	25,276	17,253

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal jointly-controlled entities are set out in note 38 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

18. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	105,252	87,426
Due from associates	3,972	2,250
Due to associates	(16,841)	(17,708)
Loan to an associate	20,000	–
Less: Provision for a loan to an associate	(8,282)	–
	104,101	71,968

The balances with associates and a loan to an associate are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are set out in note 39 to the financial statements.

19. PERMANENT QUOTA

	Group
	HK\$'000
Cost:	
At 1 January 2003	110,838
Additions	1,684
Disposals	(846)
Exchange realignment	(556)
At 31 December 2003	111,120
Accumulated amortisation and impairment:	
At 1 January 2003	109,298
Amortisation provided during the year	2,030
Disposals	(846)
Exchange realignment	(527)
At 31 December 2003	109,955
Net book value:	
At 31 December 2003	1,165
At 31 December 2002	1,540

NOTES TO FINANCIAL STATEMENTS

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20. INVENTORIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	146,217	177,149
Work in progress	57,906	62,907
Finished goods	307,496	286,413
	511,619	526,469

No inventories were carried at net realisable value as at the balance sheet date (2002: HK\$10,573,000).

At 31 December 2003, certain of the Group's inventories with an aggregate carrying amount of HK\$84,844,000 (2002: HK\$68,173,000) was pledged to secure banking facilities granted to the Group (note 25).

21. TRADE AND BILLS RECEIVABLES

The trade and bills receivables include trade receivables, net of provision for doubtful debts, of HK\$141,841,000 (2002: HK\$169,531,000) and bills receivables of HK\$259,293,000 (2002: HK\$212,772,000). The bills receivables were aged less than four months at the balance sheet date for the year/period. The aged analysis of trade receivables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Less than 4 months	131,431	132,774
4 – 6 months	7,425	21,480
Over 6 months	2,985	15,277
	141,841	169,531

The Group allows an average credit period of 45 days to its trade customers.

NOTES TO FINANCIAL STATEMENTS

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22. TRADE AND BILLS PAYABLES

The trade and bills payables include trade payables of HK\$291,523,000 (2002: HK\$241,741,000). The aged analysis of trade payables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Less than 4 months	276,012	208,189
4 – 6 months	7,705	18,896
Over 6 months	7,806	14,656
	291,523	241,741

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
	Notes	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	24	9,747	32,541
Bank loans	24	110,651	133,003
Trust receipt loans	24	52,634	36,455
Interest-bearing bank borrowings	24	173,032	201,999
Current portion of finance lease payables	27	2,059	953
		175,091	202,952

NOTES TO FINANCIAL STATEMENTS

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24. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts:		
Secured	732	23,344
Unsecured	9,015	9,197
	9,747	32,541
Bank loans:		
Secured	119,373	53,894
Unsecured	41,963	138,102
	161,336	191,996
Trust receipt loans:		
Secured	52,634	36,455
	223,717	260,992
Analysed by repayment terms:		
Bank overdrafts repayable on demand – note 23	9,747	32,541
Trust receipt loans repayable within one year – note 23	52,634	36,455
Bank loans repayable:		
Within one year – note 23	110,651	133,003
In the second year	19,611	21,167
In the third to fifth years, inclusive	31,074	37,826
	161,336	191,996
Total bank loans and overdrafts	223,717	260,992
Portion classified as current liabilities – note 23	(173,032)	(201,999)
Long term portion	50,685	58,993

NOTES TO FINANCIAL STATEMENTS

31 December 2003

25. BANKING FACILITIES

Certain of the Group's banking facilities are secured by:

- (i) Mortgages over certain of the Group's land and buildings which had an aggregate net book value at the balance sheet date of HK\$6,049,000 (2002: HK\$1,800,000);
- (ii) Mortgages over certain of the Group's plant and machinery which had an aggregate net book value at the balance sheet date of HK\$28,750,000 (2002: HK\$2,435,000);
- (iii) Certain bank deposits at the balance sheet date of HK\$37,217,000 (2002: HK\$41,706,000); and
- (iv) Charges over certain of the Group's inventories with an aggregate carrying amount at the balance sheet date of HK\$84,844,000 (2002: HK\$68,173,000).

26. LONG TERM LOANS FROM MINORITY SHAREHOLDERS

The long term loans from minority shareholders are unsecured, interest-free and are repayable beyond one year.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

27. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicles for its manufacturing process and business purposes. These leases are classified as finance leases and have remaining lease terms ranging from three to five years.

At 31 December 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable:				
Within one year	2,381	1,187	2,059	953
In the second year	1,404	1,309	1,189	1,151
In the third to fifth years, inclusive	2,029	1,236	1,848	1,113
Total minimum finance lease payments	5,814	3,732	5,096	3,217
Future finance charges	(718)	(515)		
Total net finance lease payables	5,096	3,217		
Portion classified as current liabilities – note 23	(2,059)	(953)		
Long term portion	3,037	2,264		

NOTES TO FINANCIAL STATEMENTS

31 December 2003

28. DEFERRED TAX LIABILITIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Accelerated tax depreciation	1,750	2,019

The Group has provisional tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets of HK\$15,365,000 (2002: HK\$10,506,000) have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, jointly-controlled entities or associates as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS

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29. SHARE CAPITAL

Shares	Number of ordinary shares		Company	
	2003 '000	2002 '000	2003 HK\$'000	2002 HK\$'000
Authorised: Ordinary shares of HK\$0.10 each	6,000,000	6,000,000	600,000	600,000
Issued and fully paid: Ordinary shares of HK\$0.10 each	1,000,584	1,000,584	100,058	100,058

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements below.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the executive directors and other full-time employees of the Group. The Scheme became effective on 2 September 1996 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme is limited to 2.5% of the shares of the Company in issue at any time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the directors, but may not be less than the higher of (i) 80% of the average closing price of the ordinary shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of the offer; and (ii) the nominal value of the ordinary shares of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

30. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of shares subject to options					Share options		
	At	During the year			At	Date of grant*	Subscription price**	Exercise period
	1 January 2003	Exercised	Lapsed	Cancelled	31 December 2003			
	'000	'000	'000	'000	'000		HK\$	
Directors								
Mr. Yeung Chun Fan	5,940	-	-	-	5,940	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Yeung Chun Ho	10,000	-	-	-	10,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Pau Sze Kee, Jackson	2,962	-	-	-	2,962	30/08/1997	2.564	16/9/1997 to 29/08/2007
	7,000	-	-	-	7,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Mr. Hui Chung Shing, Herman	10,000	-	-	-	10,000	31/10/1997	1.800	31/10/1997 to 30/10/2007
Ms. Cheung Wai Yee	2,404	-	-	-	2,404	30/08/1997	2.564	16/09/1997 to 29/08/2007
	7,494	-	-	-	7,494	31/10/1997	1.800	31/10/1997 to 30/10/2007
	45,800	-	-	-	45,800			
Other employees in aggregate								
	15,250	-	(2,050)	(2,400)	10,800	16/06/1997	2.876	15/06/2000 to 14/06/2007
	13,320	-	(52)	-	13,268	30/08/1997	2.564	16/09/1997 to 29/08/2007
	6,656	-	-	-	6,656	31/10/1997	1.800	31/10/1997 to 30/10/2007
	81,026	-	(2,102)	(2,400)	76,524			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

NOTES TO FINANCIAL STATEMENTS

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30. SHARE OPTION SCHEME (CONTINUED)

During the year, no share options were granted or exercised.

At the balance sheet date, the Company had 76,524,000 share options outstanding under the Scheme which represented approximately 7.6% of the Company's shares in issue as at that date. The exercise in full of all outstanding options would, under the present capital structure of the Company, result in the issue of 76,524,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$163,600,000.

No theoretical value of share option is disclosed as no share options were granted during the year.

31. RESERVES

Group

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve (note i) HK\$'000	Non-distributable reserves (note ii) HK\$'000	Retained profits (note ii) HK\$'000	Total HK\$'000
At 1 April 2002		268,668	115,551	22,266	(65,066)	5,242	701,633	1,048,294
Net deficit on revaluation		-	-	(8,147)	-	-	-	(8,147)
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		-	-	-	8,899	-	-	8,899
Release upon disposal of a subsidiary	32(b)	-	-	-	856	-	-	856
Share of non-distributable reserves of jointly-controlled entities		-	-	-	-	237	(237)	-
Net profit for the period		-	-	-	-	-	128,080	128,080
Interim dividend for the period ended 31 December 2002	12	-	-	-	-	-	(27,016)	(27,016)
Proposed final dividend for the period ended 31 December 2002	12	-	-	-	-	-	(75,044)	(75,044)
At 31 December 2002		268,668	115,551	14,119	(55,311)	5,479	727,416	1,075,922
Reserves retained by:								
Company and subsidiaries		268,668	115,551	14,119	(50,577)	351	643,026	991,138
Jointly-controlled entities		-	-	-	-	5,128	2,530	7,658
Associates		-	-	-	(4,734)	-	81,860	77,126
At 31 December 2002		268,668	115,551	14,119	(55,311)	5,479	727,416	1,075,922

NOTES TO FINANCIAL STATEMENTS

31 December 2003

31. RESERVES (CONTINUED)

Group								
	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve (note i) HK\$'000	Non-distributable reserves (note ii) HK\$'000	Retained profits (note ii) HK\$'000	Total HK\$'000
At 1 January 2003		268,668	115,551	14,119	(55,311)	5,479	727,416	1,075,922
Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates		-	-	-	27,718	-	-	27,718
Realised upon disposal of a jointly-controlled entity		-	-	-	1,293	-	-	1,293
Transfer from retained profits		-	-	-	-	72	(72)	-
Share of non-distributable reserves of jointly-controlled entities		-	-	-	-	15	(15)	-
Revaluation reserve released on disposal		-	-	(20)	-	-	20	-
Net profit for the year		-	-	-	-	-	165,025	165,025
Interim dividend for the year ended 31 December 2003	12	-	-	-	-	-	(27,016)	(27,016)
Proposed final dividend for the year ended 31 December 2003	12	-	-	-	-	-	(75,044)	(75,044)
At 31 December 2003		268,668	115,551	14,099	(26,300)	5,566	790,314	1,167,898
Reserves retained by:								
Company and subsidiaries		268,668	115,551	14,099	(23,755)	423	688,958	1,063,944
Jointly-controlled entities		-	-	-	-	5,143	3,761	8,904
Associates		-	-	-	(2,545)	-	97,595	95,050
At 31 December 2003		268,668	115,551	14,099	(26,300)	5,566	790,314	1,167,898

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against or credited to the capital reserve, respectively. The amounts of the goodwill and negative goodwill remaining in the retained profits as at 31 December 2003, arising from the acquisition of subsidiaries, jointly-controlled entities and associates prior to the adoption of SSAP 30, are HK\$2,429,000 and HK\$8,971,000, respectively.

- Notes:
- (i) Included in the exchange fluctuation reserve is an amount of HK\$25,757,000 (2002: exchange losses of HK\$27,459,000), representing the exchange gains arising on the translation of loans to overseas subsidiaries that are not repayable in the foreseeable future and, in the opinion of the directors, are part of the Company's net investment in the subsidiaries.
 - (ii) Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries and jointly-controlled entities in the Mainland China has been transferred to reserve funds, which are restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

31. RESERVES (CONTINUED)

Company					
	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2002		268,668	377,567	418,010	1,064,245
Net profit for the period		–	–	112,932	112,932
Interim dividend for the period ended 31 December 2002	12	–	–	(27,016)	(27,016)
Proposed final dividend for the period ended 31 December 2002	12	–	–	(75,044)	(75,044)
At 31 December 2002 and 1 January 2003		268,668	377,567	428,882	1,075,117
Net profit for the year		–	–	137,503	137,503
Interim dividend for the year ended 31 December 2003	12	–	–	(27,016)	(27,016)
Proposed final dividend for the year ended 31 December 2003	12	–	–	(75,044)	(75,044)
At 31 December 2003		268,668	377,567	464,325	1,110,560

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK\$2,938,000 (period from 1 April 2002 to 31 December 2002: HK\$1,254,000).

(b) Disposal of a subsidiary

	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Net assets disposed of:		
Fixed assets	–	5,470
Inventories	–	9,349
Trade receivables	–	161
Prepayments and other receivables	–	8,279
Cash and bank balances	–	1,239
Bank overdrafts	–	(1,538)
Trade payables	–	(3,509)
Other payables and accruals	–	(1,226)
Shareholders' loan	–	(17,540)
	–	685
Exchange reserve realised upon disposal – note 31	–	856
Loss on disposal of a subsidiary	–	(1,541)
	–	–
Satisfied by:		
Cash	–	–

NOTES TO FINANCIAL STATEMENTS

31 December 2003

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of a subsidiary (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Assignment of shareholders' loan	–	17,540
Cash and bank balances disposed of	–	(1,239)
Bank overdrafts disposed of	–	1,538
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	–	17,839

The results of the subsidiary disposed of in the period ended 31 December 2002 had no significant impact on the Group's consolidated turnover or profit after tax for that period.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank guarantees provided for facilities granted to subsidiaries	–	–	942,546	1,128,555
Extent of the guaranteed facilities utilised by subsidiaries	–	–	43,996	84,632
Bills discounted with recourse	7,537	35,479	–	–

NOTES TO FINANCIAL STATEMENTS

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34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment property (note 15 to the financial statements) under an operating lease arrangement, with the lease negotiated for a term of two years. The terms of the lease generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	119	204
In the second to fifth years, inclusive	–	119
	119	323

(b) As lessee

The Group leases certain of its plant and machinery, retail stores and office properties under operating lease arrangements. Leases are negotiated for terms ranging from three to six years.

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	234,282	169,826
In the second to fifth years, inclusive	401,435	278,969
After five years	111,331	108,517
	747,048	557,312

NOTES TO FINANCIAL STATEMENTS

31 December 2003

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2003 HK\$'000	2002 HK\$'000
Authorised, but not contracted for:		
Construction in progress	–	14,777
Capital contribution payable to associates	46,930	–

(b) Others

	Group	
	2003 HK\$'000	2002 HK\$'000
Forward foreign exchange contracts	51,068	11,510

At the balance sheet date, the Company had no significant commitments.

36. RELATED PARTY TRANSACTIONS

In addition to the connected transactions disclosed in the Report of the Directors were also related party transactions, the Group also had the following material transactions with related parties during the year/period:

	Notes	Group	
		Year ended 31 December 2003 HK\$'000	Period from 1 April 2002 to 31 December 2002 HK\$'000
Purchases of raw materials from a jointly-controlled entity	(i)	–	1,089
Processing charges paid to jointly-controlled entities	(ii)	55,559	63,202
Processing charges paid to associates	(ii)	66,248	48,921

Notes:

- (i) The directors consider that purchases of raw materials were made according to terms and conditions comparable to those offered to other customers of the jointly-controlled entity.
- (ii) The processing charges were calculated at the costs incurred by the jointly-controlled entities and associates plus a mark-up agreed between the parties.

NOTES TO FINANCIAL STATEMENTS

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37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Glorious Sun Enterprises (BVI) Limited*	British Virgin Islands/ Hong Kong	US\$200	100	100	Investment holding
Jeanswest (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
Jeanswest International (I) Limited	Malaysia/ Hong Kong	US\$1	100	100	Investment holding
Glorious Sun Licensing (I) Limited	Malaysia/ Hong Kong	US\$1	100	100	Holding of trademarks
Jeanswest Investments (Australia) Pty. Ltd.	Australia	A\$12,002,202	100	100	Investment holding
Jeanswest Wholesale Pty. Ltd.	Australia	A\$2	100	100	Trading of apparel
Jeanswest Corporation Pty. Ltd.	Australia	A\$11,000,000 Ordinary A\$1,000,000 A class shares	100	100	Retail of apparel in Australia

NOTES TO FINANCIAL STATEMENTS

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37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Renher Pty. Ltd.	Australia	A\$2,200 Ordinary	100	100	Provision of shop leasing services in Australia
Jeanswest International (H.K.) Limited	Hong Kong/ Mainland China	HK\$10,000,000 Ordinary	100	100	Retail of apparel in Mainland China
Advancetex Investment Limited	Hong Kong/ Mainland China	HK\$10,000,000 Ordinary	100	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
The Glorious Sun Fashion Garment Manufactory (H.K.) Limited	Hong Kong	HK\$2,600,000 Ordinary	100	100	Trading and manufacturing of apparel and provision of management services
Jimfook Limited	Hong Kong	HK\$2 Ordinary	100	100	Provision of sales promotion services
Pacific Potential Trading Company Limited	Hong Kong	HK\$200,000 Ordinary	100	100	Provision of agency services

NOTES TO FINANCIAL STATEMENTS

31 December 2003

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Advancetex International Trading (HK) Company Limited	Hong Kong	HK\$6,000,000 Ordinary	100	100	Trading and production of apparel
Parkent Industries Limited	Hong Kong	HK\$600,000 Ordinary	100	100	Import and export of apparel
Gold Treasure Investment Limited	Hong Kong	HK\$2 Ordinary	100	100	Provision of production management services
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited**	Mainland China	US\$8,128,000 paid up to US\$6,128,000	100	100	Manufacturing of apparel
新東江服飾(惠州)有限公司**	Mainland China	US\$4,923,000	100	100	Manufacturing and trading of apparel
Glorious Sunshine Textiles Company Limited	Hong Kong	HK\$10,000,000 Ordinary	100	100	Import and distribution of textile products
Sparrow Apparels Limited	Bangladesh	Tk10,000,000 Ordinary	70	70	Manufacturing of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2003

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Gennon Industries Limited	Hong Kong	HK\$10,000 Ordinary	100	100	Investment holding
Gennon International Trading (H.K.) Limited	Hong Kong	HK\$500,000 Ordinary	50.4	50.4	Trading of apparel and investment holding
J-loong Trading Limited	Hong Kong	HK\$300,000 Ordinary	50.4	50.4	Import and export of apparel
Chapman Development Limited	Hong Kong	HK\$1,000 Ordinary	50.4	50.4	Trading of fabric and investment holding
Main Pui Investments Limited	Hong Kong	HK\$1,460,000 Ordinary	50.4	50.4	Property holding
Super Connection International Limited	British Virgin Islands/ Cambodia	US\$1,000	50.4	50.4	Provision of management services
Recent Garments and Knitting Industries Ltd.	Bangladesh	Tk100,000 Ordinary	35.3##	35.3##	Manufacturing of apparel
Shamoli Garments Limited	Bangladesh	Tk10,000,000 Ordinary	35.3##	35.3##	Manufacturing of apparel
P.T. Crownfund Garment Factory #	Indonesia	US\$600,000	47.9##	47.9##	Manufacturing of apparel
Gennon (Cambodia) Garment Manufacturing Ltd. #	Cambodia	US\$1,000,000 Ordinary	50.4	50.4	Manufacturing of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2003

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation or registration/ operations	Nominal value of issued ordinary shares or registered capital	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
惠州新安制衣廠有限公司***	Mainland China	HK\$5,000,000	48.4##	48.4##	Manufacturing of apparel
Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd.**	Mainland China	HK\$147,660,000 paid up to HK\$114,626,417	50.4	48.6##	Provision of dyeing and knitting services
Recent Sweaters Limited	Bangladesh	Tk1,000,000 Ordinary	35.3##	35.3##	Manufacturing of apparel
Rays The Glorious Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US\$1	100	100	Investment holding
Full Yuen Investments Limited	Hong Kong	HK\$2 Ordinary	100	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Co., Ltd.***	Mainland China	US\$2,100,000	65	65	Provision of interior decoration and renovation services
Taizhou Famebish Apparel Co. Ltd.***	Mainland China	US\$100,000	60	–	Manufacturing of apparel

* Directly held by the Company.

** Subsidiaries registered as a wholly-foreign owned enterprise under the PRC law.

*** Subsidiaries registered as a sino-foreign equity joint venture under the PRC law.

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Subsidiaries of a non wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

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38. PARTICULARS OF PRINCIPAL JOINTLY-CONTROLLED ENTITIES

The table below lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

All jointly-controlled entities are held indirectly through subsidiaries.

Particulars of the principal jointly-controlled entities are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity attributable to the Group*		Principal activities
			2003	2002	
湖北長進制衣有限公司	Corporate	Mainland China	30	–	Manufacturing of apparel
湖北長旭制衣有限公司	Corporate	Mainland	30	30	Manufacturing
Nanjing Jiangda Clothes Co., Ltd.	Corporate	Mainland China	45	45	Manufacturing of apparel
Mingshi Dyeing Factory Co., Ltd.	Corporate	Mainland China	40	40	Provision of dyeing services
Hubei Xian Garment Mfg. Co., Ltd.	Corporate	Mainland China	15.1	15.1	Manufacturing of apparel

All the above jointly-controlled entities are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

* The percentage of voting power and profit share are the same as the percentage of equity attributable to the Group.

NOTES TO FINANCIAL STATEMENTS

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39. PARTICULARS OF PRINCIPAL ASSOCIATES

The table below lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All associates are held indirectly through subsidiaries.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation or registration and operations	Percentage of equity attributable to the Group		Principal activities
			2003	2002	
Glorious Sun Fashion Garment Mfg. Co. (Phil.) Inc.	Corporate	Philippines	49.5	49.5	Manufacturing of apparel
Rays Apparel (H.K.) Limited	Corporate	Hong Kong	35	35	Provision of agency services
Zeppelin (H.K.) Limited	Corporate	Hong Kong	50	50	Trading of apparel
Rays Apparel, Inc.	Corporate	US	35	35	Import and distribution of apparel
RTG Garments Manufacturing (HK) Limited	Corporate	Hong Kong	50	50	Manufacturing of apparel
G.S – i.t Limited	Corporate	Hong Kong	50	–	Investment holding
Quiksilver Glorious Sun JV Limited	Corporate	Hong Kong	50	–	Retail of apparel

All the above associates are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

NOTES TO FINANCIAL STATEMENTS

31 December 2003

40. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 April 2004.