# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 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 RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 an investment property and certain fixed assets, as further explained below.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for year ended 31 December 2004. 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Group 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 Group 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 and 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.

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 an 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fixed assets and depreciation (Continued)**

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% |

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### 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 of one to three years. 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and cash equivalents (Continued)

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.

### 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income tax (Continued)**

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.

**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;

(e) rental income, on a time proportion basis over the lease terms; and

(f) dividend income, when the shareholders' right to receive payment has been established.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 investments 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, 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.

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 are translated into Hong Kong dollars at the weighted average exchange rates for the year.

**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 immediately as a liability when they are proposed and declared.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

*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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Employee benefits (Continued)**

*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 apparel; 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 (2003: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 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 | |
|---|---|---|---|---|---|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | **2,277,659** | 1,836,446 | **1,144,528** | 1,266,510 | **161,564** | 207,353 | **3,583,751** | 3,310,309 |
| Other revenue and gains | **33,785** | 12,016 | **51,383** | 42,922 | **14,170** | 11,403 | **99,338** | 66,341 |
| Total | **2,311,444** | 1,848,462 | **1,195,911** | 1,309,432 | **175,734** | 218,756 | **3,683,089** | 3,376,650 |
| Segment results | **218,945** | 164,318 | **102,121** | 143,988 | **33,503** | 41,233 | **354,569** | 349,539 |
| Interest income and unallocated revenue | | | | | | | **16,661** | 14,292 |
| Unallocated expenses | | | | | | | **(20,556)** | (27,014) |
| Profit from operating activities | | | | | | | **350,674** | 336,817 |
| Finance costs | | | | | | | **(7,944)** | (18,273) |
| Share of profits and losses of: | | | | | | | | |
| Jointly-controlled entities | **-** | – | **871** | 389 | **1,886** | 2,696 | **2,757** | 3,085 |
| Associates | **(11,973)** | (1,103) | **48,813** | 43,684 | **-** | – | **36,840** | 42,581 |
| Profit before tax | | | | | | | **382,327** | 364,210 |
| Tax | | | | | | | **(107,965)** | (106,690) |
| Profit before minority interests | | | | | | | **274,362** | 257,520 |
| Minority interests | | | | | | | **(54,287)** | (92,495) |
| Net profit from ordinary activities attributable to shareholders | | | | | | | **220,075** | 165,025 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 4. SEGMENT INFORMATION (CONTINUED)

### (a) Business segments (Continued)

**Group**

| | Retail operations | | Export operations | | Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 |
| Segment assets | **678,041** | 550,746 | **674,502** | 825,599 | **194,066** | 198,033 | **1,546,609** | 1,574,378 |
| Interests in jointly-controlled entities | **-** | – | **11,173** | 7,320 | **17,163** | 17,956 | **28,336** | 25,276 |
| Interests in associates | **44,029** | 13,174 | **113,882** | 90,927 | **-** | – | **157,911** | 104,101 |
| Unallocated assets | | | | | | | **1,299,518** | 1,171,556 |
| Total assets | | | | | | | **3,032,374** | 2,875,311 |
| Segment liabilities | **455,258** | 360,831 | **374,862** | 377,256 | **213,451** | 236,301 | **1,043,571** | 974,388 |
| Unallocated liabilities | | | | | | | **365,853** | 374,392 |
| Total liabilities | | | | | | | **1,409,424** | 1,348,780 |
| Other segment information: | | | | | | | | |
| Depreciation and amortisation | **55,334** | 49,101 | **51,376** | 52,351 | **7,195** | 4,975 | **113,905** | 106,427 |
| Net impairment/(reversal of impairment) recognised in the profit and loss account | **-** | – | **1,094** | 6,104 | **-** | ( 32) | **1,094** | 6,072 |
| Net deficit/(surplus) on revaluation recognised in the profit and loss account | **-** | – | **(505)** | – | **1,550** | – | **1,045** | – |
| Other non-cash expenses/(income) | **5,593** | 18,062 | **(18,849)** | 221 | **3,325** | ( 444) | **(9,931)** | 17,839 |
| Capital expenditure | **84,430** | 63,774 | **26,386** | 59,060 | **13,624** | 14,150 | **124,440** | 136,984 |
| Net surplus on revaluation recognised directly in equity | **-** | – | **4,302** | – | **46** | – | **4,348** | – |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 4. SEGMENT INFORMATION (CONTINUED)

### (b) Geographical segments

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

**Group**

| | Mainland China | Hong Kong | United States of America | Australia and New Zealand | Canada | Others | Consolidated |
|---|---|---|---|---|---|---|---|
| | **2004** | **2004** | **2004** | **2004** | **2004** | **2004** | **2004** |
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Segment revenue: | | | | | | | |
| Sales to external customers | **1,510,634** | **135,643** | **953,691** | **806,926** | **83,646** | **93,211** | **3,583,751** |
| Other segment information: | | | | | | | |
| Segment assets | **976,214** | **55,099** | **127,862** | **205,069** | **9,829** | **172,536** | **1,546,609** |
| Capital expenditure | **80,755** | **1,854** | **-** | **38,759** | **-** | **3,072** | **124,440** |
| | 2003 | 2003 | 2003 | 2003 | 2003 | 2003 | 2003 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment revenue: | | | | | | | |
| Sales to external customers | 1,315,590 | 127,696 | 1,039,061 | 594,338 | 78,230 | 155,394 | 3,310,309 |
| Other segment information: | | | | | | | |
| Segment assets | 844,326 | 69,851 | 229,920 | 166,676 | 16,951 | 246,654 | 1,574,378 |
| Capital expenditure | 80,652 | 1,322 | – | 34,210 | – | 20,800 | 136,984 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 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 the temporary transfer of permanent quota.

Revenue from the following activities has been included in turnover:

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Retailing of casual wear | **2,277,659** | 1,836,446 |
| Export of apparel | **1,144,528** | 1,266,510 |
| Trading of fabric and other businesses | **161,564** | 207,353 |
| Turnover | **3,583,751** | 3,310,309 |

## 6. PROFIT FROM OPERATING ACTIVITIES

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

| | | Group | |
|---|---|---|---|
| | | **2004** | 2003 |
| | Notes | **HK$'000** | HK$'000 |
| Cost of inventories sold* | | **2,032,440** | 1,858,585 |
| Depreciation | 14 | **111,820** | 104,397 |
| Amortisation of permanent quota** | 19 | **2,085** | 2,030 |
| Minimum lease payments under operating leases: | | | |
| Land and buildings | | **321,830** | 275,569 |
| Plant and machinery | | **592** | 1,827 |
| | | **322,422** | 277,396 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 6. PROFIT FROM OPERATING ACTIVITIES (CONTINUED)

| | | Group | |
|---|---|---|---|
| | Notes | **2004 HK$'000** | 2003 HK$'000 |
| Auditors' remuneration | | **4,886** | 3,865 |
| Staff costs (including directors' remuneration, note 7): | | | |
| Wages and salaries | | **624,933** | 552,373 |
| Pension scheme contributions | | **16,443** | 13,816 |
| Less: Forfeited contributions | | **(399)** | (375) |
| Net pension scheme contributions*** | | **16,044** | 13,441 |
| Total staff costs | | **640,977** | 565,814 |
| Impairment of fixed assets | 14 | **1,094** | 6,372 |
| Reversal of impairment of interests in a jointly-controlled entity | | **–** | (300) |
| Loss on disposal of fixed assets | | **7,113** | 5,953 |
| Net revaluation deficit on land and buildings | 14 | **1,295** | – |
| Revaluation surplus on an investment property | 15 | **(250)** | – |
| Exchange losses/(gains), net | | **(17,508)** | 8,763 |
| Gain on disposal of permanent quota | | **(42)** | (2,466) |
| Loss on disposal of an associate | | **714** | – |
| Loss on disposal of a jointly-controlled entity | | **–** | 80 |
| Interest income | | **(14,451)** | (11,656) |
| Provision/(reversal of provision) for inventory obsolescence | | **(17,758)** | 3,524 |
| Provision for a loan to an associate | | **–** | 8,282 |
| Gross rental income from an investment property | | **(204)** | (204) |
| Less: Outgoings | | **9** | 9 |
| Net rental income from an investment property | | **(195)** | (195) |

* The cost of inventories sold and the cost of sales include the reversal of provision for inventory obsolescence of HK$17,758,000 (2003: provision for inventory obsolescence of HK$3,524,000).

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

*** As at 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2003: Nil).

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 7. DIRECTORS' REMUNERATION

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

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Fees: | | |
| Executive directors | **–** | – |
| Independent non-executive directors | **250** | 200 |
| | **250** | 200 |
| Other emoluments for executive directors: | | |
| Salaries, allowances and benefits in kind | **6,246** | 6,398 |
| Discretionary bonuses | **7,412** | 5,706 |
| Pension scheme contributions | **261** | 261 |
| | **13,919** | 12,365 |

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

| | Number of directors | |
|---|---|---|
| | **2004** | 2003 |
| Nil – HK$1,000,000 | **5** | 3 |
| HK$1,000,001 – HK$1,500,000 | **2** | 1 |
| HK$1,500,001 – HK$2,000,000 | **1** | 2 |
| HK$3,500,001 – HK$4,000,000 | **–** | 2 |
| HK$4,000,001 – HK$4,500,000 | **1** | – |
| HK$5,000,001 – HK$5,500,000 | **1** | – |
| | **10** | 8 |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: three) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2003: two) non-director, highest paid employees for the year are as follows:

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **5,003** | 2,488 |
| Discretionary bonuses | **3,239** | 2,907 |
| Pension scheme contributions | **132** | 89 |
| | **8,374** | 5,484 |

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

| | Number of employees | |
|---|---|---|
| | **2004** | 2003 |
| HK$2,000,001 – HK$2,500,000 | **1** | – |
| HK$2,500,001 – HK$3,000,000 | **1** | 2 |
| HK$3,000,001 – HK$3,500,000 | **1** | – |
| | **3** | 2 |

## 9. FINANCE COSTS

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Interest on bank loans and overdrafts wholly repayable within five years | **7,819** | 17,952 |
| Interest on finance leases | **125** | 321 |
| Total finance costs | **7,944** | 18,273 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. 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.

| | **2004** | 2003 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Group: | | |
| Current – Hong Kong | | |
| Charge for the year | **23,568** | 15,106 |
| Under/(over)-provision in prior years | **(237)** | 3,003 |
| Current – Elsewhere | **79,445** | 76,708 |
| Deferred (note 29) | **(12,580)** | (269) |
| | **90,196** | 94,548 |
| Share of tax attributable to: | | |
| Jointly-controlled entities | **963** | 294 |
| Associates | **16,806** | 11,848 |
| | **17,769** | 12,142 |
| Total tax charge for the year | **107,965** | 106,690 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 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, jointly-controlled entities and associates 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 | | | |
|---|---|---|---|---|
| | **2004** | | 2003 | |
| | **HK$'000** | **%** | HK$'000 | % |
| Profit before tax | **382,327** | | 364,210 | |
| Tax at the statutory tax rate | **66,907** | **17.5** | 63,737 | 17.5 |
| Higher tax rates of other countries | **56,291** | **14.7** | 39,335 | 10.8 |
| Adjustments in respect of current tax of previous periods | **(237)** | **(0.1)** | 3,003 | 0.8 |
| Income not subject to tax | **(9,934)** | **(2.6)** | (4,075) | (1.1) |
| Expenses not deductible for tax | **4,935** | **1.3** | 816 | 0.2 |
| Tax losses utilised from previous periods | **(16,698)** | **(4.4)** | (4) | 0.0 |
| Tax losses not recognised | **6,701** | **1.8** | 3,878 | 1.1 |
| Tax charge at the Group's effective rate | **107,965** | **28.2** | 106,690 | 29.3 |

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.

Sino-foreign equity joint ventures are subject to the State CIT rate of 30% and the local CIT rate at 3%. As regards 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.

The tax rate applicable to subsidiaries established and operating in Australia is 30%. Provision for Australian income tax has been made on the estimated assessable profits arising in Australia for the year.

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK$184,641,000 (2003: HK$137,503,000) (note 32).

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 12. DIVIDENDS

| | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|
| Interim – HK2.70 cents (2003: HK2.70 cents) per ordinary share based on 1,000,584,000 shares – note 32 | **27,016** | 27,016 |
| Proposed final – HK10.50 cents (2003: HK7.50 cents) per ordinary share based on 1,000,584,000 shares – note 32 | **105,061** | 75,044 |
| | **132,077** | 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$220,075,000 (2003: HK$165,025,000) and 1,000,584,000 (2003: 1,000,584,000) ordinary shares in issue during the year.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share for the year ended 31 December 2004 is based on the net profit from ordinary activities attributable to shareholders of HK$220,075,000 (2003: HK$165,025,000). The weighted average number of ordinary shares used in the calculation is the 1,000,584,000 (2003: 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 14,549,869 (2003: 6,492,898) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 14. FIXED ASSETS

### Group

| | Land and buildings HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| Cost or valuation: | | | | | | | |
| At 1 January 2004 | **124,007** | **252,388** | **415,880** | **262,119** | **45,768** | **108** | **1,100,270** |
| Additions | **94** | **40,053** | **31,244** | **39,029** | **5,632** | **7,865** | **123,917** |
| Disposals | **(2,394)** | **(55,403)** | **(16,035)** | **(20,311)** | **(5,250)** | **-** | **(99,393)** |
| Transfers | **2,142** | **485** | **-** | **-** | **-** | **(2,627)** | **-** |
| Deficit on revaluation | **(974)** | **-** | **-** | **-** | **-** | **-** | **(974)** |
| Exchange realignment | **(4)** | **(2)** | **746** | **5,965** | **231** | **-** | **6,936** |
| At 31 December 2004 | **122,871** | **237,521** | **431,835** | **286,802** | **46,381** | **5,346** | **1,130,756** |
| Analysis of cost or valuation: | | | | | | | |
| At cost | **-** | **237,521** | **431,835** | **286,802** | **46,381** | **5,346** | **1,007,885** |
| At valuation | **122,871** | **-** | **-** | **-** | **-** | **-** | **122,871** |
| At 31 December 2004 | **122,871** | **237,521** | **431,835** | **286,802** | **46,381** | **5,346** | **1,130,756** |
| Accumulated depreciation and impairment: | | | | | | | |
| At 1 January 2004 | **5,330** | **165,433** | **218,302** | **169,468** | **30,895** | **-** | **589,428** |
| Provided during the year | **3,863** | **30,984** | **41,093** | **31,094** | **4,786** | **-** | **111,820** |
| Impairment/(reversal of impairment) recognised in the profit and loss account during the year | **(2,027)** | **(100)** | **3,922** | **(445)** | **(256)** | **-** | **1,094** |
| Disposals | **(1,048)** | **(53,536)** | **(13,353)** | **(16,959)** | **(4,664)** | **-** | **( 89,560)** |
| Written back on revaluation | **(6,118)** | **-** | **-** | **-** | **-** | **-** | **(6,118)** |
| Exchange realignment | **-** | **(1)** | **651** | **4,367** | **109** | **-** | **5,126** |
| At 31 December 2004 | **-** | **142,780** | **250,615** | **187,525** | **30,870** | **-** | **611,790** |
| Net book value: | | | | | | | |
| At 31 December 2004 | **122,871** | **94,741** | **181,220** | **99,277** | **15,511** | **5,346** | **518,966** |
| At 31 December 2003 | 118,677 | 86,955 | 197,578 | 92,651 | 14,873 | 108 | 510,842 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 14. FIXED ASSETS (CONTINUED)

The net book value of fixed assets under finance leases at 31 December 2004 amounted to HK$3,250,000 (2003: HK$4,551,000).

The Group's land and buildings were revalued at 31 December 2004, 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$122,871,000 based on their existing use. A revaluation surplus, after taking into account of minority interest effect, of HK$4,348,000 and revaluation deficits aggregating HK$1,295,000, resulting from the above valuations, have been credited to the asset revaluation reserve and charged to the profit and loss account, respectively.

Had these land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK$99,357,000.

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 | – | 9,525 | 9,525 |
| Long term leases | – | 79,212 | 79,212 |
| Medium term leases | 2,400 | 31,734 | 34,134 |
| | 2,400 | 120,471 | 122,871 |

At 31 December 2004, certain of the Group's land and buildings with an aggregate net book value of HK$2,400,000 (2003: HK$6,049,000) and plant and machinery with an aggregate net book value of HK$8,034,000 (2003: HK$28,750,000), were pledged to secure banking facilities granted to the Group (note 26).

## 15. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 |
| At beginning of year | **1,650** | 1,650 |
| Surplus on revaluation | **250** | – |
| At end of year | **1,900** | 1,650 |

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

## NOTES TO FINANCIAL STATEMENTS

31 December 2004

### 15. INVESTMENT PROPERTY (CONTINUED)

The Group's investment property was revalued on 31 December 2004 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$1,900,000 on an open market, existing use basis. The investment property is leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements. The particulars of the Group's investment property are as follows:

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

### 16. INTEREST IN A SUBSIDIARY

| | Company | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **377,717** | 377,717 |
| Due from a subsidiary | **438,182** | 393,339 |
| | **815,899** | 771,056 |
| Provision for impairment | **(45,000)** | (45,000) |
| | **770,899** | 726,056 |

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 38 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **46,865** | 47,130 |
| Due from jointly-controlled entities | **308** | 1,359 |
| Due to jointly-controlled entities | **(10,695)** | (15,071) |
| | **36,478** | 33,418 |
| Provision for impairment | **(8,142)** | (8,142) |
| | **28,336** | 25,276 |

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 39 to the financial statements.

## 18. INTERESTS IN ASSOCIATES

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **111,619** | 105,252 |
| Due from associates | **1,170** | 3,972 |
| Due to associates | **(9,628)** | (16,841) |
| Loans to associates | **63,032** | 20,000 |
| Less: Provision for a loan to an associate | **(8,282)** | (8,282) |
| | **157,911** | 104,101 |

The balances with associates and loans to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are set out in note 40 to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 19. PERMANENT QUOTA

| | **Group** |
|---|---|
| | **HK$'000** |
| Cost: | |
| At 1 January 2004 | **111,120** |
| Additions | **920** |
| Disposals | **(42)** |
| At 31 December 2004 | **111,998** |
| Accumulated amortisation and impairment: | |
| At 1 January 2004 | **109,955** |
| Amortisation provided during the year | **2,085** |
| Disposals | **(42)** |
| At 31 December 2004 | **111,998** |
| Net book value: | |
| At 31 December 2004 | **-** |
| At 31 December 2003 | 1,165 |

## 20. INVENTORIES

| | **Group** | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Raw materials | **95,765** | 146,217 |
| Work in progress | **115,262** | 57,906 |
| Finished goods | **352,179** | 307,496 |
| | **563,206** | 511,619 |

No inventories were carried at net realisable value as at the balance sheet date (2003: Nil).

At 31 December 2004, certain of the Group's inventories with an aggregate carrying amount of HK$86,270,000 (2003: HK$84,844,000) were pledged to secure banking facilities granted to the Group (note 26).

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 21. TRADE AND BILLS RECEIVABLES

The trade and bills receivables include trade receivables, net of provision for doubtful debts, of HK$148,958,000 (2003: HK$141,841,000) and bills receivable of HK$127,919,000 (2003: HK$259,293,000). The bills receivable were aged less than four months at the balance sheet date for the year. An aged analysis of the trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Less than 4 months | **136,485** | 131,431 |
| 4 – 6 months | **9,980** | 7,425 |
| Over 6 months | **2,493** | 2,985 |
| | **148,958** | 141,841 |

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

## 22. DUE FROM RELATED COMPANIES

Particulars of the amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

**Group**

| Name | Balance at 31 December 2004 HK$'000 | Maximum outstanding during the year HK$'000 | Balance at 1 January 2004 HK$'000 |
|---|---|---|---|
| Jeanswest Corporation (New Zealand) Limited | **14,076** | 14,076 | 1,203 |
| G.S. Property Management Limited | **583** | 754 | 50 |
| Golden Sunshine Enterprises Limited | **124** | 125 | 93 |
| Harbour Guide Limited | **107** | 257 | 129 |
| Gloryear Management Limited | **87** | 239 | 104 |
| | **14,977** | 15,451 | 1,579 |

All of the above companies are controlled by Mr. Charles Yeung, JP, and Mr. Yeung Chun Fan, both of whom are directors of the Company.

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 23. TRADE AND BILLS PAYABLES

The trade and bills payables include trade payables of HK$306,022,000 (2003: HK$291,523,000). An aged analysis of the trade payables is as follows:

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Less than 4 months | **293,051** | 276,012 |
| 4 – 6 months | **4,590** | 7,705 |
| Over 6 months | **8,381** | 7,806 |
| | **306,022** | 291,523 |

## 24. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | | Group | |
|---|---|---|---|
| | | **2004** | 2003 |
| | Notes | **HK$'000** | HK$'000 |
| Bank overdrafts | 25 | **12,627** | 9,747 |
| Current portion of bank loans | 25 | **85,149** | 110,651 |
| Trust receipt loans | 25 | **26,605** | 52,634 |
| Interest-bearing bank borrowings | 25 | **124,381** | 173,032 |
| Current portion of finance lease payables | 28 | **1,659** | 2,059 |
| | | **126,040** | 175,091 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 25. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Bank overdrafts: | | |
| Secured | **7,787** | 732 |
| Unsecured | **4,840** | 9,015 |
| | **12,627** | 9,747 |
| Bank loans: | | |
| Secured | **83,491** | 119,373 |
| Unsecured | **24,675** | 41,963 |
| | **108,166** | 161,336 |
| Trust receipt loans: | | |
| Secured | **26,605** | 52,634 |
| | **147,398** | 223,717 |
| **Analysed by repayment term:** | | |
| Bank overdrafts repayable on demand – note 24 | **12,627** | 9,747 |
| Trust receipt loans repayable within one year – note 24 | **26,605** | 52,634 |
| Bank loans repayable: | | |
| Within one year – note 24 | **85,149** | 110,651 |
| In the second year | **11,600** | 19,611 |
| In the third to fifth years, inclusive | **11,417** | 31,074 |
| | **108,166** | 161,336 |
| Total bank loans and overdrafts | **147,398** | 223,717 |
| Portion classified as current liabilities – note 24 | **(124,381)** | (173,032) |
| Long term portion | **23,017** | 50,685 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 26. 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$2,400,000 (2003: HK$6,049,000);

(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$8,034,000 (2003: HK$28,750,000);

(iii) Certain bank deposits at the balance sheet date of HK$21,784,000 (2003: HK$37,217,000); and

(iv) Charges over certain of the Group's inventories with an aggregate carrying amount at the balance sheet date of HK$86,270,000 (2003: HK$84,844,000).

## 27. LONG TERM LOANS FROM MINORITY SHAREHOLDERS

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

## 28. 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 2004, the total future minimum lease payments under finance leases and their present values were as follows:

**Group**

| | **Minimum lease payments 2004 HK$'000** | Minimum lease payments 2003 HK$'000 | **Present value of minimum lease payments 2004 HK$'000** | Present value of minimum lease payments 2003 HK$'000 |
|---|---|---|---|---|
| Amounts payable: | | | | |
| Within one year | **1,882** | 2,381 | **1,659** | 2,059 |
| In the second year | **1,297** | 1,404 | **1,152** | 1,189 |
| In the third to fifth years, inclusive | **952** | 2,029 | **892** | 1,848 |
| Total minimum finance lease payments | **4,131** | 5,814 | **3,703** | 5,096 |
| Future finance charges | **(428)** | (718) | | |
| Total net finance lease payables | **3,703** | 5,096 | | |
| Portion classified as current liabilities – note 24 | **(1,659)** | (2,059) | | |
| Long term portion | **2,044** | 3,037 | | |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

**Deferred tax assets**
**Group**

| | Loss available for offset against future taxable profit | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Deferred tax credited to the profit and loss account during the year and gross deferred tax assets at end of year (note 10) | **11,887** | – |

**Deferred tax liabilities**
**Group**

| | Accelerated tax depreciation | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Balance at beginning of year | **1,750** | 2,019 |
| Deferred tax credited to the profit and loss account during the year (note 10) | **(693)** | ( 269) |
| Gross deferred tax liabilities at end of year | **1,057** | 1,750 |
| Net deferred tax assets/(liabilities) at end of year | **10,830** | (1,750) |

The Group has 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$10,132,000 (2003: HK$15,365,000) 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 2004, there was no significant unrecognised deferred tax liability (2003: 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

31 December 2004

## 30. SHARE CAPITAL

**Shares**

| | Number of ordinary shares | | Company | |
|---|---|---|---|---|
| | **2004** | 2003 | **2004** | 2003 |
| | **'000** | '000 | **HK$'000** | HK$'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 31 to the financial statements below.

## 31. 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 2004

## 31. 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 1 January 2004 '000 | During the year Exercised '000 | During the year Lapsed '000 | During the year Cancelled '000 | **At 31 December 2004 '000** | Date of grant* | Subscription price** HK$ | Exercise period |
| **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 | 16/09/1997 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, JP | 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** | 10,800 | - | (350) | - | **10,450** | 16/06/1997 | 2.876 | 15/06/2000 to 14/06/2007 |
| | 13,268 | - | (80) | - | **13,188** | 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 |
| | 76,524 | - | (430) | - | **76,094** | | | |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 31. SHARE OPTION SCHEME (CONTINUED)

* 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.

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

At the balance sheet date, the Company had 76,094,000 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 76,094,000 additional shares of HK$0.10 each and proceeds of approximately HK$162,389,000.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 32. 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 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 |
| Released 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 2003 dividend | 12 | – | – | – | – | – | (27,016) | (27,016) |
| Proposed final 2003 dividend | 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 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 32. 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 2004: | | 268,668 | 115,551 | 14,099 | (26,300) | 5,566 | 790,314 | 1,167,898 |
| Net surplus on revaluation | 14 | - | - | 4,348 | - | - | - | 4,348 |
| Exchange realignment on translation of overseas subsidiaries, jointly-controlled entities and associates | | - | - | - | 7,697 | - | - | 7,697 |
| Transfer from retained profits | | - | - | - | - | 78 | (78) | - |
| Share of non-distributable reserves of jointly-controlled entities | | - | - | - | - | 298 | (298) | - |
| Revaluation reserve released on disposal | | - | - | (603) | - | - | 603 | - |
| Net profit for the year | | - | - | - | - | - | 220,075 | 220,075 |
| Interim 2004 dividend | 12 | - | - | - | - | - | (27,016) | (27,016) |
| Proposed final 2004 dividend | 12 | - | - | - | - | - | (105,061) | (105,061) |
| At 31 December 2004 | | 268,668 | 115,551 | 17,844 | (18,603) | 5,942 | 878,539 | 1,267,941 |
| Reserves retained by: | | | | | | | | |
| Company and subsidiaries | | 268,668 | 115,551 | 17,844 | (16,255) | 501 | 771,691 | 1,158,000 |
| Jointly-controlled entities | | - | - | - | - | 5,441 | 3,201 | 8,642 |
| Associates | | - | - | - | (2,348) | - | 103,647 | 101,299 |
| At 31 December 2004 | | 268,668 | 115,551 | 17,844 | (18,603) | 5,942 | 878,539 | 1,267,941 |

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 2004, arising from the acquisition of subsidiaries, jointly-controlled entities and associates prior to the adoption of SSAP 30, are HK$2,429,000 (2003: HK$2,429,000) and HK$8,971,000 (2003: HK$8,971,000), respectively.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 32. RESERVES (CONTINUED)

*Notes:* (i) Included in the exchange fluctuation reserve is exchange gains of HK$34,411,000 (2003: exchange gains of HK$25,757,000), 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 Mainland China has been transferred to reserve funds, which are restricted as to use.

**Company**

| | Notes | Share premium account HK$'000 | Contributed surplus HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2003 | | 268,668 | 377,567 | 428,882 | 1,075,117 |
| Net profit for the year | 11 | – | – | 137,503 | 137,503 |
| Interim 2003 dividend | 12 | – | – | (27,016) | (27,016) |
| Proposed final 2003 dividend | 12 | – | – | (75,044) | (75,044) |
| At 31 December 2003 and 1 January 2004 | | **268,668** | **377,567** | **464,325** | **1,110,560** |
| Net profit for the year | 11 | **–** | **–** | **184,641** | **184,641** |
| Interim 2004 dividend | 12 | **–** | **–** | **(27,016)** | **(27,016)** |
| Proposed final 2004 dividend | 12 | **–** | **–** | **(105,061)** | **(105,061)** |
| At 31 December 2004 | | **268,668** | **377,567** | **516,889** | **1,163,124** |

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 2004

## 33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

**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$397,000 (2003: HK$2,938,000).

## 34. CONTINGENT LIABILITIES

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 | **2004 HK$'000** | 2003 HK$'000 |
| Bank guarantees provided for facilities granted to subsidiaries | **-** | – | **913,570** | 942,546 |
| Extent of the guaranteed facilities utilised by subsidiaries | **-** | – | **42,592** | 43,996 |
| Bills discounted with recourse | **104,086** | 7,537 | **-** | – |

## 35. 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.

At 31 December 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **Group** | |
|---|---|---|
| | **2004 HK$'000** | 2003 HK$'000 |
| Within one year | **204** | 119 |
| In the second to fifth years, inclusive | **119** | – |
| | **323** | 119 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 35. OPERATING LEASE ARRANGEMENTS (CONTINUED)

### (b) As lessee

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

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Within one year | **279,282** | 234,282 |
| In the second to fifth years, inclusive | **513,501** | 401,435 |
| After five years | **184,345** | 111,331 |
| | **977,128** | 747,048 |

## 36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following commitments at the balance sheet date:

### (a) Capital commitments

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Contracted, but not provided for: | | |
| Construction in progress | **47,781** | – |
| Capital contributions payable to associates | **12,900** | – |
| | **60,681** | – |
| Authorised, but not contracted for: | | |
| Construction in progress | **49,213** | – |
| Capital contributions payable to associates | **30,500** | 46,930 |
| | **79,713** | 46,930 |
| | **140,394** | 46,930 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 36. COMMITMENTS (CONTINUED)

### (b) Others

| | Group | |
|---|---|---|
| | **2004** | 2003 |
| | **HK$'000** | HK$'000 |
| Forward foreign exchange contracts | **4,848** | 51,068 |

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

## 37. RELATED PARTY TRANSACTIONS

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

| | | Group | |
|---|---|---|---|
| | | **2004** | 2003 |
| | Notes | **HK$'000** | HK$'000 |
| Purchases of raw materials from a jointly-controlled entity | (i) | **583** | – |
| Processing charges paid to jointly-controlled entities | (ii) | **112,789** | 55,559 |
| Processing charges paid to associates | (ii) | **43,056** | 66,248 |
| Management fee paid to an associate | (iii) | **5,968** | – |

*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.

(iii) The management fee was based on direct costs incurred, plus mark-up agreed between the parties.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 38. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 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 (L) Limited | Malaysia/ Hong Kong | US$1 | 100 | 100 | Investment holding |
| Glorious Sun Licensing (L) 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 |
| Renher Pty. Ltd. | Australia | A$2,200 Ordinary | 100 | 100 | Provision of shop leasing services in Australia |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 38. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 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 |
| Pacific Potential Trading Company Limited | Hong Kong | HK$200,000 Ordinary | 100 | 100 | Provision of agency services |
| Advancetex International Trading (HK) Company Limited | Hong Kong | HK$6,000,000 Ordinary | 100 | 100 | Trading and production of apparel |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 38. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 |

## NOTES TO FINANCIAL STATEMENTS

31 December 2004

### 38. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 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$1,000,000 | 47.9## | 47.9## | Manufacturing of apparel |
| Gennon (Cambodia) Garment Manufacturing Ltd.# | Cambodia | US$500,000 Ordinary | 50.4 | 50.4 | Manufacturing of apparel |
| 惠州新安製衣廠有限公司 *** | Mainland China | HK$5,000,000 | 48.4## | 48.4## | Manufacturing of apparel |

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 38. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| Dongguan Ming Hoi Dyeing & Finishing Factory Co., Ltd.** | Mainland China | HK$147,660,000 paid up to HK$121,043,763 | 50.4 | 50.4 | Provision of dyeing and knitting services |
| Recent Sweaters Limited# | Bangladesh | Tk200,000 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 | 60 | Manufacturing of apparel |

* Directly held by the Company.

** Registered as wholly-foreign owned enterprises under the PRC law.

*** Registered as sino-foreign equity joint ventures under the PRC law.

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

## Subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 39. 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* 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 湖北長進製衣有限公司 | Corporate | Mainland China | 30 | 30 | Manufacturing of apparel |
| 湖北長旭製衣有限公司 | Corporate | Mainland China | 30 | 30 | Manufacturing of apparel |
| 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 sharing are the same as the percentage of equity attributable to the Group.

# NOTES TO FINANCIAL STATEMENTS

31 December 2004

## 40. 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 2004 | 2003 | Principal activities |
|---|---|---|---|---|---|
| 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 |
| 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 | 50 | Investment holding |
| Quiksilver Glorious Sun JV Ltd | Corporate | Hong Kong | 50 | 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 2004

## 41. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## 42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2005.