

: Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group is engaged in garment manufacturing and trading, branded products distribution, property rental and management, property development and other investing activities.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “New HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has early adopted HKAS 40 “Investment Property” (“HKAS 40”) in the consolidated financial statements retroactively from 1 January 2004 in accounting for its investment properties.

In prior years, investment properties were stated at open market value based on annual professional valuation at the balance sheet date. No depreciation was provided in respect of investment properties which were held on leases with unexpired terms, including the renewable period, of more than 20 years. Where the investment properties were held on leases with unexpired terms of 20 years or less, depreciation was provided on the then carrying amount over the remaining term of the lease. Any surplus or deficit arising on the revaluation of investment properties was credited or charged to the investment property revaluation reserve unless the balance in this reserve was insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance in the investment property revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and a revaluation surplus subsequently arose, this surplus was credited to the income statement to the extent of the deficit previously charged.

Pursuant to the fair value model of HKAS 40, which the Group has elected to apply, fair value changes in investment properties are to be recognised in the income statement in the period in which they arise. Accordingly, the Group has adopted a new accounting policy for investment properties as set out in note 3 under “Investment properties”. As a result of the adoption of this accounting policy, the Group’s net profit for the year has included HK\$36.8 million and HK\$34.2 million, representing gain on increase in fair value of investment properties attributable to the Group and its associates respectively.

The effect of adopting the new accounting policy was adjusted to the opening balance of investment property revaluation reserve and other distributable reserve (deficit) as at 1 January 2004 in accordance with the transitional provisions of HKAS 40. Comparative information has not been restated.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS (cont'd)

The Group is assessing the impact of the other New HKFRSs which the Group has not early adopted in the financial statements for the year ended 31 December 2004. The impact of these New HKFRSs on the results of operations and financial position, if any, will be reflected in the Group's financial statements beginning 1 January 2005.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The principal accounting policies which have been adopted in preparing these financial statements and which conform with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its estimated useful life generally not exceeding twenty years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interest in associates

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium arising on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are stated at fair value, with unrealised gains and losses included in the net profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

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

Income from properties developed for sale is recognised on the execution of a binding sale agreement or when the relevant building occupation permit is issued by the building authority, whichever is later. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.

Service revenue is recognised when the services are rendered.

Rental income, including rental invoiced in advance under operating leases, is recognised on a straight line basis over the period of the leases.

Income from disposal of permanent or temporary textile quota entitlements is recognised upon execution of a legally binding, unconditional and irrecoverable transfer form to a third party.

Interest income is accrued on a time basis by reference to the principal outstanding and the applicable rate of interest.

Income from investments is recognised when the Group's right to receive payment has been established.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Statement of Standard Accounting Practice ("SSAP"), in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment properties

Investment properties, which are held to earn rental income and/or for capital appreciation, are stated at fair value at the balance sheet date. Gains or losses arising from changes in fair value of investment properties are included in net profit or loss for the period in which they arise.

External independent valuation firms, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, value the portfolio annually. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Investment properties are valued on an open market basis using the direct comparison method assuming sale with the benefit of immediate vacant possession and by reference to comparable market transactions or, where appropriate by investment method by taking into account the rental earning capacity and possible early termination of rental agreement of the properties. The valuations are based on the assumption that the properties are sold on the open market without the benefit of deferred term contracts, leasebacks, joint venture, management agreements or any similar arrangements which could affect the values of the properties. No allowance has been made in the valuations for any charges, mortgage or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale.

Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost includes the cost of land, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the property development.

Other properties, plant and equipment

Other properties, plant and equipment (other than freehold land and construction in progress) are stated at cost or valuation, less depreciation and amortisation and accumulated impairment losses.

The cost or valuation of freehold land is not amortised whereas the cost of land use rights and leasehold land is amortised over the period of the right, using the straight line method.

The Group has adopted the transitional relief provided in paragraph 80 of SSAP 17 "Property, plant and equipment" with regard to the requirement to make regular revaluations of land and buildings other than investment properties. On subsequent sale of these revalued assets, any attributable revaluation surplus will be transferred to other distributable reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Other properties, plant and equipment (cont'd)

Depreciation is provided to write off the cost or valuation of other items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of the relevant leases
Leasehold buildings	2% – 4%
Furniture, fixtures and equipment	10% – 33⅓%
Motor vehicles	20% – 30%
Plant and machinery	7½% – 35%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress is stated at cost. Cost includes all development expenditure and other direct costs attributable to such projects. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of other properties, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the year in which they are incurred.

Textile quota entitlements

Revenue from the sale of, and the cost of acquiring, temporary textile quota entitlements are dealt with in the income statement in the period in which they arise. Textile quota entitlements allocated by the authorities in Hong Kong are not capitalised and are not included as assets in the balance sheet. The cost of permanent textile quota entitlements acquired is amortised on a straight line basis over three years.

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For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Trademark

Costs incurred in the acquisition of trademarks are capitalised and amortised on a straight line basis over their estimated useful lives of ten years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method and comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

In preparing the consolidated financial statements, the results of operations outside Hong Kong are translated using the average exchange rates for the year. The assets and liabilities of the operations outside Hong Kong are translated using the rates ruling on the balance sheet date. On consolidation, any differences arising on translation of operations outside Hong Kong are dealt with in the translation reserve.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

Retirement benefits cost

Payments to the Group's defined contribution retirement benefit schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

For the Group's defined benefit retirement benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

Notes to the Financial Statements

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4. TURNOVER

Turnover represents the net amounts received and receivable from third parties in connection with the following activities:

	2004 HK\$'M	2003 HK\$'M
Sales of goods	1,321.6	1,232.0
Property development	61.5	167.9
Rental and property management income	58.4	59.2
Income from investing activities (Note)	14.3	11.5
	1,455.8	1,470.6

Note:

Income from investing activities comprises:

	2004 HK\$'M	2003 HK\$'M
Interest income from associates	7.6	6.0
Income from investments in securities	6.7	5.5
	14.3	11.5

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segment

For management purposes, the Group is currently organised into five operating divisions – garment manufacturing and trading, branded products distribution, property rental and management, property development and investing activities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Garment manufacturing and trading	–	Manufacture of garments for export to overseas markets, and source apparel, as buying and marketing agents
Branded products distribution	–	Retailing, wholesaling and licensing of branded apparel
Property rental and management	–	Property rental and management and hospitality management services
Property development	–	Residential development carried out by the Group
Investing activities	–	Investments in securities and the underlying businesses of which are property investment and development, communications and others

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Property rental and management HK\$'M	Property development HK\$'M	Investing activities HK\$'M	Elimination HK\$'M	Consolidated HK\$'M
For the year ended							
31 December 2004							
TURNOVER							
External sales	1,107.6	214.0	58.4	61.5	14.3	-	1,455.8
Inter-segment sales	-	-	6.5	-	-	(6.5)	-
Total	<u>1,107.6</u>	<u>214.0</u>	<u>64.9</u>	<u>61.5</u>	<u>14.3</u>	<u>(6.5)</u>	<u>1,455.8</u>
RESULT							
Segment result	15.6	(1.1)	49.1	39.9	4.9	-	108.4
Unallocated corporate expenses							(49.5)
Profit from operations							58.9
Other interest income							1.1
Finance costs							(18.0)
Share of results of associates							59.4
Gain on disposal of an associate							7.6
Profit before taxation							109.0
Taxation							(10.0)
Profit before minority interests							99.0
Minority interests							(5.7)
Net profit for the year							<u>93.3</u>

Inter-segment sales are charged at prevailing market rates.

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Property rental and management HK\$'M	Property development HK\$'M	Investing activities HK\$'M	Elimination HK\$'M	Consolidated HK\$'M
For the year ended							
31 December 2003							
TURNOVER							
External sales	1,061.2	170.8	59.2	167.9	11.5	–	1,470.6
Inter-segment sales	–	–	7.6	–	–	(7.6)	–
Total	<u>1,061.2</u>	<u>170.8</u>	<u>66.8</u>	<u>167.9</u>	<u>11.5</u>	<u>(7.6)</u>	<u>1,470.6</u>
RESULT							
Segment result	40.5	(10.8)	11.7	25.0	14.5	–	80.9
Unallocated corporate expenses							<u>(31.6)</u>
Profit from operations							49.3
Other interest income							0.5
Finance costs							(21.8)
Share of results of associates							<u>1.1</u>
Profit before taxation							29.1
Taxation							<u>(6.3)</u>
Profit before minority interests							22.8
Minority interests							<u>(4.3)</u>
Net profit for the year							<u>18.5</u>

Inter-segment sales are charged at prevailing market rates.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Property rental and management HK\$'M	Property development HK\$'M	Investing activities HK\$'M	Consolidated HK\$'M
At 31 December 2004						
ASSETS						
Segment assets	362.4	131.3	988.3	13.5	439.6	1,935.1
Interest in associates						428.1
Unallocated corporate assets						179.6
Consolidated total assets						<u>2,542.8</u>
LIABILITIES						
Segment liabilities	146.3	56.5	25.1	1.3	7.2	236.4
Unallocated corporate liabilities						879.7
Consolidated total liabilities						<u>1,116.1</u>
OTHER INFORMATION						
Capital additions	29.3	0.3	27.4	–	2.0	59.0
Depreciation and amortisation						
– Business segment	11.8	7.6	4.0	–	1.2	24.6
– Unallocated corporate items						0.4
Reversal of impairment losses recognised in respect of investments	–	–	–	–	7.5	7.5
Loss on disposal of other properties, plant and equipment	0.1	–	–	–	–	0.1

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5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Business segment (cont'd)

	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Property rental and management HK\$'M	Property development HK\$'M	Investing activities HK\$'M	Consolidated HK\$'M
At 31 December 2003						
ASSETS						
Segment assets	356.8	143.9	952.7	93.4	428.8	1,975.6
Interest in associates						478.2
Unallocated corporate assets						257.7
Consolidated total assets						2,711.5
LIABILITIES						
Segment liabilities	144.6	53.9	306.2	23.0	7.1	534.8
Unallocated corporate liabilities						861.1
Consolidated total liabilities						1,395.9
OTHER INFORMATION						
Capital additions						
– Business segment	23.7	5.0	308.8	–	1.0	338.5
– Unallocated corporate items						38.1
Depreciation and amortisation						
– Business segment	11.5	6.4	2.9	–	0.9	21.7
– Unallocated corporate items						0.4
Reversal of impairment losses recognised in respect of investments	–	–	–	–	11.6	11.6
(Gain) loss on disposal of other properties, plant and equipment	(0.1)	0.4	–	–	–	0.3

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (cont'd)

Geographical segment

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

For the year ended 31 December	Turnover by geographical market	
	2004	2003
	HK\$'M	HK\$'M
North America	853.0	781.8
United Kingdom	262.0	253.5
Other European countries	119.7	114.0
Hong Kong	138.5	257.8
Other areas	82.6	63.5
	1,455.8	1,470.6

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC"), the United Kingdom and Netherlands.

The following is an analysis of the carrying amount of consolidated total assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	Carrying amount of consolidated total assets		Additions to property, plant and equipment	
	At 31 December		For the year ended 31 December	
	2004	2003	2004	2003
	HK\$'M	HK\$'M	HK\$'M	HK\$'M
Hong Kong	2,176.6	2,361.7	39.4	363.6
PRC	85.3	69.7	18.8	6.3
United Kingdom	184.4	198.4	0.3	5.0
The Netherlands	16.1	16.0	0.1	1.4
Others	76.8	60.3	0.4	0.3
	2,539.2	2,706.1	59.0	376.6
Unallocated assets	3.6	5.4	–	–
	2,542.8	2,711.5	59.0	376.6

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6. PROFIT FROM OPERATIONS

	2004 HK\$'M	2003 HK\$'M
Profit from operations has been arrived at after charging:		
Staff costs including directors' remuneration	225.2	191.6
Retirement benefits costs, net of negligible forfeited contributions	4.6	4.6
Total staff costs	229.8	196.2
Auditors' remuneration	2.5	2.1
Amortisation of		
– permanent textile quota entitlements (included in cost of sales)	0.4	1.1
– trademark (included in administrative expenses)	0.1	0.1
Cost of temporary textile quota entitlements written off on purchase	10.6	19.2
Depreciation and amortisation of other properties, plant and equipment	24.5	20.9
Loss on disposal of other properties, plant and equipment	0.1	0.3
and after crediting:		
Quota income	24.5	14.9
Dividend income from investment securities – listed	5.2	4.9
Dividend income from other investments – unlisted	1.2	0.1

7. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration

	2004 HK\$'M	2003 HK\$'M
Directors' fees	0.6	0.5
Other directors' emoluments		
– Salaries and other benefits	8.4	5.5
– Bonus	2.1	1.7
– Retirement benefits costs	0.5	0.4
	11.6	8.1

7. DIRECTORS' AND EMPLOYEES' REMUNERATION (cont'd)

Directors' remuneration (cont'd)

The emoluments of the directors were within the following bands:

	2004	2003
	Number of directors	Number of directors
Up to HK\$1,000,000	8	8
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	2	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	1

Total directors' fees paid to the Company's independent non-executive directors and other non-executive directors amounted to approximately HK\$0.4 million (2003: HK\$0.3 million) and HK\$0.1 million (2003: HK\$0.1 million) respectively. No other remuneration was paid to the independent non-executive directors.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

Employees' emoluments

The aggregate emoluments of the five highest paid individuals of the Group in 2004 included three (2003: two) executive directors of the Company whose emoluments are included above. The aggregate emoluments of the remaining two (2003: three) highest paid individuals are as follows:

	2004	2003
	HK\$'M	HK\$'M
Salaries and other benefits	2.0	3.8
Bonus	1.0	1.1
Retirement benefits costs	0.1	0.1
	3.1	5.0

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7. DIRECTORS' AND EMPLOYEES' REMUNERATION (cont'd)

Employees' emoluments (cont'd)

Their emoluments were within the following bands:

	2004 Number of employees	2003 Number of employees
HK\$1,000,001 to HK\$1,500,000	–	2
HK\$1,500,001 to HK\$2,000,000	2	–
HK\$2,000,001 to HK\$2,500,000	–	1

8. FINANCE COSTS

	2004 HK\$'M	2003 HK\$'M
Interest on:		
– bank and other borrowings wholly repayable within five years	17.6	18.3
– bank and other borrowings not wholly repayable within five years	3.2	3.5
Total borrowing costs	20.8	21.8
Less: Interest capitalised in properties under development	(2.8)	–
	18.0	21.8

9. TAXATION

	2004 HK\$'M	2003 HK\$'M
The charge comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax	3.1	4.6
– Taxation in other jurisdictions	0.6	0.6
	<u>3.7</u>	<u>5.2</u>
Overprovision in prior years		
– Hong Kong Profits Tax	(0.9)	–
– Taxation in other jurisdictions	–	(1.0)
	<u>(0.9)</u>	<u>(1.0)</u>
	2.8	4.2
Deferred taxation (note 29)	7.2	2.1
	<u>10.0</u>	<u>6.3</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the year. Taxation arising on other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

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9. TAXATION (cont'd)

A statement of reconciliation of taxation is as follows:

	2004 HK\$'M	2003 HK\$'M
Profit before taxation	109.0	29.1
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	19.1	5.1
Tax effect of expenses not deductible in determining taxable profit	6.5	3.4
Tax effect of income not taxable in determining taxable profit	(11.9)	(4.3)
Tax effect of tax losses not recognised	14.0	15.9
Tax effect of utilisation of tax losses not previously recognised	(6.6)	(2.9)
Tax effect of unrecognised deductible temporary differences	(4.1)	(8.3)
Effect of different tax rates of subsidiaries operating on other jurisdictions	(0.8)	(2.9)
Overprovision in prior years	(0.9)	(1.0)
Tax effect of share of results of associates	(10.4)	(0.2)
Others	5.1	0.3
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	–	1.2
Taxation for the year	10.0	6.3

Details of deferred taxation are set out in note 29.

10. DIVIDEND

	2004 HK\$'M	2003 HK\$'M
Final proposed of HK1.75 cent (2003: HK1.0 cent) per share	9.2	5.2

The final dividend of HK1.75 cent (2003: HK1.0 cent) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting of the Company.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 HK\$'M	2003 HK\$'M
Earnings for the purpose of calculating basic and diluted earnings per share	93.3	18.5
	2004	2003
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	518,820,462	517,625,339
Effect of dilutive potential shares issuable under the Company's share option scheme	1,737,245	239,899
Weighted average number of shares for the purpose of calculating diluted earnings per share	520,557,707	517,865,238

12. INVESTMENT PROPERTIES

	THE GROUP	
	2004 HK\$'M	2003 HK\$'M
VALUATION		
At 1 January	559.2	579.5
Surplus (deficit) arising on revaluation	39.9	(20.3)
Transferred to properties for own use	(57.5)	–
At 31 December	541.6	559.2
Investment properties comprise:		
Properties held under medium-term leases		
– in Hong Kong	541.6	535.3
– outside Hong Kong	–	23.9
	541.6	559.2

The Group's investment properties were valued on an open market value basis as at 31 December 2004 by Chesterton Petty Limited, a firm of independent professional property valuers.

Notes to the Financial Statements

For the year ended 31 December 2004

12. INVESTMENT PROPERTIES (cont'd)

The valuation of the Group's investment properties has been adopted by the directors and is reflected in the financial statements. The surplus arising on the revaluation is credited to the consolidated income statement.

13. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
At 1 January	303.9	–
Additions during the year	23.3	303.9
At 31 December	327.2	303.9

The properties under development are held in Hong Kong under medium lease terms. Included in properties under development is net interest capitalised of HK\$2.8 million (2003: nil).

14. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Properties for own use HK\$'M	Construction in progress HK\$'M	Furniture, fixtures and equipment HK\$'M	Motor vehicles HK\$'M	Plant and machinery HK\$'M	Total HK\$'M
THE GROUP						
COST OR VALUATION						
At 1 January 2004	232.9	7.7	151.6	8.2	73.6	474.0
Currency realignment	5.8	–	6.0	–	–	11.8
Transferred from investment properties	57.5	–	–	–	–	57.5
Additions	–	14.9	14.1	1.2	5.5	35.7
Disposals	–	–	(2.1)	(1.4)	(1.6)	(5.1)
At 31 December 2004	296.2	22.6	169.6	8.0	77.5	573.9
Comprising:						
At cost	210.8	22.6	169.6	8.0	77.5	488.5
At valuation – 1994 (Note)	85.4	–	–	–	–	85.4
	296.2	22.6	169.6	8.0	77.5	573.9
DEPRECIATION AND AMORTISATION						
At 1 January 2004	32.0	–	115.9	6.1	61.6	215.6
Currency realignment	1.0	–	4.6	–	–	5.6
Provided for the year	5.8	–	12.0	1.4	5.3	24.5
Eliminated on disposals	–	–	(1.8)	(1.4)	(1.1)	(4.3)
At 31 December 2004	38.8	–	130.7	6.1	65.8	241.4
NET BOOK VALUES						
At 31 December 2004	257.4	22.6	38.9	1.9	11.7	332.5
At 31 December 2003	200.9	7.7	35.7	2.1	12.0	258.4

Notes to the Financial Statements

For the year ended 31 December 2004

14. OTHER PROPERTIES, PLANT AND EQUIPMENT (cont'd)

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
The net book value of the Group's properties for own use comprises:		
Freehold properties outside Hong Kong	65.8	61.3
Properties held under long leases in Hong Kong	37.5	37.9
Properties held under medium-term leases		
– in Hong Kong	106.5	74.9
– outside Hong Kong	44.9	22.5
Properties held under short-term leases outside Hong Kong	2.7	4.3
	257.4	200.9

Note: Had these property interests not been revalued, their net book values on the historical cost basis at 31 December 2004 would have been approximately HK\$20.7 million (2003: HK\$21.3 million).

15. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK\$'M	HK\$'M
Unlisted shares, at cost	590.8	590.8
Amounts due from subsidiaries	603.2	608.5
	1,194.0	1,199.3

Details of the Company's principal subsidiaries at 31 December 2004 are set out in note 38.

16. INTEREST IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Share of net assets (liabilities)	9.2	(68.7)
Advances to associates (note b)	418.9	548.7
Impairment losses recognised in respect of associates engaged in property development	–	(1.8)
	428.1	478.2

Details of the Group's principal associates at 31 December 2004 are set out in note 39.

Notes:

- (a) The share of post acquisition reserves (2003: deficits) of associates included an amount of HK\$1.8 million (2003: HK\$2.5 million) which was provided for in 2000 as impairment losses recognised in respect of associates engaged in property development.
- (b) The advances are unsecured. Other than an aggregate amount of HK\$316.3 million (2003: HK\$311.3 million) which carries interest at market rates, the remaining balance is interest free. There are no fixed repayment terms.

The summary of financial information of a significant associate of the Group for the year ended 31 December 2004 is as follows:

	2004	2003
	HK\$'M	HK\$'M
Results for the year:		
Turnover	231.5	765.6
Net profit for the year	752.0	105.8
Financial position:		
Non-current assets	1,978.8	1,603.2
Current assets	574.9	882.2
Current liabilities	(128.9)	(1,124.6)
Non-current liabilities	(2,296.8)	(1,984.8)
Net assets (liabilities)	128.0	(624.0)

Notes to the Financial Statements

For the year ended 31 December 2004

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Investment securities		
– listed shares, at cost (note a)	381.1	354.8
Listed debt securities (note b)	1.8	6.3
Other investments (note c)	49.2	62.3
	432.1	423.4
Analysed as:		
Current	1.8	4.6
Non-current	430.3	418.8
	432.1	423.4

Notes:

- (a) The listed shares comprise principally the Group's minority stakes in Winsor Properties Holdings Limited ("Winsor"), SUNDAY Communications Limited ("SUNDAY") and UBC Media Group Plc ("UBC").

Winsor is engaged in property investment and its shares are listed on the Stock Exchange. SUNDAY is engaged in the provision of telecommunications and mobile phone services and its shares are listed on the NASDAQ National Market in the United States of America and on the Stock Exchange. UBC is engaged in programme production and radio broadcasting and its shares are listed on the Alternative Investment Market of London Stock Exchange Plc.

The market value of the listed shares as at 31 December 2004 amounted to HK\$429.2 million (2003: HK\$225.3 million).

- (b) The debt securities comprise bonds listed overseas and are intended to be held-to-maturity by the Group. The bonds at 31 December 2004 include an amount of HK\$1.8 million (2003: HK\$4.6 million) which is due to mature in the following year and is therefore classified as current assets in the balance sheet. The market value of the listed bonds at 31 December 2004 amounted to HK\$1.8 million (2003: HK\$6.6 million).
- (c) Other investments comprise principally the Group's minority stakes in various property development projects. During the year, the directors conducted a review of the carrying amounts of investments the underlying business of which is property development and determined that a reversal of impairment losses of HK\$7.5 million (2003: 11.6 million) was made in the financial statements by reference to the recoverable amounts from these property development projects.

17. INVESTMENTS IN SECURITIES (cont'd)

In the opinion of the directors, the investment securities are held for identified long-term strategic purpose and their carrying amounts are fully recoverable, and the carrying values of the other investments represent their fair value at the balance sheet date.

18. OTHER NON-CURRENT ASSETS

	Balance at 1.1.2004 HK\$'M	Decrease/ amortisation for the year HK\$'M	Balance at 31.12.2004 HK\$'M
THE GROUP			
Mortgage loans receivable (note a)	1.9	(0.7)	1.2
Trademark (note b)	0.5	(0.1)	0.4
Textile quota entitlements (note c)	0.4	(0.4)	–
	<u>2.8</u>	<u>(1.2)</u>	<u>1.6</u>

Notes:

- (a) The mortgage loans receivable are second mortgage financing provided to the purchasers of developed properties of the Group. The loans bear interest at market rates and are secured by second mortgage over the relevant properties. The amounts are receivable twenty-five months after the date of advance of the respective loans by monthly instalments within twenty years.
- (b) The trademark is related to the Group's hospitality operations and is amortised over an estimated useful life of ten years.
- (c) Textile quota entitlements are acquired for the Group's apparel operations and are amortised over three years.

19. INVENTORIES

	THE GROUP 2004 HK\$'M	2003 HK\$'M
Raw materials	31.8	35.5
Work in progress	65.4	52.2
Finished goods	36.7	43.4
	<u>133.9</u>	<u>131.1</u>
Comprising:		
At cost	133.6	130.6
At net realisable value	0.3	0.5
	<u>133.9</u>	<u>131.1</u>

Notes to the Financial Statements

For the year ended 31 December 2004

20. PROPERTIES HELD FOR SALE

The Group

The properties held for sale are situated in Hong Kong and are held under medium-term leases. All the properties held for sale are stated at cost (2003: net realisable value) at the balance sheet date.

21. TRADE AND OTHER RECEIVABLES

The Group allows varying credit periods to its trade customers. Credit periods for customers vary from 30 to 90 days in accordance with the industry practice.

The following is an aged analysis of the Group's trade receivables at 31 December:

	THE GROUP 2004 HK\$'M	2003 HK\$'M
0 – 30 days	28.6	45.6
31 – 90 days	21.4	65.7
Over 90 days	26.3	33.9
	76.3	145.2
Other receivables	38.8	39.0
Total	115.1	184.2

22. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at 31 December:

	THE GROUP 2004 HK\$'M	2003 HK\$'M
0 – 30 days	44.6	61.0
31 – 90 days	14.5	22.3
Over 90 days	12.5	9.8
	71.6	93.1
Other payables	151.1	140.7
Total	222.7	233.8

23. UNSECURED SHORT-TERM BANK BORROWINGS

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Trust receipts and import loans	2.8	8.7
Bank overdrafts	0.5	0.2
Short-term bank loans	–	38.0
	3.3	46.9

24. BANK LOANS

The bank loans carry interest at the prevailing market rates and are repayable as follows:

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Within one year	58.8	52.3
Between one to two years	90.9	154.9
Between two to five years	368.2	516.2
After five years	241.3	17.4
	759.2	740.8
Less: Amount due within one year shown under current liabilities	(58.8)	(52.3)
	700.4	688.5
Analysed as		
– secured	457.7	445.1
– unsecured	301.5	295.7
	759.2	740.8

Included in the balance at 31 December 2003 was an amount of HK\$189.0 million which was classified as amount due after one year based on a loan facility concluded on 3 March 2004.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE CAPITAL

	Number of shares	Amount HK\$'M
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1 January 2003, 31 December 2003 and 31 December 2004	1,320,000,000	660.0
Issued and fully paid:		
At 1 January 2003 and 31 December 2003	517,625,339	258.8
Issue of shares	8,630,000	4.3
At 31 December 2004	526,255,339	263.1

During the year, the Company allotted and issued a total of 8,630,000 ordinary shares of HK\$0.50 each for cash at the exercise price of HK\$0.80 per share as a result of the exercise of share options.

All shares issued during the year rank pari passu with the then existing share.

26. SHARE OPTION SCHEMES

Under the share option scheme of the Company adopted on 10 June 2003 ("2003 Scheme"), the directors of the Company may, at their discretion, grant options to the directors and employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company as at 10 June 2003. The maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the issued share capital of the Company. The purpose of the 2003 Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group. A consideration of HK\$1 is payable on acceptance of the grant of options. Options granted must be taken up within 28 days from the date of grant. The exercise price for an option to subscribe for a share is determined by the directors of the Company, and shall be at least the highest of: i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and iii) the nominal value of a share of the Company. The 2003 Scheme will end on 9 June 2013.

No options were granted during the year ended 31 December 2004 under the 2003 Scheme.

26. SHARE OPTION SCHEMES (cont'd)

Prior to the 2003 Scheme, the Company had an old share option scheme (the "Old Share Option Scheme") which came into operation on 18 November 1991 and expired on 17 November 2001. Under the Old Share Option Scheme, the directors of the Company may, at their discretion, grant options to executive directors and employees of the Company or any of its subsidiaries to subscribe for shares in the Company up to a maximum of 10% of the issued share capital of the Company as at the date of adoption of the Old Share Option Scheme.

The movements of the share options granted under the Old Share Option Scheme during the year are as follows:

	Date of grant	Exercise price	Number of share options					
			Outstanding at 1.1.2003	Cancelled upon termination of employment during the year	Outstanding at 31.12.2003 and 1.1.2004	Exercised during the year	Cancelled upon termination of employment during the year	Outstanding at 31.12.2004
Directors	15 November 1999	HK\$0.8	5,460,000	-	5,460,000	(5,460,000)	-	-
Employees	15 November 1999	HK\$0.8	4,165,000	(80,000)	4,085,000	(3,170,000)	(915,000)	-
			<u>9,625,000</u>	<u>(80,000)</u>	<u>9,545,000</u>	<u>(8,630,000)</u>	<u>(915,000)</u>	<u>-</u>

No charge is recognised in the income statement of the Company in respect of options granted under the above option schemes. Share options granted under the above option schemes are not recognised in the financial statements of the Company until such options are exercised. Upon exercise of options, the shares issued were recorded as the Company's additional share capital at nominal value of such shares and the excess of the exercise price over the nominal value of the shares issued were recorded in the Company's share premium account.

The market price of the Company's shares at the date of exercise of share options during the year was at the range of HK\$0.96 to HK\$1.53 per share.

The weighted average closing price of the Company's shares immediately before the date on which the share options were exercised was HK\$1.13 per share.

Notes to the Financial Statements

For the year ended 31 December 2004

27. RESERVES

	Share premium	Investment property revaluation reserve	Other property revaluation reserve	Translation reserve	Contributed surplus	Other distributable reserve (deficit)	Total
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
THE GROUP							
At 1 January 2003	438.4	21.0	18.4	(24.9)	637.0	(90.1)	999.8
Deficit arising on revaluation	–	(20.3)	–	–	–	–	(20.3)
Share of reserves of associates	–	2.8	–	(1.7)	–	–	1.1
Share of reserves							
by minority shareholders	–	1.2	–	–	–	–	1.2
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	4.9	–	–	4.9
Deferred tax liabilities arising on change in tax rate	–	–	(0.3)	–	–	–	(0.3)
2002 final dividend paid	–	–	–	–	(5.2)	–	(5.2)
Net profit for the year	–	–	–	–	–	18.5	18.5
At 31 December 2003	<u>438.4</u>	<u>4.7</u>	<u>18.1</u>	<u>(21.7)</u>	<u>631.8</u>	<u>(71.6)</u>	<u>999.7</u>
At 1 January 2004							
– as originally stated	438.4	4.7	18.1	(21.7)	631.8	(71.6)	999.7
– adjustment on adoption of HKAS 40	–	(4.7)	–	–	–	4.7	–
– as restated	<u>438.4</u>	<u>–</u>	<u>18.1</u>	<u>(21.7)</u>	<u>631.8</u>	<u>(66.9)</u>	<u>999.7</u>
Issue of shares	2.6	–	–	–	–	–	2.6
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	8.6	–	–	8.6
Realised on disposal of an associate	–	–	–	3.0	–	–	3.0
Share of reserves of associates	–	–	–	(0.1)	–	–	(0.1)
Share of reserves							
by minority shareholders	–	–	–	(0.1)	–	–	(0.1)
2003 final dividend paid	–	–	–	–	(5.2)	–	(5.2)
Net profit for the year	–	–	–	–	–	93.3	93.3
At 31 December 2004	<u>441.0</u>	<u>–</u>	<u>18.1</u>	<u>(10.3)</u>	<u>626.6</u>	<u>26.4</u>	<u>1,101.8</u>
Attributable to associates:							
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>	<u>0.3</u>	<u>–</u>	<u>6.9</u>	<u>7.2</u>
At 31 December 2003	<u>–</u>	<u>2.8</u>	<u>–</u>	<u>(2.6)</u>	<u>–</u>	<u>(72.7)</u>	<u>(72.5)</u>

27. RESERVES (cont'd)

	Share premium HK\$'M	Contributed surplus HK\$'M	Other distributable reserve (deficit) HK\$'M	Total HK\$'M
THE COMPANY				
At 1 January 2003	438.4	622.1	(112.6)	947.9
2002 final dividend paid	–	(5.2)	–	(5.2)
Net profit for the year	–	–	0.6	0.6
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003 and 1 January 2004	438.4	616.9	(112.0)	943.3
Issue of shares	2.6	–	–	2.6
2003 final dividend paid	–	(5.2)	–	(5.2)
Net loss for the year	–	–	(0.1)	(0.1)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>441.0</u>	<u>611.7</u>	<u>(112.1)</u>	<u>940.6</u>

The contributed surplus account of the Group and the Company arose as a result of the group reorganisation in 1991 and the Company's capital reduction in 1996 less distribution made.

Under The Companies Act 1981 of Bermuda (as amended), contributed surplus of a company is available for distribution to shareholders in addition to accumulated profits. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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For the year ended 31 December 2004

28. OTHER LONG-TERM LOANS

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Interest bearing loans	73.6	36.3
Interest free loans	17.3	17.3
	90.9	53.6

The loans are from minority shareholders of subsidiaries. The interest bearing loans carry interest at market rates. All the loans are unsecured and have no fixed repayment terms. The loans above include amounts of HK\$73.6 million (2003: HK\$36.3 million) which are extended to the Group to finance property development projects. In the opinion of the directors, demand for repayment of these loans will not be made within one year of the balance sheet date. The loans are therefore shown in the balance sheet as non-current liabilities.

29. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

	Accelerated tax depreciation HK\$'M	Revaluation of properties HK\$'M	Tax losses HK\$'M	Total HK\$'M
At 1 January 2003	16.6	3.5	(3.8)	16.3
Charge to income for the year (note 9)	(0.1)	–	1.0	0.9
Effect of change in tax rate				
– charge to income (note 9)	1.5	–	(0.3)	1.2
– charge to equity	–	0.3	–	0.3
At 31 December 2003 and 1 January 2004	18.0	3.8	(3.1)	18.7
Charge (credit) to income for the year (note 9)	7.4	–	(0.2)	7.2
At 31 December 2004	25.4	3.8	(3.3)	25.9

29. DEFERRED TAXATION (cont'd)

	2004 HK\$'M	2003 HK\$'M
Deferred tax liabilities	29.2	21.8
Deferred tax assets	(3.3)	(3.1)
	<u>25.9</u>	<u>18.7</u>

At 31 December 2004, the Group has unused tax losses of approximately HK\$347.5 million (2003: HK\$312.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$18.9 million (2003: HK\$17.7 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$328.6 million (2003: HK\$294.3 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$12.3 million that will expire until 2009. Other losses may be carried forward indefinitely.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

30. MAJOR NON-CASH TRANSACTION

During the year, the Group disposed of its interest in an associate in exchange for an investment in securities with a valuation of HK\$10.7 million.

31. OPERATING LEASE

The Group as Lessee

	2004 HK\$'M	2003 HK\$'M
Minimum lease payments charged to the consolidated income statement during the year:		
– land and buildings	18.1	18.6
– equipment and motor vehicles	0.7	0.8
	<u>18.8</u>	<u>19.4</u>

Notes to the Financial Statements

For the year ended 31 December 2004

31. OPERATING LEASE (cont'd)

The Group as Lessee (cont'd)

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2004, future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2004 HK\$'M	2003 HK\$'M
For land and buildings		
– Within one year	22.1	20.3
– After one year and not later than five years	69.5	66.4
– Over five years	9.7	23.5
	<u>101.3</u>	<u>110.2</u>
For equipment and motor vehicles		
– Within one year	0.7	0.7
– After one year and not later than five years	0.5	1.1
	<u>1.2</u>	<u>1.8</u>
Total	<u>102.5</u>	<u>112.0</u>

The Company had no significant operating lease commitments at the balance sheet date.

The Group as Lessor

	2004 HK\$'M	2003 HK\$'M
Gross rental income credited to the income statement during the year	41.4	41.3
Less: Outgoings	(1.6)	(1.6)
	<u>39.8</u>	<u>39.7</u>

31. OPERATING LEASE (cont'd)

The Group as Lessor (cont'd)

The Group's investment properties are held for rental purposes. Rentals income is fixed and predetermined. The properties held have committed tenants for the next two to three years. At the balance sheet date, the amount of future rentals receivable by the Group is as follows:

	2004	2003
	HK\$'M	HK\$'M
Within one year	24.3	21.9
After one year and not later than five years	11.3	7.6
	35.6	29.5

32. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Capital expenditure in respect of properties under development – contracted for but not provided in the financial statements	106.7	–
Capital expenditure in respect of acquisition of other properties, plant and equipment		
– contracted for but not provided in the financial statements	11.5	2.3
– authorised but not contracted for	6.4	–
	124.6	2.3

The Company had no capital commitment at the balance sheet date.

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For the year ended 31 December 2004

33. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'M	2003 HK\$'M	2004 HK\$'M	2003 HK\$'M
Export bills discounted with recourse	0.9	7.3	–	–
Guarantees given to banks in respect of utilised credit facilities extended to				
– subsidiaries	–	–	489.3	508.4
– associates	301.2	193.8	301.2	193.8
	301.2	193.8	790.5	702.2
Other guarantees given to banks	1.9	–	–	–
	303.1	193.8	790.5	702.2

At 31 December 2004, the Company's share of several and proportionate guarantees in respect of unutilised credit facilities granted to associates engaged in property development amounted to HK\$260.8 million (2003: HK\$368.2 million).

34. PLEDGE OF ASSETS

The Group's advances to associates at 31 December 2004 include amounts of HK\$348.8 million (2003: HK\$422.1 million) which are subordinated to the loans facilities of associates. The associates are engaged in property development. The Group's advances to the associates include amounts of HK\$323.4 million (2003: HK\$401.8 million) which are assigned, and the shares in these associates beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2004, certain of the Group's investment properties, properties for own use and properties under development with carrying value of HK\$539.0 million (2003: HK\$532.9 million), HK\$209.8 million (2003: HK\$174.1 million) and HK\$327.2 million (2003: nil) respectively were pledged to secure credit facilities for the Group.

35. RETIREMENT BENEFITS AND PENSION SCHEMES

Certain Hong Kong subsidiaries of the Company have complied with the Mandatory Provident Fund (“MPF”) legislation. All existing and new employees are required to participate in the MPF scheme. Mandatory benefits are being provided under the MPF scheme. In addition to the MPF scheme, certain Hong Kong subsidiaries of the Company have restructured the former defined contribution retirement benefits schemes to defined contribution top up retirement benefits schemes, under which qualifying employees are provided with additional voluntary benefits to the extent that they would otherwise have under the defined contribution retirement benefits schemes and after taking into consideration the mandatory benefits provided under the MPF scheme.

The employees of the Group’s subsidiary in the PRC have participated in a retirement benefit scheme established by the local PRC Social Insurance Industry Management Centre. The subsidiaries are required to contribute 10% – 11% (2003: 10% – 11%) of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also operates a defined benefit pension scheme for certain qualifying employees of its overseas subsidiaries. Under the scheme, the employees are entitled to a pension of 1.25% of final salary for each year of pensionable service at a normal retirement age of 65. No other post-retirement benefits are provided. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 1 May 2002 by Mr. Nigel P. Hacking, Fellow of the Institute of Actuaries, of Barnett Waddingham and was updated to 31 December 2004 for the accounting reporting purpose. The present value of the defined obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

	2004	2003
Discount rate	5.50%	5.65%
Expected return on plan assets	6.50%	6.75%
Expected rate of salary increases	3.75%	3.75%
Future pension increases	2.50%	2.50%

The actuarial valuation updated to 31 December 2004 showed that the market value of scheme assets was approximately HK\$64.3 million (2003: HK\$53.5 million) and that the actuarial value of these assets represented 87% (2003: 85%) of the benefits that had accrued to members. The shortfall of approximately HK\$9.7 million (2003: HK\$9.3 million) is to be cleared over the estimated remaining service period of the current membership of 15 years.

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For the year ended 31 December 2004

35. RETIREMENT BENEFITS AND PENSION SCHEMES (cont'd)

Amounts recognised in the consolidated income statement in respect of the defined benefit pension scheme are as follows:

	2004 HK\$'M	2003 HK\$'M
Current service cost	2.0	2.1
Interest cost	3.6	2.9
Expected return on plan assets	(3.7)	(3.3)
Net actuarial loss recognised in the year	0.3	0.3
	2.2	2.0

The charge for the year has been included in administrative expenses.

The actual gain on plan assets was approximately HK\$6.3 million (2003: HK\$7.6 million).

The unrecognised defined benefit asset arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2004 HK\$'M	2003 HK\$'M
Fair value of scheme assets	64.3	53.5
Present value of funded obligations	(74.0)	(62.8)
	(9.7)	(9.3)
Unrecognised actuarial losses	11.1	10.6
Unrecognised defined benefit asset	1.4	1.3

35. RETIREMENT BENEFITS AND PENSION SCHEMES (cont'd)

Movements in the net asset (liability) in the current year were as follows:

	2004	2003
	HK\$'M	HK\$'M
At 1 January	1.3	1.1
Exchange differences	0.1	0.1
Amounts charged to the consolidated income statement	(2.2)	(2.0)
Contributions	2.2	2.1
At 31 December	1.4	1.3
Restriction on asset recognised	(1.4)	(1.3)
Net asset recognised at 31 December	–	–

36. RELATED PARTY TRANSACTIONS

The Group has made advances and other credit arrangements provided by the Group to its associates. Details of these arrangements at the balance sheet date are set out in notes 16, 33 and 34. In addition, the Group has the following significant transactions with related parties during the year.

	THE GROUP	
	2004	2003
	HK\$'M	HK\$'M
Interest income from associates	7.6	6.0
Project management fee income from associates	7.9	8.5
Project management fee income from a subsidiary of the Group's investee company	1.9	–
Property rental income from a shareholder of the Company	0.2	–

These transactions were carried out on terms similar to those applicable transactions with third parties.

37. POST BALANCE SHEET EVENT

On 31 January 2005, the Group acquired a property for HK\$250.1 million by way of public tender for property development purposes. Subsequently on 14 March 2005, the Group and Winsor entered into a memorandum of agreement pursuant to which the Group agreed to sell 20% interest in the above property project to Winsor, subject to the independent shareholders' approval at a special general meeting to be held on 21 April 2005. Details of this event are included in a circular of the Company to shareholders dated 4 April 2005.

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38. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Accuway Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Aldburg Assets Limited	British Virgin Islands	US\$1	100%	Investment holding
Aptex Europe B.V.	Netherlands	DFL40,000	100%	Garment trading
Bostar Limited	Hong Kong	HK\$100	87.5%	Property development
Caringbah Limited	British Virgin Islands	US\$1	100%	Investment holding
Charmax Trading Limited	Hong Kong	HK\$100	91%	Garment trading
Charter Star Trading Limited	Hong Kong	HK\$100,000	70%	Garment trading
Cheong Ka Limited	British Virgin Islands/ People's Republic of China	US\$1	78%	Property holding
Chung Fook Limited	British Virgin Islands/ People's Republic of China	US\$1	100%	Property holding
Churrasco Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
Datas Industries Limited	Hong Kong	HK\$2	86.4%	Garment manufacturing and trading
Delimont Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Dongguan Fude Garment Manufacturing Company Limited*	People's Republic of China	HK\$6,000,000	86.4%	Garment manufacturing
Dongguan Fumei Garment Manufacturing Company Limited*	People's Republic of China	HK\$7,000,000	86.4%	Garment manufacturing
Dongguan Grandnice Fashion Limited*	People's Republic of China	HK\$5,500,000	86.4%	Property holding
Dongguan Xianjie Knitwear Co. Ltd.*	People's Republic of China	HK\$9,000,000	78%	Garment manufacturing
Eternal Way (Cambodia) Limited	Kingdom of Cambodia	US\$250,000	77.8%	Garment manufacturing
Eternal Way Holdings Limited	Hong Kong	HK\$2	86.4%	Investment holding
Fore Prosper Limited	Hong Kong	HK\$100	60%	Property investment
Gentful Limited	Hong Kong	HK\$2	100%	Investment holding
Gieves & Hawkes International Limited	United Kingdom	£250,000	100%	Licensors
Gieves & Hawkes plc	United Kingdom	£3,111,097	100%	Investment holding
Gieves Limited	United Kingdom	£10,100	100%	Retailers
Glory Charm Development Limited	Hong Kong	HK\$2	100%	Property holding
Grandeur Investments Limited	British Virgin Islands/Hong Kong	US\$1	100%	Property investment

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38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Grandnice Fashion Limited	Hong Kong	HK\$2	86.4%	Garment manufacturing
Grandslam Limited	British Virgin Islands	US\$1	100%	Investment holding
Guangzhou Nansha Riches Faith Ktg & Gmt Ltd.*	People's Republic of China	HK\$5,460,000	100%	Garment manufacturing, subcontracting and trading
Impact (Cook Islands) Limited	Cook Islands	US\$1,000	100%	Sourcing agent
Impact Textiles B.V.	Netherlands	DFL30,000	100%	Garment trading
Impact Textiles Company Limited	Hong Kong	Ordinary shares HK\$4,450,000 Non-voting deferred shares HK\$12,310,000	100% 100%	Investment holding and garment trading
Impact Textiles International Limited	British Virgin Islands	US\$1	100%	Investment holding
Joy Alliance Limited	Hong Kong	HK\$100	87.5%	Property development
Kih-Oskh Holding N.V.	Netherlands Antilles	US\$6,000	100%	Investment holding
Kosheen Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Kowloon Station Development Company Limited	Cayman Islands	US\$1	100%	Investment holding
Lanson Place Hospitality Management Limited	British Virgin Islands	US\$1	100%	Investment holding, hospitality and property management

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Lanson Place Hospitality Management (Jakarta) Limited	British Virgin Islands/Indonesia	US\$1	100%	Hospitality and property management
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S\$100	100%	Hospitality and property management
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US\$12,000	100%	Investment holding and licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US\$1	100%	Investment holding
Lanson Place Hotels & Residences (Netherlands) B.V.	Netherlands	DFL40,000	100%	Licensing, hospitality and property management
Lanson Place Management Limited	Hong Kong	HK\$2	100%	Hospitality and property management
L'impact Lingerie B.V.	Netherlands	DFL40,000	100%	Garment trading
L'impact Lingerie Limited	Hong Kong	HK\$400,000	100%	Garment trading
Longrise (HK) Limited	Hong Kong	HK\$2	78%	Garment trading
Marvinbond Limited	British Virgin Islands	US\$1	100%	Investment holding
Mezereum Limited	British Virgin Islands/Hong Kong	US\$1	100%	Property investment
Potter Enterprises Limited	British Virgin Islands	US\$1	100%	Investment holding

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For the year ended 31 December 2004

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Ruyuan Grandnice Garment Manufacturing Company Limited*	People's Republic of China	HK\$15,000,000	86.4%	Garment manufacturing
Ruyuan Polly Garment Manufacturing Company Limited*	People's Republic of China	HK\$15,000,000	70%	Garment manufacturing
Shao Guan Ruyuan Global Best Knitwear Co. Ltd.*	People's Republic of China	HK\$7,800,000	78%	Garment manufacturing
Shui Hing Textiles International Limited	Hong Kong	HK\$75,000,000	100%	Investment holding and garment trading
Shui Hung Knitting and Garment Factory Limited	Hong Kong	HK\$20,000,000	100%	Investment holding and garment manufacturing
Shui Pang Enterprise (Macau) Limited	Macau	MOP825,600	49%	Garment subcontracting
Shui Pang Garment & Knitting Factory Limited	Hong Kong	HK\$2,000,000	70%	Investment holding and garment manufacturing
Shui Ying Knitting & Garment Factory Limited	Hong Kong	HK\$8,000,000	100%	Investment holding and garment manufacturing
Success First Development Limited	Hong Kong	HK\$2	100%	Property investment
Sun Hung International Limited	Hong Kong	HK\$7,500,000	78%	Investment holding and garment manufacturing

38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Teamdoor Investments Limited	Hong Kong	HK\$2	86.4%	Garment trading
Technic Enterprises Limited	Hong Kong	HK\$2	86.4%	Garment trading
Telwin Industrial Limited	Hong Kong	HK\$2	86.4%	Garment manufacturing and trading
Townhill Enterprises Limited	British Virgin Islands	US\$1	100%	Investment holding
Triberg Company Limited	Hong Kong	HK\$2	86.4%	Garment trading
Twin Dragon Investments Limited	British Virgin Islands/Hong Kong	US\$1	100%	Investment holding
Unimix Exporters Limited	Hong Kong	HK\$300,000	86.4%	Garment trading
Unimix Holdings Limited	Hong Kong	HK\$1,100,000	86.4%	Investment holding
Unimix Limited	Hong Kong	HK\$10,000,000	86.4%	Garment manufacturing and trading
Unimix Properties Limited	Hong Kong	HK\$200	86.4%	Property investment
United Success International Investment B.V.	Netherlands	DFL40,000	100%	Investment holding
United Success International Limited	Hong Kong	HK\$227,750,062	100%	Investment holding
Universal Team Industrial Limited	Hong Kong	HK\$2	100%	Investment holding
Universal Plus Limited	British Virgin Islands/Hong Kong	US\$100	80%	Investment holding

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38. PRINCIPAL SUBSIDIARIES (cont'd)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
USI Holdings (B.V.I.) Limited	British Virgin Islands	US\$50,000	100%	Investment holding
USI Properties International Limited	British Virgin Islands	US\$1	100%	Investment holding
USI Property Management Limited	Hong Kong	HK\$2	100%	Property development and project management

* These subsidiaries are wholly foreign owned enterprises established in the People's Republic of China.

Only USI Holdings (B.V.I.) Limited is directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting as at 31 December 2004 or at any time during the year.

39. PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 31 December 2004 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Lancaster Partnership Limited	United Kingdom	47.5%	Property development
Landyork Investment Limited	Hong Kong	40%	Property development
Mancas Investment Limited	Hong Kong	50%	Property development
Mission System Consultant Limited	Hong Kong	50%	Computer software consultancy
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing
Union Charm Development Limited*	Hong Kong	7.5%	Property development
Winhome Investment Pte Ltd.*	Singapore	12%	Property development
Winner Max Enterprises Limited	Hong Kong	33.3%	Property development

* The Group has the ability to exercise significant influence over these associates. Accordingly, they are regarded as associates of the Group.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.