

## 15. NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi Yuan)*

### 1. Significant accounting policies

Ports Design Limited (“the Company”) is a company incorporated in Bermuda with limited liability. The consolidated financial statements of the Company for the year ended 31 December 2004 comprise the Company and its subsidiaries (together referred to as the “Group”).

#### (a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”). IFRS includes International Accounting Standards (“IAS”) and related interpretations. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the SEHK”).

The IASB has issued a number of new and revised IFRS and IAS (“new IFRS”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new IFRS in the financial statements for the year ended 31 December 2004. The Group has commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRS would have a significant impact on its results of operations and financial position.

A summary of the significant accounting policies adopted by the Group is set out below.

#### (b) *Basis of preparation*

The measurement basis used in the preparation of the financial statement is historical cost.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**Notes To The Financial Statements**  
**(Expressed in Renminbi Yuan)**

**(c) Basis of consolidation**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any impairment losses (refer to accounting policy i).

**(d) Lease prepayments**

Leases of land are classified as operating leases. The prepaid lease payments are amortised over the lease period on a straight-line basis.

**(e) Property, plant and equipment**

**(i) Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy i).

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

**(ii) Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Buildings acquired by way of finance leases are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to accounting policy i).

**(iii) Subsequent expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

**Notes To The Financial Statements**  
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*(iv) Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, as follows:

Buildings	20 years
Plant and machinery	10 years
Fixtures, fittings and other fixed assets	3-5 years

*(v) Disposals*

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

*(vi) Construction in progress*

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction incurred during the periods of construction and installation. The asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's policy.

***(f) Inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is calculated based on the weighted average costing method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

***(g) Trade and other receivables***

Trade and other receivables are stated at their cost less impairment losses (refer to accounting policy i).

***(h) Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with banks with an initial term of less than three months.

**Notes To The Financial Statements**  
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**(i) Impairment**

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy f) and deferred tax assets (refer to accounting policy p), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

*(i) Calculation of recoverable amount*

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

*(ii) Reversals of impairment*

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Intangible asset**

The intangible asset acquired by the Group is stated at cost less accumulated amortisation and impairment losses (refer to accounting policy i). Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible asset.

Trademark use rights are amortised over the estimated useful life of 10 years from the date of acquisition.

**Notes To The Financial Statements**  
**(Expressed in Renminbi Yuan)**

**(k) Employee benefits**

*(i) Defined contribution plan*

Obligations for contributions to a defined contribution pension plan, including contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Scheme Ordinance, are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.

*(ii) Share option*

When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

**(l) Trade and other payables**

Trade and other payables are stated at their cost.

**(m) Provisions**

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

**(n) Revenue**

*(i) Sales of goods*

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

*(ii) Services rendered*

Revenue from services rendered is recognised in the income statement when the service is rendered.

**Notes To The Financial Statements**  
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***(o) Expenses***

***(i) Operating lease payments***

Payments made under operating leases are recognised in the income statement on a straight-line basis over the terms of the respective leases. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

***(ii) Net financing costs***

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the assets.

Interest expense is recognised in the income statement using the effective interest rate method.

***(p) Income tax***

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment of tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

***(q) Foreign currency transactions***

Transactions in foreign currencies are translated to Renminbi (“RMB”) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated to RMB at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, that are stated at historical cost are translated to RMB at the foreign exchange rate ruling at the date of the transaction.

(r) ***Related parties***

For the purposes of this report, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(s) ***Dividends***

Dividends are recognised as a liability in the period in which they are declared.

**Notes To The Financial Statements**  
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*(t) Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

**2. Turnover**

The principal activities of the Group are the manufacturing and sales of garments. Turnover represents income arising from the sale of garments net of value added tax.

**3. Segment information**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, borrowing and expenses, and corporate assets and expense.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

*Business segments*

The Group comprises two principal business segments which are retail and original equipment manufacturer ("OEM") respectively.

*Geographical segments*

The Group's business is managed on a worldwide basis, but participates in four principal geographical areas, the PRC (other than Hong Kong), North America, Hong Kong and Europe.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.



**Notes To The Financial Statements**  
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*Business segments*

	2004	2003
Turnover		
Retail	491,639,236	379,251,367
OEM	157,234,803	168,233,379
Unallocated	<u>65,276,054</u>	<u>37,155,227</u>
Total	<u>714,150,093</u>	<u>584,639,973</u>
Segment result		
Retail	124,879,228	101,201,778
OEM	<u>16,557,638</u>	<u>14,230,076</u>
Total	141,436,866	115,431,854
Unallocated operating income and expenses	<u>4,698,678</u>	<u>3,678,958</u>
Profit from operations	146,135,544	119,110,812
Net financing income/(costs)	3,375,077	(3,243,925)
Income tax	<u>(12,397,293)</u>	<u>(8,358,258)</u>
Profit attributable to shareholders	<u>137,113,328</u>	<u>107,508,629</u>
Segment assets		
Retail	383,816,651	316,261,946
OEM	<u>24,013,255</u>	<u>38,408,174</u>
Total	407,829,906	354,670,120
Unallocated assets	<u>414,957,596</u>	<u>337,465,039</u>
Total assets	<u>822,787,502</u>	<u>692,135,159</u>

**Notes To The Financial Statements**  
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	2004	2003
Segment liabilities		
Retail	112,680,268	69,594,040
OEM	<u>23,282,737</u>	<u>17,559,832</u>
Total	135,963,005	87,153,872
Unallocated liabilities	<u>10,050,582</u>	<u>12,354,800</u>
Total liabilities	<u><u>146,013,587</u></u>	<u><u>99,508,672</u></u>
Capital expenditure		
Retail	39,723,088	24,223,204
OEM	-	-
Unallocated	<u>2,303,927</u>	<u>1,929,639</u>
Total	<u><u>42,027,015</u></u>	<u><u>26,152,843</u></u>
Depreciation and amortisation		
Retail	19,778,019	14,209,874
OEM	-	-
Unallocated	<u>1,095,313</u>	<u>1,080,536</u>
Total	<u><u>20,873,332</u></u>	<u><u>15,290,410</u></u>
<i>Geographical segments</i>		
	2004	2003
Turnover		
the PRC	502,348,520	392,607,302
North America	163,040,206	173,330,335
Hong Kong	12,329,965	9,853,854
Europe	<u>36,431,402</u>	<u>8,848,482</u>
Total	<u><u>714,150,093</u></u>	<u><u>584,639,973</u></u>
Segment assets		
the PRC	656,439,486	375,967,572
Hong Kong	<u>166,348,016</u>	<u>316,167,587</u>
Total	<u><u>822,787,502</u></u>	<u><u>692,135,159</u></u>
Capital expenditure		
the PRC	40,492,360	25,523,676
Hong Kong	<u>1,534,655</u>	<u>629,167</u>
Total	<u><u>42,027,015</u></u>	<u><u>26,152,843</u></u>

**Notes To The Financial Statements**  
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**4. Other operating income**

	2004	2003
Liaison service income	265,735	245,998
Royalty income	2,134,700	1,247,264
Design and decoration income	1,100,409	4,873,124
Insurance compensation	251,228	674,937
Others	<u>1,006,699</u>	<u>844,978</u>
	<u>4,758,771</u>	<u>7,886,301</u>

**5. Other operating expenses**

	2004	2003
Stock provision	23,817,558	21,165,556
Amortisation of intangible asset	<u>645,660</u>	<u>645,660</u>
	<u>24,463,218</u>	<u>21,811,216</u>

**6. Personnel expenses**

	2004	2003
Wages, salaries and staff benefits	93,366,039	66,463,873
Contributions to defined contribution retirement plan	<u>2,501,089</u>	<u>1,816,688</u>
	<u>95,867,128</u>	<u>68,280,561</u>
Average number of employees during the year	<u>3,502</u>	<u>2,786</u>

The Group participates in a defined contribution plan managed by the local government authorities of Xiamen whereby the Group is required to contribute to the plan. The applicable rates of contribution are either 6% of the minimum salary level of employees in Xiamen or 14% (2003: 14%) of the higher of the average salary of employees in Xiamen and the individual basic salary of the Group's employees. The Group has no obligation for the payment of retirement benefits other than the contributions described above.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined contribution plan as mentioned above. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.

Personnel expenses include Directors' remuneration of RMB1,200,556 for the year ended 31 December 2004 (2003: RMB 1,191,850).

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**7. Profit from ordinary activities before taxation**

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	<i>2004</i>	<i>2003</i>
<b>(i) Net financing (income)/cost</b>		
Interest income	(3,874,311)	(543,156)
Interest expense on bank advances repayable within five years	-	1,771,347
Bank charges	1,498,653	1,578,459
Net foreign exchange (gain)/loss	<u>(999,419)</u>	<u>437,275</u>
Net finance (income)/cost	<u>(3,375,077)</u>	<u>3,243,925</u>
	<i>2004</i>	<i>2003</i>
<b>(ii) Other items</b>		
Auditors' remuneration	1,754,966	900,000
Depreciation		
- owned fixed assets	19,708,338	14,118,615
- leased fixed assets	271,770	271,770
Amortisation		
- lease prepayments	247,564	254,365
- intangible assets	645,660	645,660
Operating leases charges in respect of properties		
- minimum lease payments	38,364,773	27,513,162
- contingent rents	<u>89,813,282</u>	<u>71,165,440</u>

**Notes To The Financial Statements**  
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**8. Income tax expense**

(i) Income tax expense represents:

	2004	2003
Current year expense	20,181,188	12,614,591
(Over)/under provision in prior years	(270,829)	168,116
Income tax refund	<u>(5,016,960)</u>	<u>(6,585,862)</u>
	14,893,399	6,196,845
Changes in deferred taxes	<u>(2,496,106)</u>	<u>2,161,413</u>
	<u>12,397,293</u>	<u>8,358,258</u>

Pursuant to the rules and regulations of Bermuda, the Company is not subject to any income tax in Bermuda. Also, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in their local jurisdictions.

Provision for Hong Kong Profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits of a subsidiary in Hong Kong. No provision for Hong Kong Profits tax has been made during the year ended 31 December 2004 as that subsidiary did not earn any assessable income for Hong Kong Profits tax purposes.

The Group's applicable tax rate represented the preferential PRC enterprise income tax of 15% applicable to companies located within special economic zones in the PRC.

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries located in the PRC ("PRC subsidiaries") are entitled to a tax holiday of a tax-free period for two years from their first profit-making year of operations and thereafter, they are subject to PRC Enterprise income tax at 50% of the applicable income tax rate for the following three years.

The Group was granted a tax refund of RMB5,016,960 during the year ended 31 December 2004 (2003: RMB6,585,862), pursuant to the relevant PRC tax law and regulations applicable to re-investment of profits earned.

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- (ii) The following is a reconciliation of income tax calculated at the Group's PRC applicable tax rate with income tax expense.

	2004	2003
Profit from ordinary activities before taxation	<u>149,510,621</u>	<u>115,866,887</u>
Computed tax using the Group's applicable tax rate	22,426,593	17,380,033
Rate differential on the Company and subsidiaries' income taxed at 0%	(2,238,160)	(2,604,029)
Tax holiday enjoyed by a PRC subsidiary	(3,657,820)	-
Non-deductible expenses net of non-taxable income	36,054	-
Deferred tax asset not recognised	1,118,415	-
Income tax refund	(5,016,960)	(6,585,862)
(Over)/under provision in prior years	<u>(270,829)</u>	<u>168,116</u>
	<u>12,397,293</u>	<u>8,358,258</u>

- (iii) Taxation in the consolidated balance sheet represents:

	2004	2003
Balance at beginning of year	6,526,888	11,662,091
Provision for income tax for the year	19,910,359	12,782,707
Paid during the year	<u>(16,386,636)</u>	<u>(17,917,910)</u>
Balance at end of year	<u>10,050,611</u>	<u>6,526,888</u>

**9. Profit attributable to shareholders**

The consolidated profit attributable to shareholders includes a profit of RMB22,572,602 (2003: RMB12,034) which has been dealt with in the financial statements of the Company. Reconciliation of the above amount to the Company's profit for the year:

	2004	2003
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	22,572,602	12,034
Final dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	<u>31,236,300</u>	<u>35,000,000</u>
Company's profit for the year (Note 25 (b))	<u>53,808,902</u>	<u>35,012,034</u>

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**10. Dividends**

<b>(a) Dividends attributable to the year</b>	<i>2004</i>	<i>2003</i>
Interim dividend approved and paid of RMB 0.16 (2003:RMB0.33) per share	21,729,600	35,000,000
Final dividend proposed after the balance sheet date of RMB0.0875 (2003: RMB0.23) per share	<u>47,533,797</u>	<u>31,236,300</u>
	<u><u>69,263,397</u></u>	<u><u>66,236,300</u></u>

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date. The calculation of final dividend per share is based on 543,240,000 ordinary shares in issue as at 31 December 2004 (2003: 135,810,000 ordinary shares).

<b>(b) Dividends attributable to the previous financial year, approved and paid during the year</b>	<i>2004</i>	<i>2003</i>
Final dividend in respect of the previous financial year, approved and paid during the year of RMB 0.23 (2003:Nil) per share	<u>31,236,300</u>	<u>-</u>

**11. Earnings per share**

*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB137,113,328 (2003: RMB107,508,629) and the weighted average of 543,240,000 (2003: 441,700,272) ordinary shares in issue during the year. The weighted average number of ordinary shares in issue for 2003 has been retrospectively adjusted for the effect of the share split during the year ended 31 December 2004 (Note 24).

*(b) Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of RMB137,113,328 (2003: RMB107,508,629) and the weighted average number of 547,375,337 (2003: 442,199,244) ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares under the Company's share option scheme. The weighted average number of ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares for 2003 has been retrospectively adjusted for the effect of share split during the year ended 31 December 2004 (Note 24).

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(c) *Reconciliation*

	2004	2003
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	543,240,000	441,700,272
Deemed issue of ordinary shares for no consideration	<u>4,135,337</u>	<u>498,972</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>547,375,337</u>	<u>442,199,244</u>

**12. Directors' emoluments**

Details of Directors' emoluments are as follows:

	Fees	Basic salaries housing benefits, other allowances and benefits in kind	Contributions to retirement benefit scheme	Total 2004	Total 2003
<b>Executive Directors</b>					
Mr. Edward Tan Han Kiat	-	266,000	-	266,000	266,000
Mr. Alfred Chan Kai Tai	-	266,000	-	266,000	266,000
Mr. Pierre Frank Bourque	-	668,556	-	668,556	659,850
<b>Non-Executive Directors</b>					
Mr. Kunnasagaran Chinniah	-	-	-	-	-
Ms. Janine Tran Chanh Lien	-	-	-	-	-
Mr. Rodney Ray Cone *	-	-	-	-	-
Ms. Valarie Fong Wei Lynn *	-	-	-	-	-
Ms. Lara Magno Lai *	-	-	-	-	-
	<u>-</u>	<u>1,200,556</u>	<u>-</u>	<u>1,200,556</u>	<u>1,191,850</u>
2003	<u>-</u>	<u>1,191,850</u>	<u>-</u>		

\* independent non-executive Directors

- (a) There was no Directors' remuneration paid to the non-executive Directors during the year.



- (b) No bonuses were paid or payable as at 31 December 2004 and 2003 by the Group to the Directors which were discretionary or based on the Group's or any member of the Group's performance.
- (c) Certain Directors were granted options to subscribe for ordinary shares in the Company. Details of the share options granted and outstanding in respect of each director as at 31 December 2004 are set out in the "Share Options Scheme" section in the Report of the Directors.
- (d) Save as disclosed above, no Directors' remuneration has been paid or is payable by the Group for the year ended 31 December 2004.

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**13. Senior management's emoluments**

None of the Directors of the Company whose remuneration reflected in note 12 above is among the five highest paid individuals in the Group during the year ended 31 December 2004 (2003: one director). Details of the emoluments paid by the Group for the five highest paid employees in 2004 (2003: the remaining four top-paid employees) are as follows:

	2004	2003
Basic salaries, allowances and other benefits	4,530,133	2,146,824
Discretionary bonuses	-	-
Contributions to retirement benefit scheme	-	-
	<u>4,530,133</u>	<u>2,146,824</u>

An analysis of emoluments paid to the 5 (2003: the remaining four) highest paid individuals by number of individuals and emolument range is as follows:

	2004	2003
RMB Nil – RMB 1,000,000	4	4
RMB 1,000,001 – RMB1,500,000	<u>1</u>	<u>-</u>
	<u>5</u>	<u>4</u>

During the relevant period, no emoluments were paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**14. Related party transactions**

Transactions with the following parties are considered as related party transactions for the years ended 31 December 2004 and 2003.

Name of party	Relationship
CFS International Incorporated	Ultimate holding company
Ports International Retail Corporation	Fellow subsidiary company
PIHK Limited	Fellow subsidiary company

(a) **Recurring**

Particulars of significant transactions between the Group and the above related parties for the years ended 31 December 2004 and 2003 are as follows:

	2004	2003
Sales of goods to:		
Ports International Retail Corporation	<u>5,681,190</u>	<u>2,132,984</u>

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on

terms no less favorable to the Group than terms available to or from independent third parties, and in the ordinary course of business, and this has been confirmed by the independent non-executive Directors.

**(b) Non-recurring**

	2004	2003
<b>Sales of goods to:</b>		
CFS International Incorporated	-	79,681
PIHK Limited	-	3,085,339
<b>Purchase of goods and fixed assets from:</b>		
CFS International Incorporated	-	493,792
PIHK Limited	-	7,415,869
<b>Expenditure paid on the Group's behalf by:</b>		
PIHK Limited	-	4,854,221
CFS International Incorporated	-	2,911,303
<b>Expenditure paid on behalf of:</b>		
CFS International Incorporated	-	3,391,002
PIHK Limited	-	4,930,717
Ports International Retail Corporation	-	406,081
<b>Repayment of advances:</b>		
PIHK Limited	-	<u>(8,277,200)</u>

The non-recurring transactions in 2003 as shown above were entered prior to the listing of the Company's shares on the Stock Exchange of Hong Kong Limited on 31 October 2003 (the "Listing"). In connection with the Listing, the Directors of the Company have confirmed that the above transactions would not continue after the Listing.

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from independent third parties, and in the ordinary course of business.

**Notes To The Financial Statements**  
*(Expressed in Renminbi Yuan)*

**15. Lease prepayments**

	<i>The Group</i>	
	2004	2003
<b>Cost</b>		
Balance at beginning of year	11,946,485	11,946,485
Disposal	<u>(4,081,792)</u>	<u>-</u>
Balance at end of year	<u>7,864,693</u>	<u>11,946,485</u>
<b>Accumulated amortisation</b>		
Balance at beginning of year	(755,910)	(501,545)
Amortisation charge for the year	(247,564)	(254,365)
Disposal	<u>210,855</u>	<u>-</u>
Balance at end of year	<u>(792,619)</u>	<u>(755,910)</u>
<b>Net book value</b>		
At end of year	<u>7,072,074</u>	<u>11,190,575</u>

The lease prepayments of the Group represented rentals prepaid in obtaining land use rights in the PRC for periods between 20 to 50 years.

**Notes To The Financial Statements**  
(Expressed in Renminbi Yuan)

**16. Property, plant and equipment**

**The Group**

	Buildings	Plant and machinery	Fixtures, fitting and other fixed assets	Construction in progress	Total
<b>Cost</b>					
Balance at 1 January 2003	25,024,365	14,023,798	36,139,068	7,729,506	82,916,737
Acquisitions	-	3,937,647	15,689,422	6,525,774	26,152,843
Transfer from construction in progress	10,344,586	-	2,584,610	(12,929,196)	-
Disposals	-	-	(4,186,360)	-	(4,186,360)
Balance at 1 January 2004	35,368,951	17,961,445	50,226,740	1,326,084	104,883,220
Acquisitions	-	5,749,968	24,831,744	11,445,503	42,027,215
Transfer from construction in progress	303,377	348,941	4,935,887	(5,588,205)	-
Disposals	-	(3,667,205)	(6,274,743)	-	(9,941,948)
Balance at 31 December 2004	<u>35,672,328</u>	<u>20,393,149</u>	<u>73,719,628</u>	<u>7,183,382</u>	<u>136,968,487</u>
<b>Depreciation</b>					
Balance at 1 January 2003	3,121,783	7,670,581	14,177,012	-	24,969,376
Depreciation charge for year	1,463,262	1,027,770	11,899,353	-	14,390,385
Disposals	-	-	(4,175,313)	-	(4,175,313)
Balance at 1 January 2004	4,585,045	8,698,351	21,901,052	-	35,184,448
Depreciation charge for year	1,595,472	1,336,829	17,047,807	-	19,980,108
Disposals	-	(2,878,779)	(6,077,137)	-	(8,955,916)
Balance at 31 December 2004	<u>6,180,517</u>	<u>7,156,401</u>	<u>32,871,722</u>	<u>-</u>	<u>46,208,640</u>
<b>Net book value</b>					
At 31 December 2004	<u>29,491,811</u>	<u>13,236,748</u>	<u>40,847,906</u>	<u>7,183,382</u>	<u>90,759,847</u>
At 31 December 2003	<u>30,783,906</u>	<u>9,263,094</u>	<u>28,325,688</u>	<u>1,326,084</u>	<u>69,698,772</u>

All of the buildings owned by the Group are located in the PRC on land under medium term leases.

As at 31 December 2004, the net book value of a building held under a finance lease arrangement of the Group amounted to RMB3,959,890 (2003: RMB4,231,660).

**Notes To The Financial Statements**  
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**17. Intangible assets**

	<i>The Group</i>	
	2004	2003
<b>Cost</b>		
Balance at beginning/end of year	<u>6,450,600</u>	<u>6,450,600</u>
<b>Amortisation</b>		
At beginning of year	5,266,890	4,621,230
Amortisation charge for the year	<u>645,660</u>	<u>645,660</u>
At end of year	<u>5,912,550</u>	<u>5,266,890</u>
<b>Net book value</b>		
At end of year	<u>538,050</u>	<u>1,183,710</u>

Intangible assets comprise trademark use rights registered in the PRC held by the Group.

**18. Deferred tax assets**

*Recognised deferred tax assets*

Deferred tax assets are attributable to the items set out below:

	<i>The Group</i>	
	2004	2003
Stock provision	4,976,608	3,078,021
Tax value of loss carried forward	-	378,978
Other creditors and accruals	845,909	-
Others	<u>176,818</u>	<u>46,230</u>
Total	<u>5,999,335</u>	<u>3,503,229</u>

*Unrecognised deferred tax asset*

A deferred tax asset has not been recognised in respect of the following item:

	<i>The Group</i>	
	2004	2003
Tax losses of a subsidiary	<u>1,118,415</u>	-
Total	<u>1,118,415</u>	-

A deferred tax asset has not been recognised in respect of the above item because it is not probable that sufficient future taxable profits will be available against which the subsidiary can utilise the benefits therefrom.

**Notes To The Financial Statements**  
(Expressed in Renminbi Yuan)

**19. Inventories**

Inventories represent:

	<i>The Group</i>	
	<i>2004</i>	<i>2003</i>
Raw materials	52,183,338	43,683,505
Work in progress	14,771,610	10,300,709
Finished goods	143,463,513	129,008,372
Goods in transit	<u>2,531,073</u>	<u>1,823,119</u>
	<u>212,949,534</u>	<u>184,815,705</u>

Inventories stated at net realisable value 70,671,151 60,916,809  
The cost of inventories recognised as expenses in the income statement can be specified as follows:

Cost of sales	278,008,426	247,926,143
Stock provision	<u>23,817,558</u>	<u>21,165,556</u>
	<u>301,825,984</u>	<u>269,091,699</u>

**20. Trade and other receivables, deposits and prepayments**

**(a) The Group**

	<i>2004</i>	<i>2003</i>
Accounts receivable (note (i) below)	89,898,515	72,275,008
Bills receivable	7,896,468	12,651,091
Amounts due from related companies (note 23(a))	1,922,238	-
Advances to suppliers	9,368,417	8,882,482
Other receivables, deposits and prepayments	<u>21,318,828</u>	<u>12,877,316</u>
	<u>130,404,466</u>	<u>106,685,897</u>

(i) An ageing analysis of accounts receivable (net of provisions for bad and doubtful debts) is as follows:

	<i>2004</i>	<i>2003</i>
Within 1 month	77,929,060	59,587,793
Over 1 month but less than 3 months	11,439,416	11,455,675
Over 3 months but less than 6 months	435,089	1,201,928
Over 6 months but less than 12 months	<u>94,950</u>	<u>29,612</u>
	<u>89,898,515</u>	<u>72,275,008</u>

Customers are normally granted credit terms of 0 to 60 days, depending on the credit worthiness of individual customers.

**(b) The Company**

	<i>2004</i>	<i>2003</i>
Amounts due from subsidiaries	160,492,532	134,486,564
Other receivables, deposits and prepayments	<u>454,376</u>	<u>486,250</u>
	<u><u>160,946,908</u></u>	<u><u>134,972,814</u></u>

**21. Cash and cash equivalents**

An analysis of the balance of cash and cash equivalents is set out below:

**(a) The Group**

	<i>2004</i>	<i>2003</i>
Cash at bank and in hand	96,494,857	48,317,365
Time deposits with banks	<u>212,186,839</u>	<u>183,972,906</u>
	<u><u>308,681,696</u></u>	<u><u>232,290,271</u></u>

**(b) The Company**

	<i>2004</i>	<i>2003</i>
Cash at bank and in hand	7,454,530	11,813,228
Time deposits with banks	<u>149,267,004</u>	<u>92,760,106</u>
	<u><u>156,721,534</u></u>	<u><u>104,573,334</u></u>



**Notes To The Financial Statements**  
*(Expressed in Renminbi Yuan)*

**22. Trade payables, other payables and accruals**

**(a) The Group**

	<i>2004</i>	<i>2003</i>
Bills payable	405,052	359,124
Accounts payable (note (i) below)	60,637,010	39,972,591
Other creditors and accruals	74,920,914	47,698,551
Amounts due to related companies (note 23(a))	<u>-</u>	<u>1,100,828</u>
	<u>135,962,976</u>	<u>89,131,094</u>

(i) An ageing analysis of accounts payable is as follows:

	<i>2004</i>	<i>2003</i>
Within 1 month or on demand	32,888,958	23,308,866
Over 1 month but less than 3 months	19,206,908	11,202,688
Over 3 months but less than 6 months	7,864,089	4,798,751
Over 6 months but less than 12 months	<u>677,055</u>	<u>662,286</u>
	<u>60,637,010</u>	<u>39,972,591</u>

**(b) The Company**

	<i>2004</i>	<i>2003</i>
Other creditors and accruals	1,028,950	128,006
Amount due to a related company (note 23(b))	-	506,508
Amounts due to subsidiaries	<u>56,914</u>	<u>2,080,091</u>
	<u>1,085,864</u>	<u>2,714,605</u>

**23. Amounts due from/to related companies**

**(a) The Group**

	<i>2004</i>	<i>2003</i>
<b>Amount due from</b>		
Ports International Retail Corporation	<u>1,922,238</u>	<u>-</u>
<b>Amounts due to</b>		
CFS International Incorporated	-	(95,172)
PIHK Limited	<u>-</u>	<u>(1,005,656)</u>
	<u>-</u>	<u>(1,100,828)</u>

**Notes To The Financial Statements**  
(Expressed in Renminbi Yuan)

**(b) The Company**

	2004	2003
<b>Amount due to</b>		
PIHK Limited	-	(506,508)
	<u>-</u>	<u>(506,508)</u>

The amounts due from/to related companies are unsecured, interest free and have no fixed repayment terms. The balances arise from the related party transactions disclosed in note 14.

**24. Share capital**

	<i>The Group and the Company</i>			
	2004		2003	
	<i>Number of shares</i>	<i>Amount HK\$</i>	<i>Number of shares</i>	<i>Amount HK\$</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	-	-	900,000,000	9,000,000
Ordinary shares of HK\$0.0025 each	<u>3,600,000,000</u>	<u>9,000,000</u>	-	-
	<u>3,600,000,000</u>	<u>9,000,000</u>	<u>900,000,000</u>	<u>9,000,000</u>
<b>Issued and fully paid:</b>				
At the beginning of the year	135,810,000	1,358,100	105,560,000	1,055,600
Shares sub-division	407,430,000	-	-	-
New issue under the Offering and the Placement	-	-	25,000,000	250,000
New issue under the over-allotment option related to the Placement	-	-	<u>5,250,000</u>	<u>52,500</u>
At the end of the year	<u>543,240,000</u>	<u>1,358,100</u>	<u>135,810,000</u>	<u>1,358,100</u>
		<i>RMB equivalent</i>		<i>RMB equivalent</i>
		<u>1,442,185</u>		<u>1,442,185</u>

Pursuant to an ordinary resolution passed at a special general meeting held on 15 November 2004, the Company subdivided every issued and unissued ordinary share of HK\$0.01 each in the capital of the Company into four ordinary shares of HK\$0.0025 each in the Company.

**Notes To The Financial Statements**  
(Expressed in Renminbi Yuan)

**Share options**

Under the terms of the Company's share option scheme (the "SO Scheme") adopted on 14 October 2003, the Directors of the Company may, at their discretion, grant options to any employees, non-executive Directors, suppliers, customers or any persons or entities who provide research, development or technological support who will or have contributed to the Group, to subscribe for shares of the Company. A nominal consideration of HK\$10 is payable on acceptance of the grant of an option and will entitle the holder to subscribe for shares during a period to be determined and notified by the Directors of the Company, in any event not later than 10 years from the date of the grant of the option, as may be determined by the Directors of the Company at a price not less than the highest of (i) the closing price of the shares as stated in the SEHK's daily quotations on the offer date; and (ii) the average price of the closing price of the shares as stated in the SEHK's daily quotations for the five trading days immediately preceding the offer date (iii) the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the SO Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time. Any shares allotted and issued on the exercise of options will rank pari passu with the other shares in issue at the date of exercise of the relevant option. The options shall only be exercisable in respect of such part thereof that has been vested in accordance with the following manner:

<b>Fraction of the shares covered under the option</b>	<b>Vesting date</b>
1/3	First anniversary of the offer date
1/3	Second anniversary of the offer date
1/3	Third anniversary of the offer date

The Board of Directors may in its absolute discretion relax or accelerate all or any of the above vesting periods in such manner as it may deem fit.

**Movement in share options are as follows:**

	<i>2004</i> <i>Number of</i> <i>shares involved</i> <i>in the options</i>	<i>2003</i> <i>Number of</i> <i>shares involved</i> <i>in the options</i>
At beginning of year	3,500,000	-
Granted	-	3,500,000
Adjustment *	10,500,000	-
Cancelled	<u>(59,200)</u>	<u>-</u>
At end of year	<u>13,940,800</u>	<u>3,500,000</u>
Options vested at end of year	<u>4,646,933</u>	<u>-</u>

\* Adjustment for the effect of share split during the year

The outstanding share options at the balance sheet dates were granted on 3 November 2003 and are exercisable for a period commencing 3 November 2003 to 2 November 2013 at an

exercise price of HK\$2.625 per share (after adjustment for the effect of share split during the year).

Up to 31 December 2004, no share options have been exercised.

**Notes To The Financial Statements**  
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**25. Reserves**

**(a) The Group**

	<i>Capital Reserve</i>	<i>Share premium</i>	<i>General reserve fund (i)</i>	<i>Enterprise expansion fund (ii)</i>	<i>Retained earnings</i>	<i>Total</i>
Balance at 1 January 2003	42,483,919	20,675,104	29,844,052	9,867,952	100,390,509	203,261,536
Issuance of shares of the Company	-	338,312,728	-	-	-	338,312,728
Share issue expenses	-	(22,898,591)	-	-	-	(22,898,591)
Net profit for the year	-	-	-	-	107,508,629	107,508,629
Transfer to reserves	-	-	5,405,873	-	(5,405,873)	-
Dividend declared	-	-	-	-	(35,000,000)	(35,000,000)
Balance at 31 December 2003	<u>42,483,919</u>	<u>336,089,241</u>	<u>35,249,925</u>	<u>9,867,952</u>	<u>167,493,265</u>	<u>591,184,302</u>
Balance at 1 January 2004	42,483,919	336,089,241	35,249,925	9,867,952	167,493,265	591,184,302
Net profit for the year	-	-	-	-	137,113,328	137,113,328
Transfer to reserves	-	-	12,155,319	-	(12,155,319)	-
Dividends declared	-	-	-	-	(52,965,900)	(52,965,900)
Balance at 31 December 2004	<u>42,483,919</u>	<u>336,089,241</u>	<u>47,405,244</u>	<u>9,867,952</u>	<u>239,485,374</u>	<u>675,331,730</u>

*PRC statutory reserves*

Transfers from retained earnings to PRC statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries incorporated in the PRC and were approved by the respective Boards of Directors.

(i) General reserve fund

The subsidiaries in the PRC are required to transfer at least 10% of their profit after taxation, as determined under the PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The general reserve fund can be used to make good losses and convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

(ii) Enterprise expansion fund

The transfers from retained earnings to the enterprise expansion fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries and were approved by the respective Boards of Directors.

The enterprise expansion fund can be used to convert into share capital, to acquire fixed assets and to increase current assets.

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*(Expressed in Renminbi Yuan)*

**(b) The Company**

	Share premium	Contributed surplus	Retained earnings	Total
Balance at 1 January 2003	-	151,259,151	-	151,259,151
Issue of shares of the Company	338,312,728	-	-	338,312,728
Share issue expenses	(22,898,591)	-	-	(22,898,591)
Dividend declared	-	-	(35,000,000)	(35,000,000)
Net profit for the year	-	-	35,012,034	35,012,034
Balance at 31 December 2003	<u>315,414,137</u>	<u>151,259,151</u>	<u>12,034</u>	<u>466,685,322</u>
Balance at 1 January 2004	315,414,137	151,259,151	12,034	466,685,322
Dividend declared	-	-	(52,965,900)	(52,965,900)
Net profit for the year	-	-	53,808,902	53,808,902
Balance at 31 December 2004	<u>315,414,137</u>	<u>151,259,151</u>	<u>855,036</u>	<u>467,528,324</u>

(i) *Share premium*

Under the Companies Act 1981 of Bermuda (as amended), the share premium account is distributable in the form of fully paid bonus shares.

(ii) *Contributed surplus*

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(iii) *Distributable reserves*

In the opinion of the Directors, the aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2004 was RMB152,114,187 (2003: RMB151,271,185).

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**26. Investments in subsidiaries**

*The Company*  
2004                      2003

Unlisted shares, at cost 152,387,931      152,379,654

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

All of these are subsidiaries as defined under note 1(c) and have been consolidated into the consolidated financial statements.

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company		Issued and fully paid-up share/ authorised capital (in thousands)	Paid-up/ registered capital (in thousands)	Principal activities
		Direct %	Indirect %			
Ports Asia Holdings Limited	British Virgin Islands	100	-	USD11/ USD50	-	Sales of garments and investment holding
Ports International Marketing Ltd.	British Virgin Islands	100	-	USD0.1/ USD0.1	-	Sales of garments
Smythe Trading Company Limited	Samoa Islands	99.9	0.1	USD1/ USD1,000	-	Sales of garments
Ports Retail (H.K.) Limited	Hong Kong	-	100	HK\$1/ HK\$10	-	Sales of garments
Xiamen Brimeland Garments Ltd. (i)	PRC	-	100	-	HK\$8,000/ HK\$8,000	Manufacturing and sales of garments
Etac Fashion (Xiamen) Ltd. (i)	PRC	-	100	-	HK\$237,000/ HK\$237,000	Manufacturing and sales of garments
Xiamen Xiangyu Ports Trading Co., Ltd. (i)	PRC	-	100	-	USD2,020/ USD2,020	Sales of garments
Ports International (Beijing) Co., Ltd. (i)	PRC	-	100	-	USD1,850/ USD1,850	Manufacturing and sales of garments
Ports International Marketing (Xiamen) Ltd. (i)	PRC	-	100	-	USD2,100/ USD2,100	Manufacturing and sales of garments

*Note:*

- (i) All the subsidiaries incorporated in the PRC are wholly foreign-owned enterprises, except for Ports International Marketing (Xiamen) Ltd., which is a Sino-foreign equity joint venture.



**Notes To The Financial Statements**  
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**27. Financial instruments**

Financial assets of the Group include cash and cash equivalents, deposits with banks, and trade and other receivables. Financial liabilities of the Group include trade and other payables. The Group does not hold or issue financial instruments for trading purposes. Exposure to credit and currency risk arises in the normal course of the Group's business.

*(a) Credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet dates the Group had no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

*(b) Foreign currency risk*

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

*(c) Fair value*

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2004 and 2003 as these assets and liabilities are in short maturities.

**28. United States Dollar amounts**

The U.S. dollars figures shown in the consolidated income statements and the consolidated balance sheets are for information only. The consolidated income statement for the year ended 31 December 2004 and the consolidated balance sheet as at 31 December 2004 are translated from Renminbi Yuan at RMB8.2765=US\$1.00, the rate ruling at 31 December 2004. The consolidated income statement for the year ended 31 December 2003 and the consolidated balance sheet as at 31 December 2003 are translated from Renminbi Yuan at RMB8.2767=US\$1.00, the rate ruling at 31 December 2003. These translations should not be construed as representations that the Renminbi amounts could actually be converted into U.S. dollars at such rate or at all.

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**29. Operating leases commitments**

Non-cancellable operating lease rentals are payable as follows:

	<i>The Group</i>	
	2004	2003
Less than one year	54,621,821	33,651,952
Between one and five years	49,732,624	23,032,534
More than five years	<u>-</u>	<u>84,000</u>
	<u>104,354,445</u>	<u>56,768,486</u>

The leases run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. In addition to the minimum rental payments disclosed above, the Group has a commitment to pay rent of a proportion of turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

**30. Capital commitments**

Capital commitments in respect of purchase of property, plant and equipment outstanding at 31 December 2004 and 2003 but not provided for in the consolidated financial statements were as follows:

	<i>The Group</i>	
	2004	2003
Contracted for	11,866,208	-
Authorised but not contracted for	<u>98,000,000</u>	<u>120,000,000</u>
	<u>109,866,208</u>	<u>120,000,000</u>

**31. Subsequent events**

After the balance sheet date, the Directors proposed a final dividend on 23 March 2005. Further details are disclosed in note 10.

**32. Ultimate holding company**

The Directors consider the ultimate holding company at 31 December 2004 to be CFS International Incorporated, which is incorporated in Canada.