NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

1. General information

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the accounts.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13-15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated accounts have been approved for issue by the Board of Directors on 4th April 2006.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accounts have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair value.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, are disclosed in note 4 to the accounts.

In 2005, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-depreciated Assets
HKFRS 3	Business Combinations

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The adoption of new/revised HKAS 1, 2, 7, 8, 10, 16, 21, 24, 27, 32, 33, 36, 38, 39, HKAS-Int15, HKAS-Int 21 and HKFRS 3 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest and other disclosures.

– HKAS 2, 7, 8, 10, 16, 27, 32, 33, 36, 38, 39, HKAS-Int 15 and HKAS-Int 21 had no material effect on Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity accounts.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

– HKFRS3 has affected the classification of negative goodwill previously credited to capital reserve. In accordance with HKFRS3, an amount of HK$216,739,000 was reclassified from capital reserve to retained earnings.

Details of the effect of the other applicable HKFRS are as below:

(i) The adoption of revised HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of revised HKAS 17 resulted in a reclassification of accounts as below:

	31.12.2005 **HK$'000**	31.12.2004 HK$'000
Decrease in property, plant and equipment	**119,694**	127,964
Increase in leasehold land and land use rights	**119,694**	127,964

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(ii) The adoption of revised HKAS 40 "Investment Property" has resulted in a change in the accounting policy of which the changes in fair values are recorded in the profit and loss account. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account.

The adoption of revised HKAS 40 resulted in a reclassification of accounts as below:

	31.12.2005 HK$'000	31.12.2004 HK$'000
Decrease in investment properties revaluation reserve	**11,308**	11,308
Increase in retained earnings	**11,308**	11,308

All relevant changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2006 or later periods but which the Group has not early adopted.

HKAS 1(Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 and HKFRS 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

The Directors are of the opinion that HKAS 19 (Amendment), HKFRS 1 and HKFRS 6 (Amendment), HKFRS 6 are not relevant to the Group's operations and the adoption of the remaining new standards, amendments and interpretations will not result in substantial changes to the Group's accounting policies.

2.2 Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Company, directly or indirectly controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the profit and loss account as part of the gain or loss on sale.

2.5 Property, plant and equipment

Buildings comprise mainly factories, warehouses and offices other than investment properties as mentioned in note 2.6. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.5 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

2.6 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

Changes in fair values are recognized in the profit and loss account.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the profit and loss account.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Inventories

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

2.9 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.12 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Profit sharing and bonus plans*

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

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

(c) *Pension obligations*

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

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

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognized as follows:

(a) *Sales of goods – wholesale*

Sales of goods are recognized when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) *Sales of goods – retail*

Sales of goods are recognized when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

2. Summary of significant accounting policies *(continued)*

2.13 Revenue recognition *(continued)*

(c) *Gross rental income from investment properties*

Gross rental income from investment properties is recognized on a straight line basis over the periods of the respective leases.

(d) *Licensing income and building management fee*

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

(e) *Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method.

2.14 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the profit and loss account on a straight-line basis over the period of the lease. Payment obligations in respect of operating leases on properties with rentals which vary with gross revenues of the Group are charged to the profit and loss account as incurred.

2.15 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's accounts in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

3. Financial risk management – Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management, as well as policies covering specific areas.

(a) Foreign exchange risk

The Group operates in various regions and is exposed to foreign exchange risk primarily arising from net investments in foreign subsidiaries in China Mainland and Singapore. Currency exposures with respect to the Singapore dollar and Renminbi are considered minimal as the exchange fluctuations of these two currencies against the Hong Kong dollar are not significant.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest bearing assets or liabilities.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(d) Liquidity risk

The Group maintains flexibility in funding by keeping committed credit lines available.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

4. Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(b) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

5. Segment information

Primary reporting format – business segment

At 31st December 2005, the Group is organised into two main business segments:

Apparel – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name

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

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

	2005				2004			
	Apparel HK$'000	Property investments HK$'000	Eliminations HK$'000	Group HK$'000	Apparel HK$'000	Property investments HK$'000	Eliminations HK$'000	Group HK$'000
Results								
Turnover	569,390	60,193	–	629,583	519,962	51,428	–	571,390
Inter-segment sales	–	658	(658)	–	–	250	(250)	–
	569,390	60,851	(658)	629,583	519,962	51,678	(250)	571,390
Segment results	96,103	109,806		205,909	94,074	33,076		127,150
Unallocated costs				(25,565)				(29,640)
Profit before income tax				180,344				97,510
Income tax expense				(43,279)				(28,226)
Profit for the year				137,065				69,284
Assets								
Segment assets	471,544	1,125,305		1,596,849	523,912	1,017,212		1,541,124
Unallocated assets				267,001				203,404
Total assets				1,863,850				1,744,528
Liabilities								
Segment liabilities	141,245	30,377		171,622	121,458	23,234		144,692
Unallocated liabilities				124,323				112,691
Total liabilities				295,945				257,383
Other information								
Capital expenditure	11,465	91,960		103,425	5,931	20,176		26,107
Depreciation of property, plant and equipment	10,764	1,413		12,177	11,414	1,851		13,265
Amortization of leasehold land and land use rights	3,628	431		4,059	3,590	431		4,021
Impairment for inventories	1,538	–		1,538	20,296	–		20,296
Impairment for trade receivables	165	–		165	308	–		308

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

5. Segment information *(continued)*

Primary reporting format – business segment *(continued)*

Unallocated costs represent corporate expenses less interest income.

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and mainly exclude corporate cash funds. Segment liabilities comprise operating liabilities and exclude items such as accruals for corporate expenses. Capital expenditure comprises additions to investment properties and property, plant and equipment.

Secondary reporting format – geographical segment

The Group mainly operates in the following three geographical areas:

China Mainland – Apparel and property investments

Hong Kong SAR – Apparel and property investments

Singapore and Malaysia – Apparel and property investments

In respect of geographical segment reporting, sales are based on the countries in which the group companies operate and total assets and capital expenditure are where the assets are located.

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

	2005			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	499,136	162,343	1,205,155	90,341
Hong Kong SAR	39,724	35,821	571,810	12,081
Singapore and Malaysia	89,384	10,405	76,702	1,000
Other countries	1,339	(2,660)	10,183	3
	629,583	205,909	1,863,850	103,425
Unallocated costs		(25,565)		
Profit before income tax		180,344		

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

5. Segment information *(continued)*

Secondary reporting format – geographical segment *(continued)*

	2004			
	Turnover HK$'000	Segment results HK$'000	Segment assets HK$'000	Capital expenditure HK$'000
Geographical segments				
China Mainland	438,899	110,670	1,163,459	21,590
Hong Kong SAR	45,453	9,082	505,950	2,822
Singapore and Malaysia	84,592	9,587	64,592	1,675
Other countries	2,446	(2,189)	10,527	20
	571,390	127,150	1,744,528	26,107
Unallocated costs		(29,640)		
Profit before income tax		97,510		

Analysis of turnover by category

	2005 HK$'000	2004 HK$'000
Sales of goods	**538,839**	494,210
Gross rental income from investment properties	**54,589**	45,226
Building management fee	**5,604**	6,202
Licensing income	**30,551**	25,752
	629,583	571,390

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

6. Leasehold land and land use rights – Group

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analyzed as follows:

	2005 **HK$'000**	2004 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	**105,167**	107,780
Outside Hong Kong, held on:		
Leases of over 50 years	**789**	5,534
Leases of between 10 to 50 years	**13,738**	14,650
	119,694	127,964

	2005 **HK$'000**	2004 HK$'000
Opening	**127,964**	136,635
Exchange difference	**367**	–
Disposal	**(4,578)**	(4,650)
Amortization of prepaid operating lease payment	**(4,059)**	(4,021)
	119,694	127,964

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

7. Property, plant and equipment – Group

	Buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2004							
Cost	154,828	–	15,759	82,653	10,335	10,804	274,379
Accumulated depreciation	(45,869)	–	(13,637)	(78,272)	(8,266)	(7,077)	(153,121)
Net book amount	108,959	–	2,122	4,381	2,069	3,727	121,258
Year ended 31st December 2004							
Opening net book amount	108,959	–	2,122	4,381	2,069	3,727	121,258
Additions	–	–	372	1,805	903	3,367	6,447
Disposals	(4,578)	–	–	(1,332)	(1)	(740)	(6,651)
Depreciation	(5,647)	–	(1,003)	(4,082)	(1,115)	(1,418)	(13,265)
Exchange differences	280	–	–	11	4	41	336
Closing net book amount	99,014	–	1,491	783	1,860	4,977	108,125
At 31st December 2004							
Cost	146,445	–	16,131	49,346	10,946	11,187	234,055
Accumulated depreciation	(47,431)	–	(14,640)	(48,563)	(9,086)	(6,210)	(125,930)
Net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Year ended 31st December 2005							
Opening net book amount	99,014	–	1,491	783	1,860	4,977	108,125
Additions	177	1,818	2,419	4,928	1,187	2,065	12,594
Disposals	(3,835)	–	–	(19)	(57)	(93)	(4,004)
Transfer from investment properties *(note 8)*	3,734	–	–	–	–	–	3,734
Depreciation	(6,398)	–	(1,042)	(2,214)	(940)	(1,583)	(12,177)
Exchange differences	1,263	–	34	(5)	13	(7)	1,298
Closing net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570
At 31st December 2005							
Cost	146,004	1,818	18,864	51,298	10,874	12,449	241,307
Accumulated depreciation	(52,049)	–	(15,962)	(47,825)	(8,811)	(7,090)	(131,737)
Net book amount	93,955	1,818	2,902	3,473	2,063	5,359	109,570

Included in buildings are properties with aggregate net book value of HK$31,075,000 as at 31st December 2005 (2004: HK$42,709,000) located in China Mainland in respect of which title documents have not been obtained from the relevant government authorities.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

7. Property, plant and equipment – Group *(continued)*

Depreciation expense of HK$1,485,000 (2004: HK$1,597,000) has been expensed in cost of sales, HK$1,335,000 (2004: HK$1,350,000) in selling and marketing costs and HK$9,357,000 (2004: HK$10,318,000) in administrative expenses.

8. Investment properties – Group

	2005 HK$'000	2004 HK$'000
At 1st January	**937,558**	927,203
Additions	**90,831**	19,660
Disposals	**(29,000)**	(2,480)
Transfer to property, plant and equipment *(note 7)*	**(3,734)**	–
Fair value gain/(loss)	**39,255**	(7,424)
Exchange differences	**(75)**	599
At 31st December	**1,034,835**	937,558

The investment properties were revalued at 31st December 2005 by Mr. Ng Sai Hee and Knight Frank Pte Limited, independent professional valuers, for properties located in Hong Kong SAR and China Mainland, and for property located in Singapore, respectively. Valuations were based on current prices in an active market for all properties.

The Group's interests in investment properties are analyzed as follows:

	2005 HK$'000	2004 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**54,600**	31,650
Leases of between 10 to 50 years	**195,950**	225,410
Outside Hong Kong, held on:		
Freehold	**6,300**	9,998
Leases of over 50 years	**16,445**	16,000
Leases of between 10 to 50 years	**761,540**	654,500
	1,034,835	937,558

Included in investment properties is a property with total net book value of HK$695,540,000 as at 31st December 2005 (2004: HK$586,500,000) which represents the Group's interests in a commercial complex, named as Goldlion Digital Network Centre, situates at Ti Yu Dong Road, Tianhe District, the city of Guangzhou, the PRC. A portion of the Group's interest in Goldlion Digital Network Centre with a total net book value of HK$602,700,000 at 31st December 2005 (2004: HK$579,000,000) (the "Designated Property") were acquired by the Group in 1994 through a series of contractual arrangements with Goldlion Property Development Limited ("GPDL"), a company beneficially owned by the three executive Directors, Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky, and the Tsang Family Trust. As at 31st December 2005, the Group has not obtained the title documents in respect of the Designated Property from the relevant government authorities. In this regard, Dr. Tsang Hin Chi and GPDL had executed an indemnity in favour of the Group as a measure to safeguard the Group's interest in the Designated Property. Accordingly, the Directors are of the opinion that the Group has the satisfactory entitlements and the rights in the Designated Property.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company

	2005 **HK$'000**	2004 HK$'000
Unlisted shares, at cost	**10**	10
Amounts due from subsidiaries, net of provision	**1,150,815**	1,216,861
Amount due to a subsidiary	**(827)**	(827)
	1,149,998	1,216,044

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

The underlying value of investment in subsidiaries is in the opinion of the Directors, not less than their carrying values as at 31st December 2005.

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
China Silverlion Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB3,613,724	–	90%	90%
Goldlion (China) Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB103,640,175	–	99.25%	99.25%
Goldlion Clothes Making Company Limited***	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,330,110	–	98.82%	98.82%
Goldlion Enterprise (Singapore) Pte Limited**	Singapore Limited liability company	Distribution of garments in Singapore	S$1,000,000	Ordinary	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
Goldlion Distribution (M) Sdn. Bhd.**	Malaysia Limited liability company	Distribution of garments in Malaysia	MYR1,200,000	Ordinary	100%	100%
Goldlion (Europe) GmbH	Germany Limited liability company	Purchasing office in Germany	EUR127,823	Ordinary	90%	90%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	HK$200 HK$50,000,000 (non-voting deferred shares)	Ordinary	100%	100%
Goldlion Group (BVI) Limited *	British Virgin Islands Limited liability company	Investment holding in Hong Kong	US$10,000	Ordinary	100%	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Property holding in the PRC	HK$2	Ordinary	100%	100%
Guangzhou Goldlion Environmental Technology Co. Limited ***	PRC Limited liability company	Property holding in the PRC	RMB10,609,000	–	100%	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Property holding in Germany	US$50,000	Ordinary	100%	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	HK$2 HK$59,999,998 (redeemable shares)	Ordinary	100%	100%

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

9. Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued share capital/paid-up capital	Class of shares held	Group equity interest 2005	Group equity interest 2004
Shenyang Goldlion Commercial Mansion Limited ***	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	–	100%	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	HK$2	Ordinary	100%	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	HK$2	Ordinary	100%	100%
Meizhou Professional Clothing Limited ***	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$1,000,000	Ordinary	100%	–
Meizhou Goldlion Properties Development Limited ***	PRC Limited liability company	Property development in the PRC	HK$30,000,000	Ordinary	100%	–

* *Subsidiary held directly by the Company*
** *Subsidiaries not audited by PricewaterhouseCoopers*
*** *English names of the subsidiaries being direct translation of their Chinese registered names*

10. Inventories – Group

	2005 HK$'000	2004 HK$'000
Raw materials	**3,252**	3,081
Work in progress	**4,978**	11,609
Finished goods	**65,867**	70,704
	74,097	85,394

At 31st December 2005, the carrying amount of stocks that are carried at net realizable value amounted to HK$65,016,000 (2004: HK$66,533,000).

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

10. Inventories – Group *(continued)*

The cost of inventories recognized as expense and included in cost of sales amounted to HK$258,873,000 (2004: HK$218,682,000).

The Group reversed HK$4,862,000 (2004: Nil) of a previous years' inventory write-down. The amount reversed has been included in cost of sales in the profit and loss account.

11. Trade receivables – Group

	2005 HK$'000	2004 HK$'000
Trade receivables	**33,427**	31,236
Less: provision for impairment loss	**(3,714)**	(5,106)
	29,713	26,130

The Group's turnover is on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2005, the ageing analysis of the trade receivables, net of provision, was as follows:

	2005 HK$'000	2004 HK$'000
1-30 days	**22,080**	19,486
31-90 days	**7,633**	6,644
	29,713	26,130

The carrying amounts of trade receivables approximate to their fair values.

12. Cash and cash equivalents

	Group		**Company**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Bank balances and cash	**33,623**	53,252	**71**	71
Short-term bank deposits	**412,262**	343,848	**–**	–
	445,885	397,100	**71**	71

The effective interest rates on short-term bank deposits were ranging from 0.56% to 4.15% (2004: 0.31% to 2.15%); these deposits have maturities within 6 months.

Bank balances and cash of the Group include an amount of HK$240,297,000 (2004: HK$272,767,000) denominated in Renminbi. The conversion of these balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the China Mainland government.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

13. Share capital

	2005 HK$'000	2004 HK$'000
Authorised:		
1,200,000,000 (2004: 1,200,000,000) shares of HK$0.10 each	**120,000**	120,000
Issued and fully paid:		
937,114,035 (2004: 937,114,035) shares of HK$0.10 each	**93,711**	93,711

At an Extraordinary General Meeting of the Company held on 21st May 2002, a new share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2004: Nil) under the New Option Scheme.

14. Reserves

(a) Group

	Share premium HK$'000	Investment properties revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Exchange reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2004	929,312	15,832	183,001	484	27,801	(11,015)	1,145,415	225,786	1,371,201
Fair value losses on revaluation of investment properties									
– gross	–	(7,424)	–	–	–	–	(7,424)	–	(7,424)
– taxation	–	3,589	–	–	–	–	3,589	–	3,589
Currency translation differences	–	–	–	–	–	2,443	2,443	–	2,443
Reserves transferred to profit and loss account upon disposal of investment properties									
– gross	–	(801)	–	–	–	–	(801)	–	(801)
– taxation	–	112	–	–	–	–	112	–	112
Profit for the year	–	–	–	–	–	–	–	68,675	68,675
2003 final dividend paid	–	–	–	–	–	–	–	(28,113)	(28,113)
2004 interim dividend paid	–	–	–	–	–	–	–	(18,742)	(18,742)
Balance at 31st December 2004	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940
Representing:									
Reserves	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	210,121	1,353,455
2004 final dividend proposed	–	–	–	–	–	–	–	37,485	37,485
	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

14. Reserves *(continued)*

(a) Group *(continued)*

	Share premium HK$'000	Investment properties revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Other reserves HK$'000	Exchange reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2005, as previously reported	929,312	11,308	183,001	484	27,801	(8,572)	1,143,334	247,606	1,390,940
Adjustment for the adoption of HKAS 40	–	(11,308)	–	–	–	–	(11,308)	11,308	–
Adjustment for the adoption of HKFRS 3	–	–	(216,739)	–	–	–	(216,739)	216,739	–
Transfer from capital reserves to retained earnings	–	–	9,970	–	–	–	9,970	(9,970)	–
Appropriation to statutory reserves in China Mainland	–	–	–	–	3,283	–	3,283	(3,283)	–
Currency translation differences	–	–	–	–	–	8,263	8,263	–	8,263
Profit for the year	–	–	–	–	–	–	–	136,201	136,201
2004 final dividend paid	–	–	–	–	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	–	–	–	–	(26,239)	(26,239)
Balance at 31st December 2005	**929,312**	**–**	**(23,768)**	**484**	**31,084**	**(309)**	**936,803**	**534,877**	**1,471,680**
Representing:									
Reserves	929,312	–	(23,768)	484	31,084	(309)	936,803	482,399	1,419,202
2005 final dividend proposed	–	–	–	–	–	–	–	52,478	52,478
	929,312	–	(23,768)	484	31,084	(309)	936,803	534,877	1,471,680

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

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

14. Reserves *(continued)*

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total reserves HK$'000
At 1st January 2004	929,312	484	929,796	237,816	1,167,612
Profit for the year	–	–	–	981	981
2003 final dividend paid	–	–	–	(28,113)	(28,113)
2004 interim dividend paid	–	–	–	(18,742)	(18,742)
At 31st December 2004	929,312	484	929,796	191,942	1,121,738
Representing:					
Reserves	929,312	484	929,796	154,457	1,084,253
2004 final dividend proposed	–	–	–	37,485	37,485
	929,312	484	929,796	191,942	1,121,738
At 1st January 2005	929,312	484	929,796	191,942	1,121,738
Loss for the year	–	–	–	(2,504)	(2,504)
2004 final dividend paid	–	–	–	(37,485)	(37,485)
2005 interim dividend paid	–	–	–	(26,239)	(26,239)
31st December 2005	**929,312**	**484**	**929,796**	**125,714**	**1,055,510**
Representing:					
Reserves	929,312	484	929,796	73,236	1,003,032
2005 final dividend proposed	–	–	–	52,478	52,478
	929,312	484	929,796	125,714	1,055,510

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

15. Trade payables – Group

At 31st December 2005, the ageing analysis of the trade payables was as follows:

	2005 **HK$'000**	2004 HK$'000
1-30 days	**17,219**	19,676
31-90 days	**5,042**	3,135
Over 90 days	**1,142**	3,407
	23,403	26,218

The carrying amounts of trade payables approximate to their fair value.

16. Deferred income tax – Group

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

The gross movement on the deferred income tax account of the Group is as follows:

	2005 **HK$'000**	2004 HK$'000
At 1st January	**65,896**	69,109
Deferred taxation charged to consolidated profit and loss account *(note 21)*	**9,205**	488
Taxation credited to investment properties revaluation reserves	**–**	(3,701)
At 31st December	**75,101**	65,896

Deferred income tax assets are recognized for tax loss carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$391,824,000 (2004: HK$308,603,000), which are subject to agreement by relevant tax authority, to carry forward against future taxable income. HK$322,147,000 of unrecognized tax losses (2004: HK$229,775,000) have no expiry date and the remaining losses will expire at various dates up to and including 2009.

16. Deferred income tax – Group *(continued)*

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

Deferred income tax liabilities	Accelerated taxation depreciation		Fair value gains		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1st January	**13,459**	5,803	**87,369**	91,070	**3,919**	774	**104,747**	97,647
Charged/(credited) to consolidated profit and loss account	**7,082**	7,656	**7,747**	–	**(303)**	3,145	**14,526**	10,801
Credited to equity	**–**	–	**–**	(3,701)	**–**	–	**–**	(3,701)
At 31st December	**20,541**	13,459	**95,116**	87,369	**3,616**	3,919	**119,273**	104,747

Deferred income tax assets	Provisions		Tax losses		Others		Total	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
At 1st January	**(23,119)**	(19,354)	**(5,711)**	(4,369)	**(10,021)**	(4,815)	**(38,851)**	(28,538)
Charged/(credited) to consolidated profit and loss account	**(1,676)**	(3,765)	**562**	(1,342)	**(4,207)**	(5,206)	**(5,321)**	(10,313)
At 31st December	**(24,795)**	(23,119)	**(5,149)**	(5,711)	**(14,228)**	(10,021)	**(44,172)**	(38,851)

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

	2005 HK$'000	2004 HK$'000
Deferred income tax assets	**(30,844)**	(30,748)
Deferred income tax liabilities	**105,945**	96,644
	75,101	65,896

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

17. Expenses by nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analyzed as follows:

	2005 **HK$'000**	2004 HK$'000
Cost of goods sold	**258,873**	218,682
Impairment for inventories	**1,538**	20,296
Direct operating expenses arising from investment properties	**9,887**	9,288
Operating lease rentals – land and buildings	**19,429**	16,341
Amortization of leasehold land and land use rights *(note 6)*	**4,059**	4,021
Depreciation of property, plant and equipment *(note 7)*	**12,177**	13,265
Staff costs including Directors' emoluments *(note 18)*	**96,213**	87,693
Auditors' remuneration		
– Current year	**1,589**	1,307
– Over provision in prior year	**–**	(250)

18. Staff costs including Directors' emoluments

	2005 **HK$'000**	2004 HK$'000
Staff costs		
– Wages and salaries	**88,358**	82,316
– Retirement benefit costs *(note 19)*	**7,855**	5,377
	96,213	87,693

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

19. Retirement benefit costs

	2005	2004
	HK$'000	HK$'000
Defined contribution schemes for:		
Hong Kong employees *(note (a))*	**756**	747
Singapore employees *(note (b))*	**2,222**	2,235
China Mainland employees *(note (c))*	**4,877**	2,395
	7,855	5,377

Notes:

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

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$758,000 (2004: HK$768,000) and forfeited contributions of HK$2,000 (2004: HK$21,000). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK$122,000 (2004: HK$109,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2004: Nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$2,222,000 (2004: HK$2,235,000). Contributions totalling HK$1,421,000 (2004: HK$806,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2004: Nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contributions payable (2004: Nil) to the municipal governments at the year end.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

20. Directors' and senior management's emoluments

(a) The remuneration of every Director for the year ended 31st December 2005 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Other benefits* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	**–**	**3,556**	**3,020**	**375**	**–**	**6,951**
Mr. Tsang Chi Ming, Ricky	**–**	**2,841**	**1,407**	**–**	**16**	**4,264**
Mdm. Wong Lei Kuan	**–**	**1,452**	**745**	**11**	**–**	**2,208**
Mr. Ng Ming Wah, Charles	**120**	**–**	**–**	**–**	**–**	**120**
Dr. Wong Yu Hong, Philip	**120**	**–**	**–**	**–**	**–**	**120**
Dr. Lau Yue Sun	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Wong Ying Ho, Kennedy	**120**	**–**	**–**	**–**	**–**	**120**

The remuneration of every Director for the year ended 31st December 2004 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Others benefits* HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	–	6,600	2,078	480	–	9,158
Mr. Tsang Chi Ming, Ricky	–	2,081	1,173	–	28	3,282
Mdm. Wong Lei Kuan	–	1,452	519	13	–	1,984
Mr. Ng Ming Wah, Charles	120	–	–	–	–	120
Dr. Wong Yu Hong, Philip	120	–	–	–	–	120
Dr. Lau Yue Sun	120	–	–	–	–	120
Mr. Wong Ying Ho, Kennedy	70	–	–	–	–	70

Note:

* Other benefits include leave pay, share option, insurance premium and club membership.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

20. Directors' and senior management's emoluments *(continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year included three (2004: three) Directors whose emoluments are reflected in the analysis presented in 20(a) above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005 **HK$'000**	2004 HK$'000
Basic salaries, housing and other allowances	**5,943**	3,518
Bonuses	**2,366**	628
Retirement benefit costs	**503**	302
	8,812	4,448

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument bands		
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	1
HK$6,500,001 – HK$7,000,000	**1**	–

(c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

21. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on profits outside Hong Kong has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions/countries in which the Group operates.

The amount of income tax charged to the consolidated profit and loss account represents:

	2005 **HK$'000**	2004 HK$'000
Hong Kong profits tax		
Under provision in prior years	**–**	1
Taxation outside Hong Kong		
Current year	**34,719**	27,737
Under provision in prior years	**89**	–
Tax refund	**(734)**	–
	34,074	27,737
Deferred income tax *(note 16)*	**9,205**	488
Total income tax expense	**43,279**	28,226

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

	2005 **HK$'000**	2004 HK$'000
Profit before income tax	**180,344**	97,510
Calculated at a taxation rate of 17.5%	**31,560**	17,064
Effect of different taxation rates in other countries	**16,730**	10,324
Income not subject to tax	**(6,461)**	(1,597)
Expenses not deductible for tax purposes	**705**	792
Utilisation of previously unrecognized tax losses	**(2,378)**	(2,125)
Tax loss for which no deferred income tax asset has recognized	**8,264**	7,666
Recognition of previously unrecognized deferred tax assets	**(3,911)**	(3,874)
Tax refund due to re-investment in the PRC	**(734)**	–
Others	**(496)**	(24)
Total income tax expense	**43,279**	28,226

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

22. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt within the accounts of the Company to the extent of HK$2,504,000 (2004: profit of HK$981,000).

23. Dividends

	2005 HK$'000	2004 HK$'000
2005 interim dividend, paid, of 2.8 HK cents per ordinary share	**26,239**	–
2004 interim dividend, paid, of 2.0 HK cents per ordinary share	**–**	18,742
2005 final dividend, proposed of 5.6 HK cents per ordinary share *(Note)*	**52,478**	–
2004 final dividend, paid, of 4.0 HK cents per ordinary share	**–**	37,485
	78,717	56,227

Note:

At a meeting held on 4th April 2006, the Directors declared a final dividend of 5.6 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2006.

24. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$136,201,000 (2004: HK$68,675,000) and the weighted average number of 937,114,035 (2004: 937,114,035) shares in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2005 and 2004.

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

25. Consolidated cash flow statement

(a) Reconciliation of profit for the year to cash generated from operations:

	2005 HK$'000	2004 HK$'000
Profit for the year	**137,065**	69,284
Adjustments for:		
– Income tax expense *(note 21)*	**43,279**	28,226
– Amortization of leasehold land and land use rights *(note 6)*	**4,059**	4,021
– Depreciation of property, plant and equipment *(note 7)*	**12,177**	13,265
– Interest income	**(8,964)**	(3,859)
– Profit on disposal of investment properties *(note (i))*	**(25,791)**	(253)
– Loss/(profit) on disposal of leasehold land and land use rights and property, plant and equipment *(note (ii))*	**641**	(1,431)
– Fair value gains on investment properties	**(39,255)**	–
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Inventories	**11,297**	12,179
– Trade receivables, prepayments and deposits	**8,714**	(15,742)
– Trade and other payables and accruals	**17,621**	8,853
Cash generated from operations	**160,843**	114,543

Notes:

(i) Sale of investment properties

	2005 HK$'000	2004 HK$'000
Net book amount *(note 8)*	**29,000**	2,480
Profit on sale of investment properties	**25,791**	253
Reversal of revaluation reserve	**–**	(801)
Proceeds received	**54,791**	1,932

(ii) Sale of leasehold land and land use rights and property, plant and equipment

	2005 HK$'000	2004 HK$'000
Net book amount *(note 6 and note 7)*	**8,583**	11,301
(Loss)/profit on sale of leasehold land and land use rights and property, plant and equipment	**(641)**	1,431
Proceeds received	**7,942**	12,732

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

25. Consolidated cash flow statement *(continued)*

(b) Analysis of changes in financing during the year

	Dividends payable		Minority interest	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**–**	–	**2,494**	1,885
Minority interest in share of results	**–**	–	**864**	609
Dividends declared	**63,724**	46,855	**–**	–
Dividends paid	**(63,724)**	(46,855)	**–**	
Dividends paid to minority shareholders	**–**	–	**(844)**	–
At 31st December	**–**	–	**2,514**	2,494

26. Contingent liabilities – Company

	2005	2004
	HK$'000	HK$'000
Guarantees for credit facilities given to subsidiaries	**163,669**	154,328

At 31st December 2005, there is no utilized amount of such facilities covered by the Company's guarantees which also represented the financial exposure of the Company (2004: HK$2,232,000).

27. Commitments – Group

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2005	2004
	HK$'000	HK$'000
Property, plant and equipments		
Contracted but not provided for	**2,317**	–
Authorised but not contracted for	**–**	1,824
Investment properties		
Contracted but not provided for	**–**	2,387
Authorised but not contracted for	**–**	4,560
Acquisition of investment properties, net of deposits paid	**–**	57,552
	2,317	66,323

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

27. Commitments – Group *(continued)*

(b) At 31st December 2005, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2005 HK$'000	2004 HK$'000
Rental receivables		
– not later than one year	**44,924**	41,034
– later than one year and not later than five years	**69,273**	67,023
– later than five years	**22,227**	11,813
	136,424	119,870
Rental payables		
– not later than one year	**11,343**	2,647
– later than one year and not later than five years	**8,072**	1,768
	19,415	4,415

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

(c) The Company did not have any significant commitments at 31st December 2005 (31st December 2004: Nil).

28. Related party transactions – Group

(a) During the year, the following significant transactions were carried out with related parties:

	Notes	2005 HK$'000	2004 HK$'000
Building management fees paid to a related company	*(i)*	**648**	608
Professional fees paid to a related company	*(ii)*	**700**	700
Rental paid to a related company	*(iii)*	**947**	938
Rental received from a related company	*(iv)*	**2,242**	2,666
Acquisition of investment properties from a related company and a related party	*(v)*	**76,736**	–

NOTES TO THE ACCOUNTS

For the year ended 31st December 2005

28. Related party transactions – Group *(continued)*

Notes:

(i) Guangzhou Silver Disk Property Management Company Limited provided building management services to a subsidiary of the Group. Fees of HK$648,000 were charged under normal commercial terms. Dr. Tsang Hin Chi and Mr. Tsang Chi Ming, Ricky have direct beneficial interest in Guangzhou Silver Disk Property Management Company Limited.

(ii) Equitas Capital Limited acted as financial advisor to the Group during the year for which professional fee was paid by the Company at a fixed amount mutually agreed between the two parties. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the Managing Director of, and a principal shareholder in, Equitas Capital Limited.

(iii) Rental was paid to Guangzhou Goldlion City Properties Company Limited for lease of office area in Goldlion Digital Network Centre. Rental charges were determined under normal commercial terms. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky have beneficial interest in Guangzhou Goldlion City Properties Company Limited.

(iv) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre. Rental was determined under normal commercial terms. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of China World Trade Corporation ("CWTC"), the holding company of GWTCCL. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(v) On 30th December 2004, Guangzhou Goldlion Environmental Technology Co. Limited, a wholly owned subsidiary of the Company, entered into two conditional acquisition agreements (the "Agreements") with General Business Network (Holdings) Limited ("GBNL") and Mr. Tsang Chi Hung to acquire Level 19 and Level 20 to 22 (inclusive) of Goldlion Digital Network Centre in Guangzhou respectively at an aggregate consideration of RMB81,340,000 (approximately HK$76,735,850). The consideration was negotiated on an arm's length basis by reference to open market valuations by an independent professional property valuer. Both of the Agreements were completed by May 2005. Completions of the acquisitions are subject to the conditions precedent stated in the Agreements and disclosed in the related Circular of the Company to its shareholders dated 20th January 2005. In the Extraordinary General Meeting of the Company held on 7th February 2005, the independent shareholders of the Company approved the transactions. The acquisitions were subsequently completed by May 2005. GBNL is a wholly owned subsidiary of CWTC and Mr. Tsang Chi Hung is a major shareholder of CWTC. Dr. Tsang Hin Chi, Mdm. Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in those transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Mdm. Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(b) Key management compensation

	2005	2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**24,680**	20,751
Retirement benefit costs	**606**	381
	25,286	21,132

(c) Year-end balance arising from purchase of services

	2005	2004
	HK$'000	HK$'000
Payable to a related party:		
Equitas Capital Limited	**350**	350