

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture, distribution, wholesale and retail of ladies' intimate apparel, principally brassieres.

2. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

The cumulative effect of the adoption of SSAP 12 (Revised) as at 1 July 2002 is summarised below:

	As originally stated	Adjustment	As restated
	HK\$'000	HK\$'000	HK\$'000
Accumulated losses	(295,962)	(419)	(296,381)
Revaluation reserve	5,511	(193)	5,318
Total effect on equity	<u>(290,451)</u>	<u>(612)</u>	<u>(291,063)</u>
Deferred taxation	<u>2,380</u>	<u>612</u>	<u>2,992</u>

The adoption of SSAP 12 (Revised) has resulted in a decrease in the profit for the year ended 30 June 2004 by HK\$3,378,000 (2003: HK\$2,392,000).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain leasehold properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from and up to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Revenue recognition

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

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

(a) *Construction in progress*

Construction in progress is stated at cost less any identified impairment loss, as appropriate.

(b) *Other fixed assets*

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and any identified impairment loss, as appropriate.

Certain of the Group's land and buildings are stated at valuation less accumulated depreciation and amortisation and any subsequent impairment loss. Advantage has been taken of the transitional relief provided by paragraph 80 of the SSAP 17 "Property, Plant and Equipment" issued by the HKICPA from the requirement to make revaluation on a regular basis of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995 and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decreases in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale of these land and buildings, the attributable revaluation surplus not yet transferred to accumulated profits in prior years will be transferred to accumulated profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

(b) Other fixed assets – continued

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

Leasehold land	Over the remaining unexpired terms of the leases
Buildings	2% – 6.5%
Leasehold improvements	5% – 30%
Furniture, fixtures and equipment	10% – 45%
Motor vehicles	20% – 30%

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

Subsidiaries

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

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of associates for the year. The consolidated balance sheet includes the Group's share of net assets of the associates less any identified impairment loss.

The Company's interests in associates are included in the Company's balance sheet at cost less any identified impairment loss, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

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

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

Long service payments

The Group's obligation under long service payments recognised in the balance sheet is determined using the projected unit credit method, with actuarial valuations being carried out at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. An asset held under a finance lease is capitalised at its fair value at the date of inception of the lease. The resulting leasing commitment, net of interest charges, is shown as a finance lease obligation of the Group on the balance sheet. Finance costs, which represent the difference between the total leasing commitment and the fair values of the assets acquired, are charged to the income statement as finance charges on an actuarial basis over the period of the lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and their rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in the net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Textile quota entitlements

The cost of textile quota entitlements is charged to the income statement at the time of utilisation.

Retirement benefit costs

Payments to the retirement benefit schemes are charged as expenses as they fall due.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

The business activities of the Group can be categorised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

(a) Business segments

TURNOVER AND RESULTS YEAR ENDED 30 JUNE 2004

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	1,194,769	22,274	-	1,217,043
Inter-segment sales (note)	2,948	-	(2,948)	-
	<u>1,197,717</u>	<u>22,274</u>	<u>(2,948)</u>	<u>1,217,043</u>
Total sales				
	<u>1,197,717</u>	<u>22,274</u>	<u>(2,948)</u>	<u>1,217,043</u>
RESULTS				
Segment results	<u>211,209</u>	<u>(8,686)</u>	<u>-</u>	202,523
Unallocated corporate expenses				(11,109)
Interest income				<u>353</u>
Profit from operations				191,767
Finance costs				(1,489)
Gain on winding up of subsidiaries				<u>4,119</u>
Profit before taxation				194,397
Taxation				<u>(36,042)</u>
Profit before minority interests				158,355
Minority interests				<u>(1,852)</u>
Profit for the year				<u>156,503</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

TURNOVER AND RESULTS – continued

YEAR ENDED 30 JUNE 2003

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000 (Restated)
TURNOVER				
External sales	1,070,467	23,897	–	1,094,364
Inter-segment sales (<i>note</i>)	9,412	–	(9,412)	–
Total sales	<u>1,079,879</u>	<u>23,897</u>	<u>(9,412)</u>	<u>1,094,364</u>
RESULTS				
Segment results	<u>186,739</u>	<u>(9,529)</u>	<u>–</u>	177,210
Unallocated corporate expenses				(12,450)
Interest income				<u>655</u>
Profit from operations				165,415
Finance costs				<u>(7,051)</u>
Profit before taxation				158,364
Taxation				<u>(26,479)</u>
Profit before minority interests				131,885
Minority interests				<u>(385)</u>
Profit for the year				<u>131,500</u>

Note: Inter-segment sales are charged at prices determined by management with reference to market prices.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

BALANCE SHEET

30 JUNE

	2004 HK\$'000	2003 HK\$'000 (Restated)
ASSETS		
Segment assets		
– manufacturing business	496,168	388,550
– branded business	23,443	23,093
Interests in a jointly controlled entity	865	811
Unallocated corporate assets	<u>11,007</u>	<u>11,355</u>
Consolidated total assets	<u><u>531,483</u></u>	<u><u>423,809</u></u>
LIABILITIES		
Segment liabilities		
– manufacturing business	79,428	57,883
– branded business	5,023	3,537
Unallocated corporate liabilities	<u>94,574</u>	<u>76,697</u>
Consolidated total liabilities	<u><u>179,025</u></u>	<u><u>138,117</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION – continued

(a) Business segments – continued

OTHER INFORMATION

YEAR ENDED 30 JUNE

	2004 HK\$'000	2003 HK\$'000
Capital expenditure		
– manufacturing business	39,407	59,855
– branded business	<u>580</u>	<u>873</u>
	<u><u>39,987</u></u>	<u><u>60,728</u></u>
Depreciation and amortisation of property, plant and equipment		
– manufacturing business	22,098	19,307
– branded business	<u>1,065</u>	<u>819</u>
	<u><u>23,163</u></u>	<u><u>20,126</u></u>
Loss on disposal of property, plant and equipment		
– manufacturing business	134	440
– branded business	<u>9</u>	<u>–</u>
	<u><u>143</u></u>	<u><u>440</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION – continued

(b) Geographical segments

The Group's operations in manufacturing are principally located in Hong Kong, the People's Republic of China ("PRC") and Thailand. Branded business is principally carried out in Hong Kong and PRC.

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

YEAR ENDED 30 JUNE

	Sales revenue by geographical market		Contribution to profit from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
United States of America	935,418	851,865	165,361	148,604
Europe	174,015	142,087	30,762	24,788
Asia (excluding Hong Kong)	45,951	52,105	2,905	4,636
Australia and New Zealand	43,167	29,075	7,631	5,072
Hong Kong	18,359	19,232	(4,160)	(5,890)
South Africa	133	–	24	–
	<u>1,217,043</u>	<u>1,094,364</u>	<u>202,523</u>	<u>177,210</u>
Unallocated corporate expenses			(11,109)	(12,450)
Interest income			353	655
Profit from operations			<u>191,767</u>	<u>165,415</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

4. TURNOVER AND SEGMENT INFORMATION – continued

(b) Geographical segments – continued

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

	Carrying amount of total assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The PRC	221,233	173,516	32,665	49,659
Hong Kong	193,416	169,947	5,442	5,884
Thailand	60,228	51,785	1,164	4,634
Others	56,606	28,561	716	551
	<u>531,483</u>	<u>423,809</u>	<u>39,987</u>	<u>60,728</u>

5. OTHER OPERATING INCOME

Other operating income includes:

	2004 HK\$'000	2003 HK\$'000
Gain on disposal of investment in listed securities	–	3,108
Interest income	<u>353</u>	<u>655</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

6. PROFIT FROM OPERATIONS

	2004	2003
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,852	1,620
Cost of textile quota entitlements	15,064	6,512
Depreciation and amortisation on:		
Owned assets	22,467	18,737
Assets held under finance leases	696	1,389
Loss on disposal of property, plant and equipment	143	440
Minimum lease payments paid under operating leases in respect of land and buildings (Note a)	16,755	17,049
Net exchange loss	4,227	1,067
Staff costs (Note b)	<u>225,055</u>	<u>202,137</u>

Notes:

- (a) Included above is operating lease rentals of HK\$604,000 (2003: HK\$886,000) in respect of staff quarters.
- (b) Details of directors' emoluments included in staff costs are disclosed in note 7. Staff costs included an amount of HK\$1,782,000 (2003: HK\$1,681,000) in respect of retirement benefit scheme contributions, net of forfeited contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

	2004 HK\$'000	2003 HK\$'000
Fees to Non-executive Directors	–	–
Remuneration to Executive Directors		
Salaries and other benefits	14,986	12,985
Retirement benefits scheme contributions	24	24
	<u> </u>	<u> </u>
Total directors' emoluments	<u>15,010</u>	<u>13,009</u>

Other than the share options granted to independent non-executive directors on 9 September 2002, no emoluments or other benefits were paid or payable to non-executive directors during the two years ended 30 June 2004.

Emoluments of the Directors were within the following bands:

	Number of Directors	
	2004	2003
Nil to HK\$1,000,000	8	8
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$8,000,001 – HK\$8,500,000	1	–
	<u> </u>	<u> </u>

Details of emoluments paid by the Group to the five highest paid individuals (including Directors, details of whose emoluments are set out above, and employees) are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	22,727	19,099
Retirement benefits scheme contributions	60	60
	<u> </u>	<u> </u>
	<u>22,787</u>	<u>19,159</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

7. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS – continued

Emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	2004	2003
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$3,000,001 – HK\$3,500,000	2	–
HK\$5,500,001 – HK\$6,000,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,000,001 – HK\$7,500,000	–	1
HK\$8,000,001 – HK\$8,500,000	1	–
	<u>1</u>	<u>–</u>
Number of Directors	2	2
Number of employees	3	3
	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>

8. FINANCE COSTS

	2004	2003
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	1,260	3,638
Obligations under finance leases	229	275
Convertible loan notes (“CLNs”)	–	3,138
	<u>1,489</u>	<u>7,051</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

9. WINDING UP OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net liabilities of subsidiaries wound up comprise:		
Debtors, deposits and prepayments	56	–
Creditors and accrued charges	<u>(147)</u>	<u>–</u>
	(91)	–
Release of translation reserve upon winding up	<u>(4,028)</u>	<u>–</u>
Gain on winding up	<u><u>(4,119)</u></u>	<u><u>–</u></u>

The subsidiaries wound up during the year did not make a significant contribution to the Group's turnover and operating results for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

10. TAXATION

	2004 HK\$'000	2003 HK\$'000 (Restated)
The charge (credit) comprises:		
Company and subsidiaries		
Current tax		
Hong Kong Profits Tax calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the year	27,364	20,555
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	<u>4,843</u>	<u>3,735</u>
	<u>32,207</u>	<u>24,290</u>
(Over)underprovision in prior years		
Hong Kong Profits Tax	(1)	77
Taxation in other jurisdictions	<u>(674)</u>	<u>(280)</u>
	<u>(675)</u>	<u>(203)</u>
Deferred taxation (note 23)		
Current year	4,510	2,130
Attributable to increase in tax rate	<u>-</u>	<u>262</u>
	<u>4,510</u>	<u>2,392</u>
	<u><u>36,042</u></u>	<u><u>26,479</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

10. TAXATION – continued

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	<u>194,397</u>	<u>158,364</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	34,019	27,714
Tax effect of expenses that are not deductible for tax purposes	10,824	10,234
Tax effect of income that is not taxable for tax purposes	(10,771)	(10,232)
Tax effect of deductible temporary differences not recognised	32	47
Tax effect of tax losses not recognised	1,379	1,107
Tax effect of utilisation of deductible temporary differences previously not recognised	(28)	(94)
Tax effect of utilisation of tax losses previously not recognised	(234)	(1,931)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	–	262
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,384	1,487
Overprovision in prior years	(675)	(203)
Others	<u>112</u>	<u>(1,912)</u>
Taxation charge for the year	<u>36,042</u>	<u>26,479</u>

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For the year ended 30 June 2004

11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
2003 final dividend paid:		
HK\$0.04 (year ended 30 June 2002: nil) per share on 1,071,349,957 shares	42,854	–
2003 special dividend paid:		
HK\$0.02 (year ended 30 June 2002: nil) per share on 1,071,349,957 shares	21,427	–
2004 interim dividend paid:		
HK\$0.02 (year ended 30 June 2003: nil) per share on 1,071,349,957 shares	21,427	–
	<u>85,708</u>	<u>–</u>

A final dividend of 5 HK cents (2003: 4 HK cents) per share has been proposed by the Directors and is subject to the approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows:

	2004 HK\$'000	2003 HK\$'000 (Restated)
Profit for the purpose of basic earnings per share	156,503	131,500
Interest on CLNs	–	3,138
	<u>156,503</u>	<u>134,638</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

12. EARNINGS PER SHARE – continued

	Number of shares	
	2004	2003
Number of shares for the purpose of basic earnings per share	1,071,349,957	936,623,919
Effect of dilutive potential shares:		
Options	4,376,622	2,564,079
CLNs	–	162,974,991
	<u> </u>	<u> </u>
Number of shares for the purpose of diluted earnings per share	<u>1,075,726,579</u>	<u>1,102,162,989</u>

The adjustment to comparative basic and diluted earnings per share, arising from the adoption of SSAP 12 (Revised) shown in note 2 above, is as follows:

	Basic	Diluted
	HK cents	HK cents
Reconciliation of 2003 earnings per share:		
Reported figures before adjustments	14.3	12.4
Adjustments arising from the adoption of SSAP 12 (Revised)	<u>(0.3)</u>	<u>(0.2)</u>
Restated	<u>14.0</u>	<u>12.2</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 July 2003	47,148	43,973	181,441	11,883	7,611	292,056
Currency realignment	(18)	117	802	6	1	908
Additions	207	4,864	28,424	1,070	5,422	39,987
Disposals	(123)	(1,057)	(159)	(496)	–	(1,835)
Reclassification	9,650	147	(147)	–	(9,650)	–
At 30 June 2004	56,864	48,044	210,361	12,463	3,384	331,116
Comprising						
At cost	55,403	48,044	210,361	12,463	3,384	329,655
At valuation – 1992	1,461	–	–	–	–	1,461
	<u>56,864</u>	<u>48,044</u>	<u>210,361</u>	<u>12,463</u>	<u>3,384</u>	<u>331,116</u>
DEPRECIATION AND IMPAIRMENT						
At 1 July 2003	18,349	34,408	115,291	7,897	–	175,945
Currency realignment	(66)	79	322	4	–	339
Charge for the year	1,813	3,579	16,146	1,625	–	23,163
Eliminated on disposals	(2)	(1,048)	(107)	(417)	–	(1,574)
At 30 June 2004	20,094	37,018	131,652	9,109	–	197,873
NET BOOK VALUES						
At 30 June 2004	36,770	11,026	78,709	3,354	3,384	133,243
At 30 June 2003	28,799	9,565	66,150	3,986	7,611	116,111

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

13. PROPERTY, PLANT AND EQUIPMENT – continued

Notes:

- (a) The net book value of the Group's property interests as at the balance sheet date comprises:

	2004 HK\$'000	2003 HK\$'000
Land and buildings outside Hong Kong under:		
Long lease	3,581	4,444
Medium term lease	26,983	17,256
Short lease	5,450	6,218
Land and buildings in Hong Kong under medium term lease	<u>756</u>	<u>881</u>
	<u><u>36,770</u></u>	<u><u>28,799</u></u>

- (b) The net book values of the Group's property, plant and equipment in respect of assets held under finance leases are as follows:

	2004 HK\$'000	2003 HK\$'000
Furniture, fixtures and equipment	3,111	3,352
Motor vehicles	<u>1,852</u>	<u>1,807</u>
	<u><u>4,963</u></u>	<u><u>5,159</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares	125,002	125,002
Capital contribution	<u>5,460</u>	<u>5,460</u>
	130,462	130,462
Impairment loss recognised	<u>(5,460)</u>	<u>(5,460)</u>
	125,002	125,002
Amounts due from subsidiaries, less allowances	<u>202,419</u>	<u>138,064</u>
	<u><u>327,421</u></u>	<u><u>263,066</u></u>

The value of unlisted shares is based on the underlying net assets of Top Form (B.V.I.) Limited and its subsidiaries at the time they became members of the Group pursuant to the group reorganisation in 1991.

In the opinion of directors, repayment of the amounts due from subsidiaries will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amounts are shown as non-current.

Details of the principal subsidiaries as at 30 June 2004 are set out in note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

15. INTERESTS IN ASSOCIATES

Details of the Group's associates as at 30 June 2004 are as follows:

Name of company	Form of business structure	Place of registration	Principal place of operation	Proportion of nominal value of registered capital held by the Group	Principal activities
Shenzhen Fenghua Weaving Tape Factory Company Limited 深圳豐華織帶廠有限公司	Joint venture	PRC	PRC	25%	Inactive
Yingkou Xinfu Industrial Park Development Company Limited 營口鑫發工業園開發有限公司	Joint venture	PRC	PRC	30%*	Industrial land development

* Directly held by the Company

Share of net assets of associates of HK\$15,422,000 by the Group and the Company were fully impaired in previous years.

16. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	-	-
Amount due from a jointly controlled entity, less allowances	<u>865</u>	<u>811</u>
	<u><u>865</u></u>	<u><u>811</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

16. INTERESTS IN A JOINTLY CONTROLLED ENTITY – continued

Details of the Group's jointly controlled entity as at 30 June 2004 are as follows:

Name of company	Form of business structure	Place of incorporation	Principal place of operation	Proportion of nominal value of issued ordinary share capital held by the Group	Principal activity
Datel Asia Limited	Incorporated	Hong Kong	Hong Kong	50%	Selling of computer hardware, licensing of computer software, system integration and maintenance

17. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Raw materials	59,537	47,537
Work in progress	64,444	38,189
Finished goods	36,288	34,558
	<u>160,269</u>	<u>120,284</u>
At cost	154,851	116,784
Finished goods stated at net realisable value	5,418	3,500
	<u>160,269</u>	<u>120,284</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

18. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$97,376,000 (2003: HK\$55,773,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 30 days	85,130	50,890
31 – 60 days	9,190	1,841
61 – 90 days	1,308	576
Over 90 days	1,748	2,466
	<u>97,376</u>	<u>55,773</u>

19. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$36,295,000 (2003: HK\$33,788,000).

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 – 30 days	30,334	31,443
31 – 60 days	3,134	1,315
61 – 90 days	1,382	676
Over 90 days	1,445	354
	<u>36,295</u>	<u>33,788</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

20. SECURED BANK BORROWINGS AND OTHER LIABILITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Secured bank borrowings:		
Trust receipts and import loans	14,953	17,048
Bank overdrafts	1,498	3,702
	<u>16,451</u>	<u>20,750</u>
Total bank borrowings (note a)	16,451	20,750
Other unsecured liabilities (note b)	367	449
	<u>16,818</u>	<u>21,199</u>
Less: Amount due within one year shown as current liabilities	(16,533)	(20,832)
	<u>285</u>	<u>367</u>

Notes:

- (a) All bank borrowings are repayable within one year or upon demand and are all secured.

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
(b) Other liabilities are unsecured and repayable:		
Within one year	82	82
Between one to two years	82	82
Between two to five years	203	246
After five years	-	39
	<u>367</u>	<u>449</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
THE GROUP				
Within one year	2,034	2,018	1,801	1,821
Between one to two years	1,210	1,331	1,157	1,216
Between two to five years	170	495	151	467
	<u>3,414</u>	<u>3,844</u>	<u>3,109</u>	<u>3,504</u>
Less: future finance charges	(305)	(340)	–	–
Present value of lease obligations	<u>3,109</u>	<u>3,504</u>	<u>3,109</u>	<u>3,504</u>
Less: Amount due within one year shown as current liabilities			<u>(1,801)</u>	<u>(1,821)</u>
Amount due after one year			<u>1,308</u>	<u>1,683</u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is three years. For the year ended 30 June 2004, the average effective borrowing rate was 7.4% (2003: 7.3%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

22. PROVISION FOR LONG SERVICE PAYMENTS

THE GROUP

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employees fulfill certain conditions and the termination meets the required circumstances. However, where an employee is simultaneously entitled to a long service payment and to a retirement scheme payment (i.e. Mandatory Provident Fund Scheme), the amount of the long service payment may be reduced by certain benefits arising from the retirement scheme.

The most recent actuarial valuation of the present value of the Group's obligation under the long service payments was carried out at 30 June 2004 by Hewitt Associates LLC, an independent firm of human resource consultants and actuaries. The present value of the Group's obligation under long service payments, the related current service cost, past service cost and net actuarial losses were measured using the projected unit credit method.

The main actuarial assumptions used in the actuarial valuation were as follows:

	2004
Discount rate	6% per annum
Expected rate of salary increases	3% per annum for the first 2 years, and 5% per annum thereafter
Expected return on Mandatory Provident Fund Scheme	4% per annum for the next 2 years, and 5% per annum thereafter

Amounts recognised in the consolidated income statement in respect of the long service payments are as follows:

	2004	2003
	HK\$'000	HK\$'000
Current service cost	318	283
Interest cost	182	158
Net actuarial losses recognised	999	–
Benefit paid	(34)	(34)
	<u>1,465</u>	<u>407</u>

All the charge for the year has been included in general and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

22. PROVISION FOR LONG SERVICE PAYMENTS – continued

Movements of the net liability in the balance sheet are as follows:

	2004	2003
	HK\$'000	HK\$'000
At beginning of the year	3,055	2,648
Amounts charged to income statement	1,465	407
At end of the year	4,520	3,055

23. DEFERRED TAXATION

THE GROUP

The major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation	Unrealised losses	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 July 2002			
– as originally stated	2,380	–	2,380
– prior period adjustment on adoption of SSAP 12 (Revised)	(391)	1,003	612
– as restated	1,989	1,003	2,992
Charge to income statement for the year	342	1,788	2,130
Effect of change in tax rate			
– charge to the income statement	168	94	262
– charge to equity	18	–	18
At 30 June 2003	2,517	2,885	5,402
Charge to income statement for the year	995	3,515	4,510
At 30 June 2004	3,512	6,400	9,912

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

23. DEFERRED TAXATION – continued

At 30 June 2004, the Group and the Company has unused tax losses of approximately HK\$78,597,000 and HK\$12,770,000 (2003: HK\$72,053,000 and HK\$14,150,000), respectively, available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses of the Group are losses of HK\$2,994,000 (2003: nil) of subsidiaries in PRC that will gradually expire until 2008. Other losses may be carried forward indefinitely.

At 30 June 2004, the Group has unrecognised deductible temporary differences of approximately HK\$1,317,000 (2003: HK\$1,297,000) in respect of accelerated accounting depreciation. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

24. SHARE CAPITAL

	2004 Number of shares	2003 Number of shares	2004 HK\$'000	2003 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of the year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At the beginning of the year	1,071,349,957	770,521,462	107,135	77,052
Issue of shares upon the conversion of CLNs	<u>–</u>	<u>300,828,495</u>	<u>–</u>	<u>30,083</u>
At the end of the year	<u>1,071,349,957</u>	<u>1,071,349,957</u>	<u>107,135</u>	<u>107,135</u>

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 22 November 2001 for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board, and the Scheme will expire on 21 November 2012. Under the Scheme, the Board of Directors of the Company may grant options to any employees, including executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

At 30 June 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,164,168 (2003: 6,164,168), representing 0.6% (2003: 0.6%) of the shares of the Company in issue at 8 September 2004. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days of the date of grant, upon payment of HK\$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

25. SHARE OPTION SCHEME – continued

The following table discloses details of the Company's share options held by the Directors under the Scheme during the two years ended 30 June 2004:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	At 1.7.2002	Number of share options	
					Granted on 9.9.2002	outstanding at 1.7.2003 and 30.6.2004
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343	–	6,164,168	6,164,168

During the year ended 30 June 2004, no options were granted, exercised or cancelled under the Scheme.

Total consideration received during the year ended 30 June 2003 from the Directors for taking up the options granted amounted to HK\$8.

No charge was recognised in the income statement in respect of the value of options granted in last financial year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

26. RESERVES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
SHARE PREMIUM				
At the beginning of the year	-	249,546	-	249,546
Premium arising on issue of shares upon the conversion of convertible loan notes	-	63,649	-	63,649
Cancellation against accumulated losses	-	(230,594)	-	(230,594)
Transfer to other distributable reserve	-	(82,601)	-	(82,601)
At the end of the year	-	-	-	-
LEGAL RESERVE				
At the beginning of the year	323	323	-	-
Transfer to accumulated profits upon winding up of a subsidiary	(323)	-	-	-
At the end of the year	-	323	-	-
SPECIAL RESERVE				
At the beginning and the end of the year	7,139	7,139	-	-
CONTRIBUTED SURPLUS				
At the beginning and the end of the year	-	-	124,802	124,802
OTHER DISTRIBUTABLE RESERVE				
At the beginning of the year	82,601	-	82,601	-
Dividend paid	(82,601)	-	(82,601)	-
Transfer from share premium	-	82,601	-	82,601
At the end of the year	-	82,601	-	82,601
REVALUATION RESERVE				
At the beginning of the year as originally stated	2,492	5,511	-	-
prior period adjustment in respect of deferred taxation	(211)	(193)	-	-
as restated	2,281	5,318	-	-
Effect of change in tax rate	-	(18)	-	-
Realised on disposal of investment in securities	-	(3,019)	-	-
At the end of the year	2,281	2,281	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

26. RESERVES – continued

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TRANSLATION RESERVE				
At the beginning of the year	(450)	(2,257)	–	–
Realised on winding up of subsidiaries	(4,028)	–	–	–
Exchange differences arising on translation of overseas operations	(953)	1,807	–	–
At the end of the year	<u>(5,431)</u>	<u>(450)</u>	<u>–</u>	<u>–</u>
ACCUMULATED PROFITS (LOSSES)				
At the beginning of the year as originally stated	68,524	(295,962)	(52,962)	(563,457)
prior period adjustment in respect of deferred taxation	(2,811)	(419)	–	–
as restated	65,713	(296,381)	(52,962)	(563,457)
Eliminated against share premium	–	230,594	–	230,594
Profit for the year	156,503	131,500	150,054	279,901
Transfer from legal reserve upon winding up of a subsidiary	323	–	–	–
Dividend paid	(3,107)	–	(3,107)	–
At the end of the year	<u>219,432</u>	<u>65,713</u>	<u>93,985</u>	<u>(52,962)</u>
TOTAL RESERVES	<u>223,421</u>	<u>157,607</u>	<u>218,787</u>	<u>154,441</u>

Legal reserve at 30 June 2003 represented the transfer from accumulated profits of a subsidiary in Switzerland pursuant to legal requirements in Switzerland. The amount was realised on winding up of that subsidiary during the year.

Special reserve represents the difference between the nominal amount of the share capital issued by the Company in exchange for the nominal amount of the share capital of companies forming the Group, pursuant to the group reorganisation in 1991.

Contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company under the group reorganisation, and the nominal amount of the Company's shares issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

26. RESERVES – continued

Under the Company Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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.

Pursuant to a special resolution passed on 4 April 2003, the entire amount standing to the credit of the share premium account of the Company was cancelled and the credit arising therefrom was being applied towards eliminating the accumulated losses of the Company as at 31 December 2002 with the remaining balance credited to other distributable reserve of the Company. Other distributable reserve represents the surplus transferred from the share premium account.

The Company's reserves available for distribution to shareholders as at 30 June 2004 amounted to approximately HK\$218,787,000 (2003: HK\$154,441,000).

27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value of HK\$2,124,000 (2003: HK\$3,690,000) at the inception of the finance leases.

During the year ended 30 June 2003, HK\$93,732,000 of CLNs were converted into 300,828,495 ordinary shares of the Company.

28. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Export bills discounted with recourse	8,802	–	–	–
Guarantees given (extent of facilities utilised) to banks in respect of credit facilities granted to subsidiaries	–	–	16,451	20,751
	<u>–</u>	<u>–</u>	<u>16,451</u>	<u>20,751</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

29. PLEDGE OF ASSETS

At 30 June 2004, the Group has pledged certain of its properties with an aggregate carrying value of approximately HK\$751,000 (2003: HK\$877,000) to secure credit facilities granted to the Group.

The Company and certain of its subsidiaries have each executed a debenture in favour of certain banks so that all the assets, including bank balances and cash, and rights of the Company and the related subsidiaries are provided as securities for the continuation of the banking facilities granted to the Group.

30. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	22,452	4,292
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	—	26,898
	<u>22,452</u>	<u>31,190</u>

The Company did not have any significant capital commitments as at the balance sheet date.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
– Within one year	9,720	13,054
– In the second to fifth year inclusive	9,842	13,888
– Over five years	2,645	3,489
	<u>22,207</u>	<u>30,431</u>

Leases are negotiated for an average term of one to five years with fixed rental over the terms of the relevant leases.

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

32. RETIREMENT BENEFIT SCHEMES

The Group has joined a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees in Hong Kong which is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The eligible employees of the Company’s subsidiaries in the PRC are members of pension schemes operated by the Chinese local government. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the pension schemes to fund the benefits.

Eligible employees of the Company’s subsidiaries in Thailand and Philippines currently participate in defined contribution pension schemes operated by the local municipal government. The calculation of contributions is based on certain percentages of the employees’ payroll.

33. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with related parties as follows:

Name of related party	Nature of transactions	THE GROUP	
		2004 HK\$’000	2003 HK\$’000
Van de Velde N.V. (“VdV”) (note a)	Sale of finished products (note c)	26,882	24,283
	Interest payable on CLNs	—	223
AIG Asia Direct Investment Fund Ltd. (“AIGA”) (note b)	Interest payable on CLNs	—	1,068
American International Assurance Co. (Bermuda) Ltd. (“AIA”) (note b)	Interest payable on CLNs	—	1,068

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

33. RELATED PARTY TRANSACTIONS – continued

Notes:

- (a) On 9 September 2002, Messrs. Herman Van de Velde and Lucas A.M. Laureys, directors of VdV, were appointed as directors of the Company. Since then, VdV became a related party of the Company and it held an effective interest of 19.17% in the Company as at 30 June 2004. As at 30 June 2004, the balance of trade receivable from VdV amounted to HK\$654,000 (2003: HK\$692,000).
- (b) During the year ended 30 June 2002, AIGA and AIA, each held US\$4.8 million of the CLNs issued by the Company. All of these CLNs were converted or redeemed during the year ended 30 June 2003.
- (c) The sales were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 30 June 2004 are as follows:

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Charming Elastic Fabric Company Limited	Hong Kong	Ordinary – HK\$316,667 Deferred – HK\$810,000	60%	Manufacture of elastic garment straps
Grand Gain Industrial Limited	Hong Kong	Ordinary – HK\$100,000	55%	Laminating business
Long Nan Grand Gain Underwear Co., Ltd. 龍南縣建盈內衣有限公司	PRC [#]	Capital contribution – HK\$5,000,000	55%	Moulding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

34. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Long Nan County Top Form Underwear Co., Ltd. 龍南縣黛麗斯內衣有限公司	PRC [#]	Capital contribution – HK\$20,000,000	100%	Manufacture of ladies' underwear
Marguerite Lee Limited	Hong Kong	Ordinary – HK\$2,500,000	100%	Retail sales of underwear, sleepwear and other intimate apparel
Marguerite Lee (Overseas) Limited	British Virgin Islands	Ordinary – US\$10	100%	Investment holding
漫多姿服裝 (深圳) 有限公司	PRC [#]	Capital contribution – HK\$8,000,000	100%	Manufacture and distribution of ladies' underwear
Meritlux Industries Philippines, Inc.	Republic of Philippines	Ordinary – Peso 17,500,000	100%	Manufacture of ladies' underwear
Foshan Nanhai Top Form Underwear Company Limited 佛山市南海黛麗斯內衣 有限公司 [®]	PRC [^]	Capital contribution – HK\$20,800,000	75%	Manufacture of ladies' underwear
Shenzhen Top Form Underwear Co., Ltd. 深圳黛麗斯內衣 有限公司	PRC [^]	Capital contribution – HK\$8,616,475	70%	Manufacture and distribution of ladies' underwear

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

34. PRINCIPAL SUBSIDIARIES – continued

Name of company	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company	Principal activities
Top Form Brassiere Co., Limited	Thailand	Ordinary – Baht 80,000,000	100%	Manufacture of ladies' underwear
Top Form Brassiere Mfg. Co., Limited	Hong Kong	Ordinary – HK\$100 Deferred – HK\$4,000,000	100%	Manufacture of ladies' underwear
Top Form (B.V.I.) Limited	British Virgin Islands	Ordinary – US\$50,000	100%*	Investment holding
Top Prospect Investment Limited	Hong Kong	Ordinary – HK\$2	100%	Property holding in the PRC
Topfull Development Limited	Hong Kong	Ordinary – HK\$2	100%	Property holding in the PRC
Twin Peak Brassiere Company Limited	Thailand	Ordinary – Baht 3,000,000	97%	Manufacture of ladies' underwear
Unique Form Manufacturing Company Limited	Hong Kong	Ordinary – HK\$1,000 Deferred – HK\$200	100%	Retail sales of underwear, sleepwear and other intimate apparel
Wide Gain Investment Limited	Hong Kong	Ordinary – HK\$2	100%	Investment holding

* Directly held by the Company

These subsidiaries are registered as wholly foreign owned enterprises in the PRC.

^ These subsidiaries are registered as contractual joint ventures in the PRC.

@ Formerly known as “Nan Hai Top Form Underwear Co. Ltd 南海市黛麗斯內衣有限公司”

34. PRINCIPAL SUBSIDIARIES – continued

Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司 is a joint venture company established in the PRC and was originally held for a period of twelve years from 10 November 1987. On 18 September 1998, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 10 years to 28 February 2009. Foshan Nanhai Top Form Underwear Co., Ltd. 佛山市南海黛麗斯內衣有限公司 is also a joint venture company established in the PRC and was held for a period of ten years from 1 January 1992. On 1 January 2002, an extension agreement was entered into between the Group and the joint venture partner to extend the joint venture period for a further 3 years to 5 September 2004 which was then extended for a further 16 months to 5 January 2006. Pursuant to the agreements under which the joint ventures were established, the Group has contributed 70% and 75% of the nominal registered capital of Shenzhen Top Form Underwear Co., Limited 深圳黛麗斯內衣有限公司 and Foshan Nanhai Top Form Underwear Co., Ltd. 佛山市南海黛麗斯內衣有限公司, respectively. However, under the joint venture agreements, the Group is entitled to 100% of the joint venture companies' profit after deducting a fixed annual amount attributable to assets contributed by the joint venture partners. The Group is entitled to receive its attributable share of the net assets upon liquidation of the joint ventures.

As at 30 June 2004, all of the deferred shares issued by subsidiaries were held by group companies. The deferred shares carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective companies. On winding-up, the holders of the deferred shares are entitled to one half of the remaining assets of the respective companies after the first HK\$100,000,000,000 has been distributed equally amongst the holders of the ordinary shares.

None of the subsidiaries had any debt securities subsisting as at 30 June 2004 or at any time during the year.

All subsidiaries operate principally in their respective places of incorporation unless specified otherwise under the heading "Principal activities".

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally comprised the Group's assets or results. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.