

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted Company with limited liability in the Cayman Islands under the Companies Law (2000 Revision) Chapter 22 of the Cayman Islands on 9th June, 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 5th October, 2005. Its holding company is Powerlink Industries Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the group in preparation for the listing of the Company's share on the Stock Exchange, on 29th August, 2005, the Company issued shares in exchange for the entire issued share capital of Interlink Atlantic Limited and thereby became the holding company of the company now comprising the group. Further details of the Group Reorganisation were set out in the prospectus issued by the Company dated 23rd September, 2005.

The group comprising the Company and its subsidiaries (the "Group") resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group for the year ended 31st December, 2004 and 31st December, 2005 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of pooling of interests.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 43.

The financial statements are presented in Hong Kong Dollars, which is the same as the functional currency of the Company.

## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, the following standards, amendments and interpretations were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial instruments: Disclosures
IFRIC 3	Emission Rights
IFRIC 4	Determining whether an Arrangement contain a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRIC 2 (Share-based payment transaction)
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates at Investment in a Foreign Operation

The directors anticipate that the adoption of these standards, amendments and interpretations in future periods will have no material impact on the financial statements of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention except for the financial instruments which are measured at fair values, as explained in the accounting policies below. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year other than pursuant to the Group Reorganisation are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### **Investments in subsidiaries**

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

### **Revenue recognition**

Turnover represents the fair value of the net amounts received and receivable for goods sold by the Group less discount allowances, and goods returned.

Sale of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress represents the properties and plant and machinery in the course of development for production or administrative purposes and are stated at cost, less any identified impairment loss. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

### Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of investment properties, using the straight line method.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.



# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss for the period in which they arise, except for exchange difference arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting financial information, the assets and liabilities of Group's foreign operations (including comparatives) are expressed in Hong Kong Dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Borrowing costs

All borrowing costs are recognised as and included in finance costs in the income statement in the period in which they are incurred.

### Retirement benefits costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme are charged as expenses as the fall due.

### 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 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Taxation - continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

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.

### Intangible assets

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable values represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For intangible assets with indefinite useful lives, they are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When 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.



## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

#### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are classified into available-for-sale investments financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each of the category of financial assets are set out below.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES - continued

### Financial instruments - continued

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, trade receivables, bills receivables, other receivables, deposits and amounts due from related companies are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of other financial liabilities and equity instrument are set out below.

#### *Other financial liabilities*

Other financial liabilities include trade and other payables, bills payable, amount due to a director and bank borrowings which fall within the category of other financial liabilities. These financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

#### *Equity instrument*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.



# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have most significant effect on the amounts recognised in the financial statements which are dealt with below.

### Depreciation

The net book value of the Group's property, plant and equipment as at 31st December, 2005 were HK\$274,112,000. The Group depreciates the leasehold improvement and buildings on a straight line basis over the term of the lease and depreciates the plant and machinery, furniture and fixtures and motor vehicles on a straight line basis over the estimated useful life of three to twenty-five years respectively, commencing from the date the assets are placed into productive use. The estimated useful life and dates that the Group places the assets into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

### Allowances for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of the debts and on managements' judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivable, bill receivables, other receivables, deposits, amounts due from related companies, trade and payables, bills payables, amount due to a director and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties, failure to perform their obligations as at 31st December, 2005 is the carrying amount of trade and other receivables as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high-credit-ratings assigned by international credit-rating agencies.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

### Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. Also, certain trade receivables, trade payables, bank balances and bank borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

### Reliance on major customers

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 36.6% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 23.8% of the Group's total sales. It expose the Group to the reliance on its major customers and the management currently are seeking new customers base to explore the market in order to reduce the reliance on several major customers.

### Floating rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank loans. Certain bank loans of the Group are denominated in floating interest rate. The Group currently does not have interest rate swap policy in respect of floating interest rate. However, management monitors the interest rate exposure closely and will consider interest rate swapping should the need arise.

## 6. TURNOVER

Turnover represents the net amounts received and receivable for goods sold exclusive of value added taxes, less returns and allowances by the Group to outside customers during the years.

	2005 HK\$'000	2004 HK\$'000
Production and sale of cotton yarn	49,716	36,528
Production and sale of knitted sweaters	356,627	190,278
Production and sale of dyed yarns	393,663	421,107
Provision of dyeing and knitting services	31,392	20,818
Trading of cotton and yarns	69,084	103,471
	<u>900,482</u>	<u>772,202</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 7. SEGMENT INFORMATION

### Business segments

For management purpose, the Group is currently organised into the following five operating divisions. These divisions are the basis on which the Group reports its primary segment information:

An analysis of the Group's turnover and contribution to operating results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December, 2005

	Production and sale of cotton yarn HK\$'000	Production and sale of knitted sweaters HK\$'000	Production and sale of dyed yarns HK\$'000	Provision of dyeing and knitting services HK\$'000	Trading of cotton and yarns HK\$'000	Elimination HK\$'000	Total HK\$'000
<b>TURNOVER</b>							
External	49,716	356,627	393,663	31,392	69,084	—	900,482
Inter - segment sales	63,344	167,529	364,839	2,471	123,508	(721,691)	—
	<u>113,060</u>	<u>524,156</u>	<u>758,502</u>	<u>33,863</u>	<u>192,592</u>	<u>(721,691)</u>	<u>900,482</u>
<b>RESULTS</b>							
Segment results	<u>3,670</u>	<u>43,254</u>	<u>57,163</u>	<u>4,881</u>	<u>(2,533)</u>	<u>—</u>	106,435
Unallocated corporate expense							(38)
Finance costs							(23,051)
Profit before taxation							83,346
Taxation							(7,929)
Profit for the year							<u>75,417</u>

Inter segment sales were charged at cost plus margin basis as agreed between both parties.

As at 31st December, 2005

<b>ASSETS</b>							
Segment assets	117,971	184,575	317,286	24,790	64,178	—	708,800
Unallocated corporate assets							131,858
<b>CONSOLIDATED TOTAL ASSETS</b>							<u>840,658</u>
<b>LIABILITIES</b>							
Segment liabilities	12,895	27,249	51,497	3,109	9,873	—	104,623
Unallocated corporate liabilities							274,986
<b>CONSOLIDATED TOTAL LIABILITIES</b>							<u>379,609</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 7. SEGMENT INFORMATION - continued

For the year ended 31st December, 2005

	Production and sale of cotton yarn HK\$'000	Production and sale of knitted sweaters HK\$'000	Production and sale of dyed yarns HK\$'000	Provision of dyeing and knitting services HK\$'000	Trading of cotton and yarns HK\$'000	Elimination HK\$'000	Total HK\$'000
OTHER INFORMATION:							
Capital expenditure	5,372	4,942	6,237	416	130	—	17,097
Allowance for bad and doubtful debts	—	—	1,513	—	—	—	1,513
Depreciation of property, plant and equipment	6,288	6,385	17,356	1,536	944	—	32,509
Depreciation of investment properties	—	—	215	—	—	—	215
Amortisation of prepaid lease payments	192	136	319	282	—	—	929
Loss on disposal of property, plant and equipment	—	—	15	—	—	—	15

For the year ended 31st December, 2004

	Production and sale of cotton yarn HK\$'000	Production and sale of knitted sweaters HK\$'000	Production and sale of dyed yarns HK\$'000	Provision of dyeing and knitting services HK\$'000	Trading of cotton and yarns HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER							
External	36,528	190,278	421,107	20,818	103,471	—	772,202
Inter - segment sales	65,718	113,963	401,318	—	60,444	(641,443)	—
	<u>102,246</u>	<u>304,241</u>	<u>822,425</u>	<u>20,818</u>	<u>163,915</u>	<u>(641,443)</u>	<u>772,202</u>
RESULTS							
Segment results	<u>(3,844)</u>	<u>19,182</u>	<u>51,085</u>	<u>5,253</u>	<u>282</u>	<u>—</u>	<u>71,958</u>
Finance costs							<u>(17,306)</u>
Profit before taxation							54,652
Taxation							<u>(6,907)</u>
Profit for the year							<u>47,745</u>

Inter segment sales were charged at cost plus margin basis as agreed between both parties.

As at 31st December, 2004

ASSETS							
Segment assets	126,159	155,400	403,686	16,230	20,155	—	721,630
Unallocated corporate assets							68,575
CONSOLIDATED TOTAL ASSETS							<u>790,205</u>
LIABILITIES							
Segment liabilities	20,147	11,756	71,983	1,860	4,860	—	110,606
Unallocated corporate liabilities							586,646
CONSOLIDATED TOTAL LIABILITIES							<u>697,252</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 7. SEGMENT INFORMATION - continued

For the year ended 31st December, 2004

	Production and sale of cotton yarn HK\$'000	Production and sale of knitted sweaters HK\$'000	Production and sale of dyed yarns HK\$'000	Provision of dyeing and knitting services HK\$'000	Trading of cotton and yarns HK\$'000	Elimination HK\$'000	Total HK\$'000
OTHER INFORMATION:							
Capital expenditure	3,928	11,526	14,759	547	76	—	30,836
Depreciation of property, plant and equipment	5,948	6,242	19,904	788	312	—	33,194
Depreciation of investment properties	—	—	360	—	—	—	360
Amortisation of prepaid lease payments	25	80	754	9	—	—	868
Loss on disposal of property, plant and equipment	—	—	807	19	—	—	826
Recovery of bad and doubtful debts	—	—	(65)	(3)	—	—	(68)

### Geographical segments

The Group's operations are mainly located in the People's Republic of China (the "PRC") (including Hong Kong).

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

	Turnover by geographical market	
	2005 HK\$'000	2004 HK\$'000
PRC (including Hong Kong)	424,184	444,274
Africa and Asia other than PRC	131,223	141,800
Europe	319,476	177,622
North America	25,599	8,506
	<u>900,482</u>	<u>772,202</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 7. SEGMENT INFORMATION - 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 segment assets	
		2005 HK\$'000	2004 HK\$'000
PRC		440,484	487,888
Hong Kong		399,194	301,622
Macau		980	695
		<u>840,658</u>	<u>790,205</u>

		Additions to investment properties and property, plant and equipment	
		2005 HK\$'000	2004 HK\$'000
PRC		16,479	22,656
Hong Kong		600	8,174
Macau		18	6
		<u>17,097</u>	<u>30,836</u>

## 8. FINANCE COSTS

		2005 HK\$'000	2004 HK\$'000
Interest on:			
Bank borrowings wholly repayable within five years		19,231	16,287
Bank borrowings wholly repayable over five years		139	185
Finance lease		581	834
Imputed interest expense on amount due to a shareholder		3,100	—
		<u>23,051</u>	<u>17,306</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 9. TAXATION

The charge comprises:

	2005 HK\$'000	2004 HK\$'000
Hong Kong Profits Tax - Current year	9,275	5,143
Taxation in PRC	290	945
Deferred taxation (note 21)	(1,636)	819
	<u>7,929</u>	<u>6,907</u>

Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are entitled to exemption from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC enterprise income tax for the following three years.

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

	2005 HK\$'000	2004 HK\$'000
Applicable tax rate ( <i>Note</i> )	17.5%	17.5%
Profit before taxation	<u>83,346</u>	<u>54,652</u>
Taxation at the applicable tax rate	14,586	9,564
Effect of tax exemption granted to PRC subsidiaries	(6,863)	(351)
Tax effect of income not taxable in determining taxable profit	(726)	(666)
Tax effect of expenses not deductible in determining taxable profit	707	530
Tax effect of unrecognised tax losses	53	520
Utilisation of tax losses not previously recognised	—	(3,051)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	172	361
Taxation charge for the year	<u>7,929</u>	<u>6,907</u>

*Note:* The domestic tax in the jurisdiction where the operation of the Group is substantially based is used.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2005 HK\$'000	2004 HK\$'000
Directors' remuneration (note 11)	4,852	4,184
Other staff costs	66,409	56,968
Retirement benefits scheme contributions, excluding directors	2,120	787
Total staff costs	73,381	61,939
Allowance for (recovery of) bad and doubtful debts	1,513	(68)
Amortisation of prepaid lease payments	929	868
Auditors' remuneration	2,253	433
Cost of inventories expensed	667,463	595,946
Depreciation of property, plant and equipment	32,509	33,194
Depreciation of investment properties	215	360
Exchange loss	1,501	267
Loss on disposal of property, plant and equipment	15	826
and after crediting:		
Gain on disposal of a subsidiary	—	850
Interest income	1,926	816
Gross rental income from investment properties	1,011	1,032
Less: outgoings	(299)	(307)
	712	725

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 9 (2004: 5) directors were as follows:

For the year ended 31st December, 2005

	Dr. Sung Chung Kwun HK\$'000	Mr. Wong Chiu Hong HK\$'000	Ms. Mok Pui Mei HK\$'000	Mr. Ip Siu Lam HK\$'000	Ms. Sung Lam Ching HK\$'000	Mr. Lau Gary Q HK\$'000	Mr. Chan Tsz Fu, Jacky HK\$'000	Mr. Ng Man Kin HK\$'000	Professor Cai Xiu Ling HK\$'000	Total HK\$'000
<b>Directors</b>										
- fees	—	—	—	—	—	48	48	48	48	192
- salaries and other benefits	1,400	986	700	402	380	—	—	—	—	3,868
- bonus	200	227	150	97	50	—	—	—	—	724
- retirement benefit scheme contributions	12	12	12	12	12	2	2	2	2	68
	<u>1,612</u>	<u>1,225</u>	<u>862</u>	<u>511</u>	<u>442</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>4,852</u>

The bonus payment for the year ended 31st December, 2005 is determined at the discretion of the board of directors.

For the year ended 31st December, 2004

	Dr. Sung Chung Kwun HK\$'000	Mr. Wong Chiu Hong HK\$'000	Ms. Mok Pui Mei HK\$'000	Mr. Ip Siu Lam HK\$'000	Ms. Sung Lam Ching HK\$'000	Total HK\$'000
<b>Directors</b>						
- fees	—	—	—	—	—	—
- salaries and other benefits	1,500	1,133	770	467	256	4,126
- bonus	—	—	—	—	—	—
- retirement benefit scheme contributions	12	12	12	12	10	58
	<u>1,512</u>	<u>1,145</u>	<u>782</u>	<u>479</u>	<u>266</u>	<u>4,184</u>

No directors waived any emoluments for the years ended 31st December, 2005 and 31st December, 2004.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2004: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2004: two) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Employees		
- salaries and other benefits	1,475	1,442
- retirement benefit scheme contributions	24	27
	<u>1,499</u>	<u>1,469</u>

Their emoluments were within the following band:

	2005 No. of employees	2004 No. of employees
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>

During the years ended 31st December, 2005 and 31st December, 2004, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Proposed final dividend of HK\$4.7 cents (2004: Nil) per share	<u>18,853</u>	<u>—</u>

The directors have resolved to recommend the payment of a final dividend of approximately HK\$18,853,000 (2004: Nil) representing HK\$4.7 cents (2004: Nil) per share in respect of the year ended 31st December, 2005. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the equity holders of the parent of HK\$75,413,000 (2004: HK\$42,021,000) and on the weighted average number of 324,109,589 (2004: 300,000,000) shares that would have been in issue throughout the year on the assumption that the Group Reorganisation had been completed on 1st January, 2004.

No diluted earnings per share is presented as the Company had no potential dilutive shares outstanding during both years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 15. INVESTMENT PROPERTIES

	HK\$'000
<b>COST</b>	
At 1st January, 2004	13,035
Addition	1,599
Transferred from property, plant and equipment	765
Transferred to property, plant and equipment	(2,127)
Disposal of a subsidiary	(1,599)
	<hr/>
At 31st December, 2004 and 31st December, 2005	11,673
	<hr/>
<b>ACCUMULATED DEPRECIATION</b>	
At 1st January, 2004	2,499
Provided for the year	360
	<hr/>
At 31st December, 2004	2,859
Provided for the year	215
	<hr/>
At 31st December, 2005	3,074
	<hr/>
<b>NET BOOK VALUES</b>	
At 31st December, 2005	8,599
	<hr/>
At 31st December, 2004	8,814
	<hr/>

All of the investment properties were held under medium term lease in Hong Kong and are rented out under operating leases. The investment properties are amortised over the lease term on a straight-line basis.

The fair value of the Group's investment properties at 31st December, 2005 was HK\$10,972,000 (2004: HK\$10,898,000). The fair value has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited, independent valuers not connected with the Group. The valuation, which confirms to International Valuation Standards, was determined by reference to recent market prices for similar properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>							
At 1st January, 2004	246	97,645	263,898	13,791	18,247	7,637	401,464
Additions	—	2,162	11,533	825	1,261	13,456	29,237
Transfer	—	5,491	1,364	—	—	(6,855)	—
Transfer from investment properties	—	2,127	—	—	—	—	2,127
Transfer to investment properties	—	(1,538)	—	—	—	—	(1,538)
Disposal of a subsidiary	—	—	—	(134)	(307)	—	(441)
Disposals	—	(4,326)	(799)	—	(940)	—	(6,065)
At 31st December, 2004	246	101,561	275,996	14,482	18,261	14,238	424,784
Exchange adjustments	—	1,567	4,767	61	173	274	6,842
Additions	—	2,014	4,784	781	370	9,148	17,097
Transfer	—	1,531	2,585	—	—	(4,116)	—
Written off	—	—	(58)	—	(345)	—	(403)
At 31st December, 2005	246	106,673	288,074	15,324	18,459	19,544	448,320
<b>DEPRECIATION</b>							
At 1st January, 2004	88	15,943	71,423	9,657	12,967	—	110,078
Provided for the year	10	3,430	25,519	1,332	2,903	—	33,194
Disposal of a subsidiary	—	—	—	(24)	(97)	—	(121)
Eliminated on disposals	—	(1,170)	(439)	—	(940)	—	(2,549)
Transfer to investment properties	—	(773)	—	—	—	—	(773)
At 31st December, 2004	98	17,430	96,503	10,965	14,833	—	139,829
Exchange adjustments	—	175	1,906	39	138	—	2,258
Provided for the year	148	3,923	24,757	1,242	2,439	—	32,509
Eliminated on written off	—	—	(12)	—	(376)	—	(388)
At 31st December, 2005	246	21,528	123,154	12,246	17,034	—	174,208
<b>NET BOOK VALUES</b>							
At 31st December, 2005	—	85,145	164,920	3,078	1,425	19,544	274,112
At 31st December, 2004	148	84,131	179,493	3,517	3,428	14,238	284,955

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of the lease
Buildings	Over the term of the lease
Plant and machinery	10% - 20%
Furniture and fixtures	4% - 30%
Motor vehicles	30%

The net book value of plant and machinery of approximately HK\$20,082,000 (2004: HK\$39,329,000) is in respect of assets held under finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 16. PROPERTY, PLANT AND EQUIPMENT - continued

The net book value of the Group's buildings comprises:

	2005 HK\$'000	2004 HK\$'000
Properties in the PRC held under land use rights		
- short term	925	1,003
- medium term	74,954	72,185
Properties held under medium terms lease in Hong Kong	9,266	10,943
	<u>85,145</u>	<u>84,131</u>

## 17. PREPAID LEASE PAYMENTS

	HK\$'000
<b>COST</b>	
At 1st January, 2004	35,675
Additions	12,655
Disposal of a subsidiary	(5,062)
Disposals	<u>(6,336)</u>
At 31st December, 2004	36,932
Exchange adjustments	502
Additions	<u>5,438</u>
At 31st December, 2005	<u>42,872</u>
<b>AMORTISATION</b>	
At 1st January, 2004	3,585
Provided for the year	868
Disposals	<u>(1,586)</u>
At 31st December, 2004	2,867
Exchange adjustments	21
Provided for the year	<u>929</u>
At 31st December, 2005	<u>3,817</u>
<b>NET BOOK VALUES</b>	
At 31st December, 2005	<u>39,055</u>
At 31st December, 2004	<u>34,065</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 17. PREPAID LEASE PAYMENTS - continued

The cost of land use rights is amortised over the term of the land use rights on a straight line basis.

	2005 HK\$'000	2004 HK\$'000
The Group's land use right comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	6,844	7,077
Leasehold land outside Hong Kong:		
Medium-term lease	31,815	26,558
Short lease	396	430
	<u>39,055</u>	<u>34,065</u>
Analysed for reporting purposes as:		
Current asset	955	832
Non-current asset	<u>38,100</u>	<u>33,233</u>
	<u>39,055</u>	<u>34,065</u>

## 18. AVAILABLE FOR SALE INVESTMENTS/INVESTMENTS HELD FOR TRADING

(a) The available-for-sale investments represent investments in 15% equity interest in a company which was incorporated in Hong Kong and not yet commenced its business. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

### (b) Investments held for trading

Investments held for trading as at 31st December, 2004 represented the investment of US\$100,000 in DBS Bank 107% Guaranteed Notes issued by a bank with maturity date in November 2005.

## 19. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS/PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The amount represented the deposit paid for the acquisition of land use rights, property, plant and equipment and investment property in relation to the acquisition of the Group's plant and machinery and Group's investment properties respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 20. CLUB DEBENTURES

The club debenture represents the club membership of Aberdeen Marine Club. The directors are of opinion that there were no impairment on the club debentures since the market price are higher than its carrying value.

## 21. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Unrealised (loss) profit on inventory HK\$'000	Total HK\$'000
At 1st January, 2004	3,555	(1,392)	1,052	3,215
(Credit) charge to consolidated income statements for the year	(1,148)	824	1,143	819
At 31st December, 2004	2,407	(568)	2,195	4,034
(Credit) charge to consolidated income statements for the year	(569)	81	(1,148)	(1,636)
At 31st December, 2005	1,838	(487)	1,047	2,398

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred taxation for financial reporting purposes:

	2005 HK\$'000	2004 HK\$'000
Deferred tax liabilities	2,885	4,602
Deferred tax assets	(487)	(568)
	<u>2,398</u>	<u>4,034</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 21. DEFERRED TAXATION - continued

At the balance sheet dates, the Group's unused tax losses available for offset against future profits were as follows:

	2005 HK\$'000	2004 HK\$'000
Unused tax losses		
- Recognised as deferred tax asset	2,783	3,246
- Unrecognised tax losses ( <i>Note</i> )	3,473	3,169
	<u>6,256</u>	<u>6,415</u>

Included in unused tax losses as at 31st December, 2005, were amount of HK\$3,128,000 (2004: HK\$2,961,000) which will be expired between 2009 to 2010; all other unused tax losses may be carried forward indefinitely.

*Note:* No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profit streams.

## 22. INVENTORIES

	2005 HK\$'000	2004 HK\$'000
Raw materials	135,171	158,262
Work in progress	25,500	5,252
Finished goods	24,712	26,256
	<u>185,383</u>	<u>189,770</u>

All the inventories are carried at cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 23. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group generally allows an average credit period of 30 days to 120 days to its trade customers.

An aging analysis of trade receivables, is as follows:

	2005 HK\$'000	2004 HK\$'000
Aged:		
0 - 30 days	75,550	31,403
31 - 60 days	37,656	23,278
61 - 90 days	19,799	11,218
91 - 120 days	14,324	24,243
Over 120 days	15,222	22,789
	<u>162,551</u>	<u>112,931</u>
Bills receivable (Note)	9,840	21,665
Other receivables, deposits and prepayments	<u>21,775</u>	<u>14,593</u>
	<u>194,166</u>	<u>149,189</u>

The fair value of the Group's trade receivables, bill receivables, other receivables and deposits at 31st December, 2005 and 31st December, 2004 approximated to the corresponding carrying amount.

Note: Included in bills receivable is an amount of approximately HK\$1,793,000 (2004: HK\$14,907,000) representing bills discounted with recourse.

## 24. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies are as follows:

	Notes	2005 HK\$'000	2004 HK\$'000
Anford Trading Limited	(ii)	—	440
China Light Investment Limited	(iii)	—	743
Chung Fai Knitwear Factory Limited	(i)	—	27,670
Elaine Knitting Factory Limited	(iv)	—	132
Harvest Cosmos Textile Limited	(i)	—	49
Lynn's Trading Company	(i)	—	111
May Type Fashion Limited	(v)	—	933
P.T. Shinetama Interfashion ("P.T. Shinetama")	(i)	1,573	10,453
Soundyet Enterprises Limited	(iii)	—	116
Trenex (Hong Kong) Limited	(ii)	—	1,395
Wai Yee Knitting Factory Limited	(i)	1,011	494
Winner Knitting Factory Limited	(i)	—	8,148
		<u>2,584</u>	<u>50,684</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 24. AMOUNTS DUE FROM RELATED COMPANIES - continued

The amounts due from related companies are unsecured, non-interest bearing and are repayable on demand. The fair value of the Group's amounts due from related companies approximate to the corresponding carrying amount.

Note:

- (i) Details of the relationship of the above companies with the Group are set out in note 42.
- (ii) Dr. Sung Chung Kwun, Wong Chiu Hong and Mok Pui Mei, being directors of the Company, have beneficial interest in the company.
- (iii) Dr. Sung Chung Kwun, Wong Chiu Hong, Sung Kim Ping and Sung Kim Wa have beneficial interest in this company. Sung Kim Ping and Sung Kim Wa are the sons of Dr. Sung Chung Kwun.
- (iv) Dr. Sung Chung Kwun, Sung Kit Ching (being a daughter of Dr. Sung Chung Kwun) and Sung Kim Ping had beneficial interest in this company.
- (v) Dr. Sung Chung Kwun, Tse Mui Chu (being wife of Dr. Sung Chung Kwun), Sung Kim Ping, Sung Kim Wa and Sung Kim Hung have beneficial interest in this company.

Maximum amounts outstanding during the year:

	2005 HK\$'000	2004 HK\$'000
Anford Trading Limited	447	440
China Light Investment Limited	765	791
Chung Fai Knitwear Factory Limited	27,670	27,715
Elaine Knitting Factory Limited	132	132
Harvest Cosmos Textile Limited	49	783
Lynn's Trading Company	117	839
May Type Fashion Limited	933	933
P.T. Shinetama	11,150	21,856
Soundyet Enterprises Limited	121	116
Trenex (Hong Kong) Limited	1,395	1,395
Wai Yee Knitting Factory Limited	1,659	1,151
Winner Knitting Factory Limited	17,610	8,148

## 25. PLEDGED BANK DEPOSITS

The amount represents bank deposits pledged to banks to secure bank overdraft and trust receipts loans facilities granted to the Group and therefore are classified as current asset. The amount bears interest at ranged from 1% to 5% per annum (2004: 1% to 5% per annum). The fair value of the Group's pledged bank deposits approximated its carrying value.

## 26. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximated their fair value. The amounts bear interest at ranged from 2% to 3% per annum (2004: 2% to 3% per annum).

The bank balances and cash of the Group are mainly denominated in Renminbi, Hong Kong dollars, United States dollar and MOP dollars. Included in the bank balances and cash as at 31st December, 2005 was an amount in Renminbi approximately of RMB21,373,000 (2004: RMB23,556,000). Renminbi is not freely convertible into other currencies.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 27. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2005 HK\$'000	2004 HK\$'000
Aged:		
0 - 60 days	21,762	32,340
61 - 90 days	2,686	4,351
Over 90 days	6,106	5,982
	<hr/>	<hr/>
	30,554	42,673
Other payables and accruals	47,138	28,739
	<hr/>	<hr/>
	77,692	71,412
	<hr/>	<hr/>

The fair value of the Group's trade and other payables at 31st December, 2005 and 31st December, 2004 approximated to the corresponding carrying amount.

## 28. BILLS PAYABLES

The amount is bear interest ranged from 1% to 6% per annum (2004: 1% to 6% per annum) and repayable on demand or within three months. The fair value of the Group's bills payable approximated the corresponding carrying amount.

## 29. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, non-interest bearing and is repayable on demand. The fair value of the Group's amount due to a director approximated to the corresponding carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 30. BANK BORROWINGS

	2005 HK\$'000	2004 HK\$'000
Bank overdrafts	20,624	10,808
Bank loans	125,607	131,256
Trust receipt loans	107,836	119,462
	<u>254,067</u>	<u>261,526</u>
Analysed by:		
Secured	172,346	174,061
Unsecured	81,721	87,465
	<u>254,067</u>	<u>261,526</u>
The bank borrowings are repayable as follows:		
On demand or within one year	243,987	198,589
In more than one year but not more than two years	3,817	59,780
In more than two years but not more than three years	2,970	453
In more than three years but not more than four years	1,446	468
In more than four years but not more than five years	485	481
In more than five years	1,362	1,755
	<u>254,067</u>	<u>261,526</u>
Less: Amounts due within one year shown under current liabilities	<u>(243,987)</u>	<u>(198,589)</u>
Shown under non-current liabilities	<u>10,080</u>	<u>62,937</u>

Bank overdrafts are repayable on demand. Trust receipt loans are repayable within one years. The bank borrowings were secured by the Group's certain property, plant and equipment, bank deposits, investment in securities and investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 30. BANK BORROWINGS - continued

The amounts of the Group's borrowings are denominated in the following currencies:

	Hong Kong Dollars HK\$'000	Renminbi HK\$'000	US Dollars HK\$'000	Total HK\$'000
As at 31st December, 2005				
Bank overdrafts	20,624	—	—	20,624
Bank loans	28,003	82,692	14,912	125,607
Trust receipt loans	50,037	—	57,799	107,836
	<u>98,664</u>	<u>82,692</u>	<u>72,711</u>	<u>254,067</u>
As at 31st December, 2004				
Bank overdrafts	10,808	—	—	10,808
Bank loans	8,400	98,203	24,653	131,256
Trust receipt loans	9,556	—	109,906	119,462
	<u>28,764</u>	<u>98,203</u>	<u>134,559</u>	<u>261,526</u>

The average variable interest rate ranged from 3% to 6% for the bank overdraft for the years ended 31st December, 2004 and 31st December, 2005. Interest is repricing every three months.

The average variable interest rate ranged from 4% to 6% for the bank loans for the year ended 31st December, 2004 and 5% to 8% for the year ended 31st December, 2005 respectively. Interest is repricing every three months.

The average variable interest rate ranged from 5% to 8% for trust receipt loans for the year ended 31st December, 2004 and 6% to 9% for the year ended 31st December, 2005 respectively. Interest is repricing every three months.

The fair value of the above Group's bank borrowings at 31st December, 2005 and 31st December, 2004 approximated its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments As at 31st December,		Present value of minimum lease payments As at 31st December,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable under finance leases:				
Within one year	4,992	9,143	4,546	8,674
In more than one year but not more than two years	4,319	4,831	4,148	4,592
In more than two years but not more than three years	358	4,167	357	4,077
In more than three years but not more than four years	—	325	—	324
	<u>9,669</u>	<u>18,466</u>	<u>9,051</u>	<u>17,667</u>
Less: future finance charges	(618)	(799)	—	—
Present value of lease obligations	<u>9,051</u>	<u>17,667</u>	<u>9,051</u>	<u>17,667</u>
Less: Amount due for settlement within one year and shown under current liabilities			(4,546)	(8,674)
Amount due for settlement after one year			<u>4,505</u>	<u>8,993</u>

It is the Group's policy to lease certain of its plant and machinery and furniture and fixtures under finance leases. The average lease term is three years. The average effective interest rate is 3% (2004: 4.1%). 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 rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets. The fair value of the Group's finance lease obligations, determined based on the net present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet approximated their carrying amount.

The fair value of the Group's financial lease obligations approximates their carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 32. SHARE CAPITAL

	Number of share	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised share capital:		
At date of incorporation and 31st December, 2004	30,000,000	300
Increase in authorised share capital	9,970,000,000	99,700
	<hr/>	<hr/>
At 31st December, 2005	10,000,000,000	100,000
	<hr/>	<hr/>
Issued and fully paid:		
At date of incorporation	1	—
Allotted and issued nil paid	999,999	—
	<hr/>	<hr/>
At 31st December, 2004	1,000,000	—
Credit as fully paid the 1,000,000 ordinary shares issued nil paid to Dr. Sung Chung Kwun	—	10
Issue of shares on Group Reorganisation	19,000,000	190
Issue of shares by capitalisation of share premium account	280,000,000	2,800
Issue of shares for placing and public offer	100,000,000	1,000
	<hr/>	<hr/>
At 31st December, 2005	400,000,000	4,000
	<hr/>	<hr/>

The Company was incorporated in the Cayman Islands on 9th June, 2004 with an authorised capital of HK\$300,000 divided into 30,000,000 ordinary shares of HK\$0.01 each, of which one subscriber share, nil paid, was transferred to Dr. Sung Chung Kwun as initial shareholder at the meeting of the provisional directors held on 29th June, 2004. Moreover, 999,999 new ordinary shares of HK\$0.01 each were allotted and issued nil paid to Dr. Sung Chung Kwun on 13th October, 2004.

Pursuant to written resolutions of the sole shareholder of the Company on 29th August, 2005 to effect the Group Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange, the following movements in the authorised and issued share capital of the Company took place:

- (a) the authorised share capital of the Company was increased from HK\$300,000 to HK\$100,000,000 by the creation of an addition 9,970,000,000 share of HK\$0.01 each to rank pari passu with the then existing shares in issue in all respects;



## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

### 32. SHARE CAPITAL - continued

- (b) 19,000,000 shares of HK\$0.01 each were allotted and issued, credited as fully paid and credited the 1,000,000 ordinary shares of HK\$0.01 each issued nil paid to Dr. Sung Chung Kwun as fully paid to Dr. Sung Chung Kwun, being the sole shareholder of Interlink Altantic Limited as consideration for the acquisition of the entire share capital of Interlink Altantic Limited pursuant to the Group Reorganisation as stated in note 1;
- (c) conditional on the share premium account being credited as a result of the placing and public offer on 5th October, 2005, an amount of HK\$2,800,000 was capitalised and applied to pay up in full at par 280,000,000 shares of HK\$0.01 each for allotment and issue to Dr. Sung Chung Kwun on 29th August, 2005; and
- (d) On 5th October, 2005, by means of placing and public offer, the Company issued a total of 100,000,000 new ordinary shares of HK\$0.01 each at the price of HK\$1.01 per share. The proceeds are to be used by Group for expansion of dyeing variety; linking and finishing operation, strengthening product development capability, enhancement on existing product in facilities and information systems and general working capital.

The share capital as at 31st December, 2004 represented the nominal values of the issued share capital of Interlink Atlantic Limited, the holding company of the companies now comprising the Group prior to the Group Reorganisation.

### 33. AMOUNT DUE TO A SHAREHOLDER

As at 31st December, 2004, the amount was due to Dr. Sung Chung Kwun, a shareholder and director of the Company, and was unsecured, non-interest bearing and is not repayable within twelve months from 31st December, 2004. In consideration of the Company's agreeing to acquire the entire issued share capital of Interlink Altantic Limited from Dr. Sung Chung Kwun pursuant to Note 32 above, Dr. Sung Chung Kwun as assignor executed a deed of assignment dated 29th August, 2005 in favour of the Company as assignee with the consent of Interlink Altantic Limited as debtor pursuant to which Dr. Sung Chung Kwun assigned to the Company the benefit of the majority of the shareholder's loan he had advanced to Interlink Altantic Limited in the sum of amount of approximately HK\$192,165,000 as at 29th August, 2005. The other remaining balance was repaid during the year. The fair value of the amount due to shareholder at 31st December, 2004 approximated the corresponding carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 34. BALANCE SHEET OF THE COMPANY

The Company's balance sheet at the balance sheet dates are as follows:

	2005 HK\$'000
<b>Non-Current Asset</b>	
Interests in subsidiaries	160,803
<b>Current Assets</b>	
Amounts due from subsidiaries	282,088
Prepayments	145
	282,233
	443,036
<b>Capital and Reserves</b>	
Share capital	4,000
Reserves ( <i>Note</i> )	439,036
	443,036

*Note:*

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2004 and 31st December, 2004	—	—	—	—
Issue of shares by capitalisation of share premium account	(2,800)	—	—	(2,800)
Issue of shares for placing and public offer	100,000	—	—	100,000
Share issue expenses	(7,794)	—	—	(7,794)
Surplus arising from Group Reorganisation	—	349,668	—	349,668
Loss for the year	—	—	(38)	(38)
At 31st December, 2005	89,406	349,668	(38)	439,036

The contributed surplus of the Company represents the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange thereof.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 35. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and consultants and adviser ("Eligible Persons") of the Group.

Pursuant to the terms of the Scheme which will expire on 28th August, 2015, the board of directors of the Company may grant options to Eligible Persons to subscribe for shares in the Company at a consideration of HK\$1 per grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted.

No options were outstanding at 31st December, 2005 under the Scheme. No options were granted, exercised, cancelled or lapsed during the period.

## 36. DISPOSAL OF A SUBSIDIARY

On 12th November, 2004, the Group disposed of its 52% interest in Long Mark Enterprise (Hong Kong) Limited for a consideration of HK\$5,000. Details of the disposal of Long Mark Enterprise (Hong Kong) Limited are as follows:

	2004 HK\$'000
Net liabilities disposed of:	
Investment property	1,599
Prepaid lease payments	5,062
Property, plant and equipment	320
Trade and other receivables	2,272
Taxation recoverable	5
Bank balances and cash	867
Trade and other payables	(4,825)
Amount due to a director	(800)
Bank borrowings	(4,377)
Amount due to a related party	(222)
Obligations under finance leases	(54)
Bank overdrafts	(692)
	<hr/>
	(845)
Gain on disposal of subsidiary	850
	<hr/>
Consideration	5
	<hr/>
Satisfied by:	
Cash	5
	<hr/>

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 36. DISPOSAL OF A SUBSIDIARY - continued

An analysis of the net cash outflow of cash and cash equivalents in connection with the disposal of subsidiary is as follows:

	2004 HK\$'000
Cash consideration received	5
Bank balances and cash disposed of	(867)
Bank overdrafts disposed of	692
	<hr/>
Net outflow of cash and cash equivalents in connection with the disposal of the subsidiary	(170)
	<hr/>

The subsidiary disposed during the year ended 31st December, 2004 did not make significant contribution to the Group's turnover and the Group's profit for the year.

## 37. MAJOR NON-CASH TRANSACTION

The Group entered into finance lease arrangements in respect of property, plant and equipment with capital value of HK\$15,500,000 for the year ended 31st December, 2004. No finance lease arrangement in respect of property, plant and equipment was entered by the Group for the year ended 31st December, 2005.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 38. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases:

	2005 HK\$'000	2004 HK\$'000
Office premises	301	81

At the balance sheet dates, the Group had outstanding commitments payable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	187	81
In the second to fifth years inclusive	16	368
Over five years	4	1,242
	207	1,691

Operating lease payment represents rentals payable by the Group for its office premises. Lease terms ranged for two to twenty years with fixed rental.

### The Group as lessor

Property rental income earned was HK\$1,011,000 (2004: HK\$1,032,000). The properties are expected to generate rental yields of 5% on an ongoing basis. All of the properties held have committed tenants for the next year.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December,	
	2005 HK\$'000	2004 HK\$'000
Within one year	629	1,101
In the second to fifth years inclusive	408	578
	1,037	1,679

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 39. PLEDGE OF ASSETS

At the balance sheet dates, the Group pledged the following assets to banks for the credit facilities granted to the Group:

	2005 HK\$'000	2004 HK\$'000
Property, plant and equipment	37,576	74,340
Bank deposit	21,266	37,497
Investment in securities	—	780
Investment properties	—	9,603
	<u>58,842</u>	<u>122,220</u>

## 40. COMMITMENTS

	2005 HK\$'000	2004 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment/land use right	<u>5,363</u>	<u>2,946</u>

## 41. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme 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 to 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 qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 42. RELATED PARTY DISCLOSURES

Balance with related companies are set out in notes 24, 29 and 33.

During the year, the Group entered into the following transactions with related companies/parties:

Company	Relationship	Nature of transactions	2005 HK\$'000	2004 HK\$'000
P.T. Shinetama	(Note 1)	Sales of cotton	24,790	47,229
		Purchases of cotton yarn	43,951	60,725
P.T. Kahatex (Indonesia)	(Note 2)	Purchases of raw white yarn	—	2,974
Well Known International Development Limited	(Note 3)	Sub-contracting fee	—	78
Lynn's Trading Company	(Note 4)	Commission paid	—	81
Harvest Cosmos Textile Limited	(Note 5)	Sales of dyed yarn	—	4,032
		Purchases of twisted yarn	—	187
		Subcontracting fee	88	123
		Commission income	—	1
		Sales discounts	—	86
Wai Yee Knitting Factory Limited ("Wai Yee")	(Note 6)	Sales of raw white and dyed yarn	4,084	6,570
		Sales of sweater	785	384
		Purchases of raw and dyed yarn	294	210
		Subcontracting fee	1,289	1,618
		Sales discounts	60	19
		Rental income	120	40
		Subcontracting fee income	—	313
Chung Fai Knitwear Fty., Ltd ("Chung Fai Knitting")	(Note 7)	Dyeing expenses	892	4,673
		Knitting expenses	—	1,138
		Packaging expenses	—	556
		Transportation expenses	—	179
		Sales of dyed yarn	6,624	15,338
Winner Knitting Factory Limited ("Winner Knitting")	(Note 7)	Knitting expenses	3,806	27,882
		Packaging expenses	239	2,192
		Transportation expenses	764	7,212
		Sales of dyed yarn	—	4,059
P.T. Prima Rajuli Sukses	(Note 8)	Purchases of raw white yarn	—	2,354
Dinghu Yongsheng Textiles Fty., Ltd.	(Note 9)	Purchases of raw white yarn	287	—
Sung Kim Ping	(Note 10)	Sales of property	—	3,980

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related parties.

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2005*

## 42. RELATED PARTY DISCLOSURES - continued

In additions to the above, for the year ended 31st December, 2004, the leasehold land and buildings, and bank deposits held by Dr. Sung Chung Kwun were pledged to secure banking facilities granted to the Group. Certain properties held by Dr. Sung Chung Kwun were occupied by a subsidiary of the Group for nil consideration for the year ended 31st December, 2004 and HK\$180,000 for the year ended 31st December, 2005. During both years, Dr. Sung Chung Kwun had also issued unlimited personal guarantees to banks to secure banking facilities granted to the Group.

As at 31st December, 2005, all these securities and guarantee of Dr. Sung Chung Kwun had been released and replaced by those of the Group as disclosed in note 39 subsequent to the listing of the shares on the Stock Exchange.

- |           |  |
|-----------|--|
| (Note 1)  | Sung Chung Man, a brother of Dr. Sung Chung Kwun has beneficial interests in this company.   |
| (Note 2)  | Sung Liang Hua, a brother of Dr. Sung Chung Kwun, has beneficial interest in this company.   |
| (Note 3)  | This company is owned by Sung Kit Ching and Sung Kim Ping, who are the daughter and son of Dr. Sung Chung Kwun.  |
| (Note 4)  | Lin Chun Ming is one of the senior management of the Group and has beneficial interest in this company.  |
| (Note 5)  | Sung Kim Wa and Sung Kim Ping, sons of Dr. Sung Chung Kwun, have beneficial interest in this company.  |
| (Note 6)  | Sung Kim Ping, a son of Dr. Sung Chung Kwun has beneficial interest in this company for the period from 1st January, 2004 to 21st December, 2004. The interest held by Sung Kim Ping was transferred to Sung Kit Ching and Wong Chun Fong, a daughter and daughter-in-law of Dr. Sung Chung Kwun on 21st December, 2004. |
| (Note 7)  | Dr. Sung Chung Kwun has beneficial interest in this company for the year ended 31st December, 2004 and the period from 1st January, 2005 to 28th March, 2005.  |
| (Note 8)  | Sung Pui Man, a relative of Dr. Sung Chung Kwun, is one of senior management of this company.  |
| (Note 9)  | Sung Liang Hua, a brother of Dr. Sung Chung Kwun, has beneficial interest in this company.   |
| (Note 10) | Sung Kim Ping is a son of Dr. Sung Chung Kwun.   |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31st December, 2005 are as follows:

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
Interlink Atlantic Limited		British Virgin Islands ("BVI") 24th November, 1999	Ordinary share US\$1	100%	—	Investment holding
Shineday Developments Limited		BVI 18th August, 2004	Ordinary share US\$1	—	100%	Investment holding
Addchance Limited		Hong Kong 2nd October, 1981	Ordinary shares HK\$1,500,000	—	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22nd October, 1997	Ordinary shares HK\$1,000,000	—	100%	Manufacturing of knitted sweaters
Standard Harvest International Limited		Hong Kong 21st June, 1994	Ordinary shares HK\$6,200 Class "A" Ordinary shares HK\$3,800	—	100%	Investment holding
Charm Shine Industrial Company Limited		Hong Kong 8th October, 1976	Ordinary shares HK\$2,200,000	—	95.45%	Property holding
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK\$10,000	—	100%	Trading of knitted sweaters and provision of knitting services
Sure Win International Textiles Limited		Hong Kong 15th July, 1993	Ordinary share HK\$15,000	—	100%	Provision of knitting services
Charm Shine (Macau) Wool Yarn Industrial Limited		Macau 15th September, 1987	MOP\$500,000	—	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited		Hong Kong 1st May, 1987	Ordinary shares HK\$1,240,000 Ordinary Shares A HK\$760,000	—	100%	Investment holding
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. ("Zhangjiagang Addchance")	(i)	PRC 9th March, 2001	Registered capital US\$12,000,000	—	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染整有限公司 Luoding Addchance Dyeing Factory Ltd. ("Luoding Addchance")	(ii)	PRC 6th November, 1986	Registered capital US\$5,044,000	—	100%	Provision of yarn dyeing services

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
羅定市美鵬染廠有限公司 Luoding Mei Pan Dyeing Factory Ltd. ("Luoding Mei Pan")	(iii)	PRC 10th June, 1993	Registered capital US\$8,000,000	—	100%	Provision of yarn dyeing services
安慶市宿松互益紡織有限公司 Anqing Su Song Addchance Textile Co., Ltd. ("Anqing Addchance")	(iv)	PRC 9th September, 2002	Registered capital US\$10,000,000	—	100%	Manufacturing of cotton yarn
羅定忠益織造廠有限公司 Luoding Addchance Knitting Factory Ltd. ("Luoding Addchance Knitting")	(v)	PRC 8th November, 1999	Registered capital US\$10,000,000	—	100%	Provision of knitting services
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd. ("Zhangjiagang Addchance Spinnery")	(vi)	PRC 12th December, 2003	Registered capital US\$12,000,000 Paid up capital US\$1,925,872	—	100%	Incorporated for the purpose of manufacturing of fabric dyeing but operation not yet commenced
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd. ("Cenxi Addchance")	(vii)	PRC 27th September, 2003	Registered capital US\$2,000,000	—	100%	Provision of knitting services
羅定市誠益織造有限公司 Luoding Honour Rich Textile Factory Ltd. ("Luoding Honour")	(viii)	PRC 11th August, 2003	Registered capital US\$1,080,000	—	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited ("Wu Zhou Addchance")	(ix)	PRC 16th December, 2005	Registered capital US\$3,500,000	—	100%	Incorporated for the purpose of manufacture and sale of knitted sweaters but operation not yet commenced



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2005

## 43. PARTICULARS OF PRINCIPAL SUBSIDIARIES - continued

Notes:

- (i) Zhangjiagang Addchance is a wholly-foreign owned enterprise. The term of its business licence is from 9th March, 2001 to 8th March, 2051.
- (ii) Luoding Addchance was a sino-foreign cooperative joint venture. The term of the joint venture was 20 years from 6th November, 1986 to 5th November, 2006. Luoding Addchance was changed from a sino-foreign cooperative joint venture to a wholly-owned foreign enterprises on 13th May, 2004. The term of business licence is 30 years from 6th November, 1986 to 5th November, 2016.
- (iii) Luoding Mei Pan is a wholly-owned foreign enterprise. The term of its business licence is from 10th June, 1993 to 9th June, 2013.
- (iv) Anqing Addchance is a wholly-owned foreign enterprise. The term of its business licence is from 9th September, 2002 to 9th September, 2032.
- (v) Luoding Addchance Knitting is a wholly-owned foreign enterprise with the term of its business licence from 8th November, 1999 to 7th November, 2019.
- (vi) Zhangjiagang Addchance Spinnery is a wholly-owned foreign enterprise with the term of its business licence from 12th December, 2003 to 11th December, 2053.
- (vii) Cenxi Addchance is a wholly-owned foreign enterprise with the term of its business licence from 27th September, 2003 to 26th September, 2023.
- (viii) Luoding Honour is a wholly-owned foreign enterprise with the term of its business licence from 11th August, 2003 to 10th August, 2023.
- (ix) Wu Zhou Addchance is a wholly-owned foreign enterprise with the term of its business licence from 16th December, 2005 to 16th December, 2055.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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