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## Notes to the Accounts

At 31st December, 1994

### 1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principle accounting policies which have been adopted in the preparation of these accounts are set out below:-

#### (a) Basis of consolidation

- (i) The consolidated accounts incorporate the accounts of Giordano Holdings Limited and its subsidiaries made up to 31st December, 1994.
- (ii) All material intercompany transactions and balances within the Group are eliminated on consolidation.
- (iii) The results of subsidiaries acquired during the year are dealt with in the consolidated profit and loss account from the effective dates of acquisition.
- (iv) Minority interests represent the interests of outside members in the operating results and net assets.
- (v) Capital reserve or goodwill arising on consolidation represents the excess or deficit respectively of the fair value of the net assets of the subsidiaries at the dates of acquisition over the value of the consideration paid.
- (vi) Capital reserve arising on consolidation is taken directly to reserves. Goodwill arising on consolidation is eliminated against any capital reserve arising on consolidation and, where the reserve is insufficient, against other available reserves.

#### (b) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50 percent of its voting power or issued share capital or controls the composition of its board of directors.

Investment in subsidiaries are carried at cost, unless, in the opinion of the directors, there has been a permanent diminution in value when they are written down to directors' valuation.

#### (c) Associated companies

Associated companies are those other than subsidiaries in which the Group holds not less than 20 percent and not more than 50 percent of the equity as a long term investment and has the ability to exercise a significant influence in their management. Associated companies are accounted for by the Group under the equity method of accounting, and by the Company at cost less provision for permanent diminution in value.

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## Notes to the Accounts

At 31st December, 1994

### 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (d) Fixed assets

- (i) Land held under long lease is not amortised.
- (ii) Depreciation on other fixed assets is calculated to write off their costs on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:-

Buildings	4%
Leasehold improvements	20% – 50%
Plant and machinery	20%
Furniture and fixtures	20% – 50%
Office equipment	20% – 25%
Motor vehicles	20% – 25%
Leisure boat	20%

#### (e) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership, other than legal title, to the Group. Assets held under finance leases are accounted for as if purchased and an amount equivalent to the cost is recorded as a fixed asset. The corresponding lease commitments are shown as obligations under finance leases. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account. Assets held under finance leases are depreciated over their estimated useful lives.

#### (f) Properties under development

Properties under development represent construction cost to the Group. Cost comprises land and related development costs. Properties under development will be reclassified as land and buildings upon the completion of the construction and development work.

#### (g) Intangible assets

Preliminary expenses and lease premium in respect of retail shops and office premises are written off over the terms of the respective leases.

#### (h) Other investments

Purchased club debentures are capitalised and amortised over a period of three years.

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## Notes to the Accounts

At 31st December, 1994

### 1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and is arrived at as follows:-

- (i) Raw materials and purchased goods – invoiced prices plus procurement costs.
- (ii) Work in progress and finished goods – cost of direct materials, direct labour and an appropriate proportion of production overheads.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition.

#### (j) Taxation

The charge for taxation is based on the profit for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or an asset will crystallise in the foreseeable future.

#### (k) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The accounts of overseas subsidiaries and branches at the year end are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital and opening reserves of these entities are taken directly to exchange reserve.

#### (l) Operating leases

Rentals applicable to operating leases, under which substantially all the benefits and risks of the ownership remain with the lessor, are charged to the profit and loss account.

### 2. TURNOVER

Turnover comprises sales at invoiced value to customers outside the Group, less returns and discounts.

## Notes to the Accounts

At 31st December, 1994

### 3. OPERATING PROFIT

	Group	
	1994	1993
	HK\$'000	HK\$'000
<b>The operating profit is stated after charging:-</b>		
Auditors' remuneration	1,594	1,174
Depreciation of owned fixed assets	66,119	51,232
Depreciation of fixed assets held under finance leases	1,368	0
Amortisation of intangible assets	2,599	3,608
Amortisation of other investments	1,517	1,033
Interest on bank loans and overdrafts repayable within 1 year	5,176	2,151
Interest on other loans	2,292	0
Operating lease rentals in respect of retail shops, office premises, factories and warehouses	427,135	357,557
Finance charges on finance leases	709	0
Loss on disposal of fixed assets	2,256	981
<b>and after crediting:-</b>		
Interest income	2,531	2,760
Net income arising from temporary transfer of export quota entitlements	2,114	2,605

## Notes to the Accounts

At 31st December, 1994

### 4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments are as follows:-

	1994 HK\$'000	1993 HK\$'000
As directors	310	440
For management		
- basic salaries, housing allowances, other allowances and benefits in kind	8,376	3,781
Bonuses	9,456	8,360
Directors' pensions	253	137
	<u>18,395</u>	<u>12,718</u>

In addition, during the year, the directors have been granted options under the Company's Employee Share Option Scheme (the "Option Scheme") to acquire 3,492,000 and 1,000,000 ordinary shares of the Company at HK\$3.71 and HK\$3.21 per share respectively. The closing market price of the Company's shares as at 31st December, 1994 was HK\$4.475. The expiry date of these options is 23rd May, 2001.

As at 31st December, 1994, 2,500,000 shares were issued pursuant to the exercise of options granted under the Option Scheme. The exercise and closing market prices at the date of exercise were as follows:-

Number of shares over which options were exercised	Exercise price per share HK\$	Closing market price per share at the date of exercise HK\$
2,250,000	0.81	3.45
250,000	1.46	3.45
<u>2,500,000</u>		

## Notes to the Accounts

At 31st December, 1994

### 4. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONT'D)

- (b) The number of directors whose emoluments fell within the following bands are set out below. The emoluments represent the amounts paid to or receivable by the directors while being directors of the Company in the respective financial year and are stated net of the benefits derived or to be derived from the options granted under the Option Scheme to acquire the ordinary shares of the Company.

Directors' emoluments HK\$'000	Number of directors	
	1994	1993
Nil – 1,000	3	5
1,501 – 2,000	1	0
2,001 – 2,500	1	0
2,501 – 3,000	1	0
3,001 – 3,500	1	0
5,001 – 5,500	0	1
6,501 – 7,000	0	1
7,501 – 8,000	1	0
	<u>8</u>	<u>7</u>

No directors have waived emoluments in respect of the year ended 31st December, 1994.

- (c) The aggregate amounts of the five highest paid individuals whose emoluments have not been disclosed in directors' emoluments noted above are as follows:-

	1994 HK\$'000	1993 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,286	3,220
Pension contributions	0	7
Bonuses	2,511	2,892
	<u>4,797</u>	<u>6,119</u>

The number of these highest paid individuals whose emoluments fell within the following bands are as follows:-

Emoluments HK\$'000	Number of individuals	
	1994	1993
1,501 – 2,000	0	1
2,001 – 2,500	2	2
	<u>2</u>	<u>3</u>

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## Notes to the Accounts

At 31st December, 1994

### 5. PENSION SCHEME ARRANGEMENTS

The Company and certain of its wholly-owned subsidiaries operate a defined contribution provident scheme (the "Giordano Scheme"). Tiger Enterprises Limited (a 51% owned subsidiary of the Company) also separately operates a defined contribution provident scheme (the "Tiger Scheme"). Under both the Giordano Scheme and the Tiger Scheme, contributions of 5% of the employee's monthly salary are made by each of the employer and the employee.

Under both Schemes, the unvested benefits of employees terminating employment are utilised by the employers to reduce their future levels of contributions. The amounts of unvested benefits so utilised by the employers under the Giordano Scheme and the Tiger Scheme during the year ended 31st December, 1994 were HK\$2,151,000 and HK\$366,000 respectively. As at 31st December, 1994, the amounts available for reducing the levels of employers' contributions for the following year under the Giordano Scheme and the Tiger Scheme were HK\$2,254,000 and HK\$656,000 respectively.

The Company's subsidiaries in Singapore and Malaysia, namely Giordano Originals (Singapore) Private Limited and Aktiviti Padu (M) Sdn. Bhd., participate in central provident fund schemes established by the Singaporean and Malaysian authorities.

The Group's pension cost charged to the profit and loss account for the year ended 31st December, 1994 was HK\$10,887,000 (1993: HK\$8,749,000).

### 6. TAXATION

(a) The charge for taxation in the consolidated profit and loss account represents:-

	Group	
	1994	1993
	HK\$'000	HK\$'000
Hong Kong profits tax	7,005	5,694
Overseas taxation	22,646	22,679
Deferred taxation (Note 22)	(1,026)	661
	<u>28,625</u>	<u>29,034</u>

The provision for taxation of the Company and its Hong Kong subsidiaries is calculated by applying the current rate of taxation of 16.5% (1993: 17.5%) to the estimated assessable profits earned in or derived from Hong Kong during the year.

The Group has claimed deductions on certain royalty payments in prior and current years totalling HK\$185,100,000 and the tax thereon is HK\$31,503,000. The claim is subject to the endorsement of the Hong Kong Inland Revenue Department. The directors are of the opinion that the endorsement of the Hong Kong Inland Revenue Department would be successfully obtained and in consequence no provision is made in these accounts.

Taxation on the profits of other subsidiaries operating overseas is calculated at the rates applicable in the respective jurisdictions.

## Notes to the Accounts

At 31st December, 1994

### 6. TAXATION (CONT'D)

(b) Taxation in the balance sheet represents the amount provided for Hong Kong profits tax and overseas taxation less provisional tax paid.

### 7. PROFIT ATTRIBUTABLE TO THE MEMBERS

Included in the profit of HK\$195,347,000 (1993: HK\$137,632,000), attributable to the members of the Company is HK\$128,992,000 (1993: HK\$111,146,000), including dividends from subsidiaries amounting to HK\$133,455,000 (1993: HK\$111,904,000), which has been dealt with in the accounts of the Company.

### 8. DIVIDENDS

	1994 HK\$'000	1993 HK\$'000
Interim dividend of 3.5 cents (1993: 2.5 cents) per share paid on 24th August, 1994	22,321	16,085
Proposed final dividend of 7.5 cents (1993: 6.5 cents) per share	47,515	41,013
	<u>69,836</u>	<u>57,098</u>

### 9. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated operating profit attributable to the members for the year of HK\$195,347,000 (1993: HK\$137,632,000) and the weighted average of 632,479,309 shares (1993: 626,346,879 shares) in issue during that year.

The exercise of the options granted under the Option Scheme and the repurchase of shares would not materially dilute the earnings per share in respect of the year ended 31st December, 1994, and accordingly such diluted earnings per share is not shown.

### 10. INTANGIBLE ASSETS

	Group	
	1994 HK\$'000	1993 HK\$'000
Preliminary expenses and lease premium in respect of retail shops and office premises	13,647	2,182
Less: Amounts amortised	(4,179)	(1,580)
	<u>9,468</u>	<u>602</u>

Purchased permanent export quota entitlements with a total cost of HK\$17,019,000 have been fully amortised in the previous year.

## Notes to the Accounts

At 31st December, 1994

### 11. FIXED ASSETS

	Land & buildings HK\$'000	Plant & machinery HK\$'000	Leasehold improvements, furniture, fixtures & office equipment HK\$'000	Motor vehicles & leisure boat HK\$'000	Total HK\$'000
<b>The Group:-</b>					
<b>Cost</b>					
At 1st January, 1994	13,926	36,328	226,963	13,031	290,248
Translation difference	0	0	5,337	364	5,701
On acquisition of subsidiaries	10,814	0	43,543	1,740	56,097
Additions	0	8,311	74,224	5,706	88,241
Transfer to property under development (Note 12)	(13,926)	0	0	0	(13,926)
Disposals	0	(698)	(11,320)	(1,763)	(13,781)
At 31st December, 1994	10,814	43,941	338,747	19,078	412,580
<b>Aggregate depreciation</b>					
At 1st January, 1994	0	18,210	112,144	5,237	135,591
Translation difference	0	0	2,226	107	2,333
On acquisition of subsidiaries	144	0	7,702	564	8,410
Charge for the year	90	5,789	58,412	3,196	67,487
Disposals	0	(61)	(6,250)	(1,310)	(7,621)
At 31st December, 1994	234	23,938	174,234	7,794	206,200
<b>Net book value at 31st December, 1994</b>	<b>10,580</b>	<b>20,003</b>	<b>164,513</b>	<b>11,284</b>	<b>206,380</b>
Net book value at 31st December, 1993	13,926	18,118	114,819	7,794	154,657

## Notes to the Accounts

At 31st December, 1994

### 11. FIXED ASSETS (CONT'D)

	Furniture, fixtures & office equipment HK\$'000	Motor vehicles & leisure boat HK\$'000	Total HK\$'000
<b>The Company:-</b>			
<b>Cost</b>			
At 1st January, 1994	13,224	436	13,660
Additions	2,118	2,723	4,841
Disposals	(226)	(436)	(662)
At 31st December, 1994	15,116	2,723	17,839
<b>Aggregate depreciation</b>			
At 1st January, 1994	4,511	324	4,835
Charge for the year	2,862	329	3,191
Disposals	(105)	(330)	(435)
At 31st December, 1994	7,268	323	7,591
<b>Net book value at 31st December, 1994</b>	<b>7,848</b>	<b>2,400</b>	<b>10,248</b>
Net book value at 31st December, 1993	8,713	112	8,825

- (a) Land and buildings are situated in the People's Republic of China ("PRC"), and are held under long leases. They are mortgaged to a bank to secure credit facilities.
- (b) As at 31st December, 1994, leasehold improvements and office equipment with a total cost and aggregate depreciation of HK\$13,942,000 (1993: Nil) and HK\$4,353,000 (1993: Nil) respectively were held under finance leases.

### 12. PROPERTY UNDER DEVELOPMENT

	Group	
	1994 HK\$'000	1993 HK\$'000
Transfer from fixed assets (Note 11)	13,926	0
Additions at cost	2,542	0
	<b>16,468</b>	<b>0</b>

The property is situated in the PRC and is held under a long lease. The property is being developed into a factory for the manufacturing operations of the Group.

## Notes to the Accounts

At 31st December, 1994

### 13. INTEREST IN SUBSIDIARIES

	Company	
	1994	1993
	HK\$'000	HK\$'000
Unlisted shares, at cost	476,413	443,570
Amounts due from subsidiaries	351,276	291,947
	<b>827,689</b>	<b>735,517</b>

Details of principal subsidiaries are set out in note 33 to the accounts on pages 56 to 58.

### 14. INTEREST IN ASSOCIATED COMPANIES

	Group		Company	
	1994	1993	1994	1993
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	0	0	14,367	200
Share of net assets/(liabilities)	13,767	(25,482)	0	0
Loan to the associated company	0	30,400	0	30,400
	<b>13,767</b>	<b>4,918</b>	<b>14,367</b>	<b>30,600</b>

At 31st December, 1994, the Group had an effective 30 percent interest in the equity of Giordano Corporation Limited which was incorporated in Korea and is engaged in the retail distribution of apparel and other accessories under the "GIORDANO" brand.

During the year, the Company had acquired an additional 31% equity interest in Tiger Enterprises Limited ("Tiger") as a result of which Tiger has become a 51% owned subsidiary of the Company.

### 15. OTHER INVESTMENTS

	Group		Company	
	1994	1993	1994	1993
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Club debentures, at cost	5,677	3,338	3,661	3,221
Less: amounts amortised	(3,210)	(2,013)	(2,894)	(1,914)
	<b>2,467</b>	<b>1,325</b>	<b>767</b>	<b>1,307</b>

## Notes to the Accounts

At 31st December, 1994

### 16. CURRENT ASSETS

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
Inventories (Note 18)	413,754	378,623	0	0
Trade and bills receivable	79,846	86,687	0	0
Other receivables, deposits and prepayments	190,962	121,987	1,205	2,174
Cash and bank balances	107,831	75,146	7,631	18,133
	<b>792,393</b>	<b>662,443</b>	<b>8,836</b>	<b>20,307</b>

### 17. CURRENT LIABILITIES

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
Trade and bills payable	152,422	135,214	0	0
Other payables and accruals	133,865	118,804	3,792	2,241
Obligations under finance leases (Note 23)	4,287	0	0	0
Short term bank loans – unsecured (Note 27)	61,722	50,000	0	0
Taxation (Note 6(b))	21,886	20,033	30	85
Proposed dividends (Note 8)	47,515	41,013	47,515	41,013
Bank overdraft	8,744	0	0	0
	<b>430,441</b>	<b>365,064</b>	<b>51,337</b>	<b>43,339</b>

### 18. INVENTORIES

	Group	
	1994 HK\$'000	1993 HK\$'000
Raw materials	40,688	33,607
Work in progress	60,588	61,924
Finished goods	312,478	283,092
	<b>413,754</b>	<b>378,623</b>

## Notes to the Accounts

At 31st December, 1994

### 19. SHARE CAPITAL

	1994 HK\$'000	1993 HK\$'000
<b>Authorised:-</b>		
800,000,000 ordinary shares of HK\$0.10 each	<u>80,000</u>	<u>80,000</u>

#### Issued and fully paid:-

633,538,000 ordinary shares of HK\$0.10 each		
(1993: 630,975,000 ordinary shares of HK\$0.10 each)	<u>63,354</u>	<u>63,098</u>

- (a) During the year, the Company repurchased a total of 1,662,000 shares of HK\$0.10 each in the Company at an aggregate purchase cost of HK\$5,413,000 in the open market through The Stock Exchange of Hong Kong Limited. All of these shares have been subsequently cancelled.
- (b) Details of the movements in the share options granted by the Company under the Option Scheme during the year are set out as follows:-

	Number of shares over which options were granted	
	1994	1993
At 1st January	12,700,000	21,675,000
Amount granted	18,394,000	7,075,000
Amount exercised	(4,225,000)	(15,050,000)
Amount cancelled	(2,512,000)	(1,000,000)
At 31st December	<u>24,357,000</u>	<u>12,700,000</u>

- (i) Options to subscribe for shares in the Company were granted during the year to certain directors and employees of the Group as follows:-

Date of grant	Number of shares over which options were granted	Exercise price per share HK\$	Exercise period
27th January, 1994	3,455,000	3.21	From 27th January, 1997 to 23rd May, 2001
27th January, 1994	2,200,000	3.21	From 27th January, 1998 to 23rd May, 2001
7th February, 1994	40,000	3.26	From 7th February, 1997 to 23rd May, 2001
29th March, 1994	2,634,000	3.11	From 29th March, 1997 to 23rd May, 2001
27th May, 1994	2,605,000	2.90	From 27th May, 1997 to 23rd May, 2001
28th September, 1994	3,968,000	3.73	From 28th September, 1997 to 23rd May, 2001
28th October, 1994	3,492,000	3.71	From 28th April, 1995 to 23rd May, 2001
	<u>18,394,000</u>		

## Notes to the Accounts

At 31st December, 1994

### 19. SHARE CAPITAL (CONT'D)

(ii) Options to subscribe for 4,225,000 shares of HK\$0.10 each of the Company granted under the Option Scheme in previous years were exercised during the year. In this connection, the Company issued and allotted 3,925,000 shares and 300,000 shares at a premium of HK\$0.71 and HK\$1.36 per share respectively for cash to certain directors and employees of the Group.

(iii) During the year, options to subscribe for a total of 2,512,000 shares in the capital of the Company were cancelled due to resignations of directors and employees of the Group.

### 20. RESERVES

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
<b>(a) Share premium:-</b>				
Balance at 1st January	173,088	159,010	173,088	159,010
Arising on issue of new shares during the year	3,195	14,163	3,195	14,163
Share issuing expenses	(19)	(85)	(19)	(85)
Balance at 31st December	176,264	173,088	176,264	173,088
<b>(b) Capital redemption reserve:-</b>				
Balance at 1st January	0	0	0	0
Repurchase of shares (Note 19(a))	166	0	166	0
Balance at 31st December	166	0	166	0
<b>(c) Capital reserve:-</b>				
Balance at 1st January and 31st December	0	0	380,000	380,000
<b>(d) Exchange reserve:-</b>				
Balance at 1st January	2,505	5,602	0	0
Exchange differences arising from translation of the accounts of overseas subsidiaries and branch	7,708	(1,630)	0	0
Share of associated company's exchange reserve	0	(1,467)	0	0
Balance at 31st December	10,213	2,505	0	0
Balance carried forward to page 51	186,643	175,593	556,430	553,088

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## Notes to the Accounts

At 31st December, 1994

### 20. RESERVES (CONT'D)

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
Balance brought forward from page 50	186,643	175,593	556,430	553,088
<b>(e) Retained profits:-</b>				
Balance at 1st January	216,006	135,472	136,034	81,986
Retained profit for the year	125,511	80,534	59,156	54,048
Repurchase of shares	(5,441)	0	(5,441)	0
Goodwill arising on consolidation eliminated to retained profits	(41,552)	0	0	0
Balance at 31st December	294,524	216,006	189,749	136,034
<b>Total reserves at 31st December</b>	<b>481,167</b>	<b>391,599</b>	<b>746,179</b>	<b>689,122</b>

#### Retained by:-

##### Company and subsidiaries

Share premium	176,264	173,088
Capital redemption reserve	166	0
Exchange reserve	10,213	3,972
Retained profits	295,539	240,221
	482,182	417,281

##### Associated companies

Exchange reserve	0	(1,467)
Deficit carried forward	(1,015)	(24,215)
	481,167	391,599

At 31st December, 1994, the distributable reserves of the Company available for distribution as dividends amounted to HK\$189,749,000 (1993: HK\$136,034,000).

### 21. NON-CURRENT LIABILITIES

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
Deferred taxation (Note 22)	3,297	4,184	1,037	997
Obligations under finance leases (Note 23)	9,216	0	0	0
	12,513	4,184	1,037	997

## Notes to the Accounts

At 31st December, 1994

### 22. DEFERRED TAXATION

	Group		Company	
	1994 HK\$'000	1993 HK\$'000	1994 HK\$'000	1993 HK\$'000
Balance at 1st January	4,184	3,444	997	1,259
Translation difference on opening balance	139	79	0	0
Transfer (to)/from profit and loss account (Note 6(a))	(1,026)	661	40	(262)
Balance at 31st December	<u>3,297</u>	<u>4,184</u>	<u>1,037</u>	<u>997</u>

The deferred tax liabilities which arose mainly from accelerated depreciation allowances have been fully provided for in these accounts. The deferred tax asset in respect of tax losses not taken up in the consolidated accounts as at 31st December, 1994 arising from the deduction of the GIORDANO trademark valued at HK\$380,000,000 for tax purpose, was HK\$41,906,000 (1993: HK\$47,402,000).

### 23. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	1994 HK\$'000	1993 HK\$'000
<b>Obligations under finance leases are repayable:-</b>		
Within one year	4,287	0
In the second to fifth years inclusive	9,216	0
	<u>13,503</u>	<u>0</u>

### 24. INTERESTS OF AND LOANS FROM MINORITY SHAREHOLDERS

	Group	
	1994 HK\$'000	1993 HK\$'000
<b>Interests of minority shareholders in:-</b>		
Share capital invested	31,975	0
Accumulated losses up to the date of acquisition	(66,681)	0
Operating results subsequent to the acquisition	10,264	0
	<u>(24,442)</u>	<u>0</u>
<b>Loans from a minority shareholder</b>	<u>77,910</u>	<u>0</u>
	<u>53,468</u>	<u>0</u>

The loans from the minority shareholder are unsecured and interest bearing at commercial rates.

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## Notes to the Accounts

At 31st December, 1994

### 25. RELATED PARTY TRANSACTIONS

During the year, the Group, in the normal course of business, entered into the following transactions with certain related and subsidiary companies:-

	<b>Group</b>	
	<b>1994</b>	<b>1993</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Purchases from Comitex Knitters Limited (including such purchases made by Tiger and its subsidiaries after 1st August, 1994 when they became members of the Group)	<b>76,798</b>	61,469
Income arising from sourcing of raw materials and garment processing and royalties income from Tiger and its subsidiaries	<b>57,084</b>	80,054

### 26. COMMITMENTS

(a) Operating lease commitments

At 31st December, 1994, the Group had minimum commitments under operating leases in respect of retail shops, office premises, factories and warehouses to make payments in the next year as set out below:-

	<b>Group</b>	
	<b>1994</b>	<b>1993</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating leases which expire:-</b>		
Within one year	<b>60,264</b>	25,785
In the second to fifth years inclusive	<b>223,463</b>	215,312
Over five years	<b>25,494</b>	0
	<b>309,221</b>	241,097

(b) Other commitments

As at 31st December, 1994, the Group had contracted but not provided for in the accounts a total amount of HK\$63,555,000 in respect of the acquisition of certain properties in the PRC for the Group's retail operations in Shenzhen.

## Notes to the Accounts

At 31st December, 1994

### 27. CONTINGENT LIABILITIES

At 31st December, 1994, the Group had contingent liabilities not included in the accounts in respect of the following:-

	Group	
	1994 HK\$'000	1993 HK\$'000
(a) Export bills discounted with recourse	5,883	3,002
(b) Letters of credit issued but not yet utilised	38,443	29,921
(c) Bank guarantees in lieu of utility deposits	9,648	5,991
(d) Guarantee notes issued	90,100	59,193
	<u>144,074</u>	<u>98,107</u>

Trade financing facilities granted by banks to certain subsidiaries were guaranteed by the Company. At 31st December, 1994, the amount of such facilities utilised was HK\$144,074,000.

In addition, the Company had also issued guarantees in favour of banks in respect of revolving credit and term loan facilities granted to subsidiaries. The total amount of such facilities utilised by subsidiaries at 31st December, 1994 was HK\$61,722,000.

### 28. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994 HK\$'000	1993 HK\$'000
<b>Profit before taxation</b>	<b>234,236</b>	166,666
Net interest paid/(received)	5,646	(609)
Depreciation of fixed assets	67,487	51,232
Amortisation of intangible assets and other investments	4,116	4,641
Share of loss of associated companies	1,015	13,815
Loss on disposal of fixed assets	2,256	981
Profit on disposal of other investments	(880)	0
Decrease in inventories	46,443	10,980
Increase in trade and bills receivable, other receivables, deposits and prepayments	(25,349)	(50,798)
Decrease in trade payable, other payables and accruals	(37,569)	(72,061)
<b>Net cash inflow from operating activities</b>	<b>297,401</b>	<b>124,847</b>

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## Notes to the Accounts

At 31st December, 1994

### 29. ANALYSIS OF PURCHASES OF SUBSIDIARY COMPANIES

	HK\$'000
<b>Net assets acquired</b>	
Fixed assets	47,687
Other investment	884
Inventories	81,574
Trade receivable	115
Other receivables and prepayments	36,674
Cash and bank balances	23,982
Other payables and accruals	(74,790)
Bank loan	(65,000)
Finance lease obligations – long term	(10,625)
Loans from a shareholder	(110,000)
	<u>(69,499)</u>
Minority interests	35,922
Goodwill on consolidation	41,552
Share of loss of an associated company	27,442
	<u>35,417</u>
Purchase consideration	<u>35,417</u>
Satisfied by – conversion of loan	30,400
– cash	5,017
	<u>35,417</u>

### 30. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASES OF SUBSIDIARY COMPANIES

	HK\$'000
Cash consideration	5,017
Cash and bank balances acquired	(23,982)
Bank loan acquired	65,000
	<u>46,035</u>
Net outflow of cash and cash equivalents in respect of the purchases of subsidiary companies	<u>46,035</u>

## Notes to the Accounts

At 31st December, 1994

### 31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK\$'000	Share premium HK\$'000	Obligations under finance leases HK\$'000
Balance at 1st January	63,098	173,088	0
Cash inflow/(outflow) from financing	422	3,176	(2,074)
Repurchase of shares transferred to capital redemption reserve	(166)	0	0
Finance lease obligations of subsidiaries acquired during the year	0	0	15,577
Balance at 31st December	<u>63,354</u>	<u>176,264</u>	<u>13,503</u>

### 32. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1994 HK\$'000	1993 HK\$'000
Cash and bank balances	107,831	75,146
Bank loans and overdraft – unsecured	(70,466)	(50,000)
	<u>37,365</u>	<u>25,146</u>

### 33. SUBSIDIARIES

The following includes the principal subsidiaries of the Company which, in the opinion of the directors, were significant to the results of the year or formed a substantial portion of the net assets of the Group:-

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
Giordano Limited	Hong Kong	100	100	Ordinary HK\$5,000,000	Retailing of apparel and accessories in Hong Kong
Giordano Originals (Singapore) Private Limited	Republic of Singapore	100	100	Ordinary S\$1,900,002	Retailing of apparel and accessories in Singapore

## Notes to the Accounts

At 31st December, 1994

### 33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
East Jean Limited	Hong Kong	100	100	Ordinary HK\$1,000,000	Retailing of apparel and accessories in Taiwan
Aktiviti Padu (M) Sdn. Bhd.	Malaysia	100	100	Ordinary M\$100,000	Retailing of apparel and accessories in Malaysia
Giordano (Macau) Limited	Macau	100	100	Quotas MOP50,000	Retailing of apparel and accessories in Macau
Cohin Knitting & Garment Manufacturers Limited	Hong Kong	100	100	Ordinary HK\$2,000 Non-voting deferred HK\$3,261,000	Manufacturing of fine knitwear in the PRC
Gloss Mind Casual Wear Limited	Hong Kong	100	100	Ordinary HK\$1,000,000	Manufacturing of woven products in the PRC
Shenzhen Zhixing Garment Manufacturers Company Limited *	The PRC	100	100	RMB10,152,152	Manufacturing of fine knitwear in the PRC
Shenzhen Lianghai Garments Company Limited *	The PRC	100	100	HK\$9,800,000	Manufacturing of woven products in the PRC
Dongguan Chihing Garments Limited *	The PRC	100	100	HK\$21,144,066	Factory under construction in the PRC
Tiger Enterprises Limited	Hong Kong	51	20	Ordinary HK\$60,000,000	Investment holding in the PRC

## Notes to the Accounts

At 31st December, 1994

### 33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation	Effective percentage of equity holding		Issued and fully paid share capital or capital contribution	Principal activities and place of operation
		1994	1993		
Shenzhen Tiger Garment Limited *	The PRC	51	20	RMB15,100,000	Investment holding, manufacturing and retailing of apparel and accessories in Shenzhen, the PRC
Guangzhou Tiger Hua Qiao Enterprises Company Limited *	The PRC	51	20	RMB10,000,000	Retailing of apparel and accessories in Guangzhou, the PRC
Guangzhou Tiger Wai Lun Enterprises Company Limited *	The PRC	41	16	RMB2,500,000	Retailing of apparel and accessories in Guangzhou, the PRC
Giordano Fashions Limited	New Zealand	80	–	Ordinary NZ\$1,000,000	Retailing of apparel and accessories in New Zealand
Giordano (Thai) Company Limited *	Thailand	49	–	Ordinary THB10,000,000	Retailing of apparel and accessories in Thailand
Walton International Limited	Cayman Islands	100	100	Ordinary US\$102	Licensing of trademarks in Hong Kong
Giordano International Limited	Cayman Islands	100	100	Ordinary US\$2	Buying agent in the Cayman Islands
Ariadne Overseas Corporation	British Virgin Islands	100	100	Ordinary US\$1	Licensing of trademarks in Taiwan

\* subsidiaries held indirectly