

# Notes to Financial Statements

31st July, 2000

## 15. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	4,050	4,050
Amounts due from subsidiaries	253,987	274,721
Amounts due to subsidiaries	(8,988)	(24,953)
	<u>249,049</u>	<u>253,818</u>
Provision for diminution in value	(35,889)	(29,722)
	<u>213,160</u>	<u>224,096</u>

Except for certain amounts due from the subsidiaries which bear interest from 7.375% to 10% per annum, the amounts due from and to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The particulars of the principal subsidiaries are as follows:

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Name of company	Place of incorporation/ registration and operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Costroll Company Limited	Hong Kong	HK\$20	100%	100%	Property letting
Crocodile (China) Limited	Hong Kong	HK\$4	100%	100%	Garment trading
Crocodile Garments (Zhong Shan) Limited <sup>#</sup>	The People's Republic of China (“the PRC”)	HK\$17,200,000*	90%	90%	Garment manufacturing and trading
Crocodile Investment Limited	Hong Kong	HK\$20	100%	100%	Investment holding

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## 15. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Dackart Trading Company Limited	Hong Kong	HK\$20	100%	100%	Property holding
Gold Nation Development Limited	Hong Kong	HK\$2	100%	100%	Property investment
Kentpark Development Limited	Hong Kong	HK\$2	100%	100%	Property holding
Shenton Investment Limited	Hong Kong	HK\$2	100%	100%	Property holding
The Palm Restaurant Limited	Hong Kong	HK\$100	100%	100%	Restaurant operations

# Indirectly held by a wholly-owned subsidiary

\* The amount stated represents the paid-up capital in the PRC.

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

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## 16. STOCKS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	16,083	17,209	6,233	8,107
Work in progress	2,595	4,115	1,769	3,068
Finished goods	92,475	162,231	47,582	88,212
Goods in transit	—	143	—	143
	<u>111,153</u>	<u>183,698</u>	<u>55,584</u>	<u>99,530</u>

The carrying amounts of the Group's and the Company's inventories included in the above that are carried at net realisable value were HK\$34,828,000 (1999: HK\$84,259,000) and HK\$10,164,000 (1999: HK\$30,341,000), respectively.

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group maintains a defined credit policy on its trade debtors. The ageing analysis of trade debtors as at 31st July, 2000 was as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	26,363	18,771	10,570	4,790
91 days to 180 days	2,080	3,461	1,915	3,937
181 days to 365 days	755	2,206	233	2,121
Over 365 days	1,175	1,542	2,008	1,390
	<u>30,373</u>	<u>25,980</u>	<u>14,726</u>	<u>12,238</u>

The above analysis ages trade debtors, stated net of provision for doubtful debts, based on the due dates after revenue is recognised from the trade transactions.

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## 18. AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/RELATED COMPANIES

	Group			Company		
	Maximum balance outstanding during the year			Maximum balance outstanding during the year		
	2000	1999		2000	1999	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from:						
Lai Sun Garment (International) Limited	1,040	—	336	1,040	—	385
Amounts due to:						
Lai Sun Garment (International) Limited	(19,212)	—		(19,212)	—	
Lai Sun Development Company Limited	(1,640)	(5,586)		(1,594)	(5,586)	
	<u>(20,852)</u>	<u>(5,586)</u>		<u>(20,806)</u>	<u>(5,586)</u>	

The above balances were derived from normal business activities and are unsecured, interest-free and are repayable on terms similar to those granted to major customers or by major suppliers of the Group except for a loan advanced from the ultimate holding company amounting to HK\$16,400,000 (1999: Nil) as included in the above balance, which bears interest at Hong Kong dollar three months' deposit rate plus 1% per annum and is repayable on or before 31st March, 2001. Details of the material transactions with the ultimate holding company, fellow subsidiaries and related companies are set out in note 4 to the financial statements.

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## 19. BANK BORROWINGS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts, unsecured	2,000	4,856	—	1,820
Bank overdrafts, secured	—	2,502	—	2,502
Short term bank loans, secured	27,600	41,900	27,600	41,900
Trust receipt loans	28,507	19,737	28,507	19,737
Term loan, secured	12,381	15,018	12,381	15,018
	<u>70,488</u>	<u>84,013</u>	<u>68,488</u>	<u>80,977</u>
Portion due within one year included under current liabilities:				
Secured	(44,282)	(62,489)	(44,282)	(62,489)
Unsecured	(18,607)	(15,074)	(16,607)	(12,038)
	<u>(62,889)</u>	<u>(77,563)</u>	<u>(60,889)</u>	<u>(74,527)</u>
Long term portion	<u>7,599</u>	<u>6,450</u>	<u>7,599</u>	<u>6,450</u>
The bank loans and overdrafts are repayable:				
Within one year or on demand	62,889	77,563	60,889	74,527
In the second year	5,257	6,450	5,257	6,450
In the third to fifth years, inclusive	2,342	—	2,342	—
	<u>70,488</u>	<u>84,013</u>	<u>68,488</u>	<u>80,977</u>

The short term bank loans, trust receipt loans and bank overdrafts are repayable within one year and certain of these loans and overdrafts are secured by certain land and buildings of the Group and guaranteed by the ultimate holding company. The term loan, which is repayable by instalments, is secured by the investment properties of the Group.

At the balance sheet date, the Group had pledged investment properties with carrying values of HK\$67,000,000 (1999: HK\$67,000,000) and certain land and buildings with net book values of HK\$300,552,000 (1999: HK\$307,444,000) to bankers to secure banking facilities granted to the Group.

# Notes to Financial Statements

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## 20. CREDITORS AND ACCRUALS

The ageing analysis of trade creditors as at 31st July, 2000 was as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	53,437	67,463	44,954	51,282
91 days to 180 days	1,090	5,868	858	2,481
181 days to 365 days	2,304	1,166	462	1,167
Over 365 days	1,528	2,037	1,656	1,608
	<u>58,359</u>	<u>76,534</u>	<u>47,930</u>	<u>56,538</u>

The above analysis ages trade creditors based on the due dates after receipt of the goods and services purchased.

## 21. FINANCE LEASE PAYABLES

There were commitments under finance leases at the balance sheet date as follows:

	Group and Company	
	2000	1999
	HK\$'000	HK\$'000
Amounts payable:		
Within one year	161	161
In the second to fifth years, inclusive	<u>95</u>	<u>256</u>
Total minimum lease payments	256	417
Less: Future finance charges	<u>(24)</u>	<u>(62)</u>
Total net finance lease payables	232	355
Portion classified as current liabilities	<u>(141)</u>	<u>(124)</u>
Long term portion	<u>91</u>	<u>231</u>

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## 22. DEFERRED TAX

The major components of the net deferred tax assets not recognised in the financial statements are as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax losses	(30,995)	(31,635)	(23,370)	(24,000)
Accelerated capital allowances	439	1,100	372	1,000
	<u>(30,556)</u>	<u>(30,535)</u>	<u>(22,998)</u>	<u>(23,000)</u>

Deferred tax has not been quantified on the revalued assets because the revaluations do not constitute timing differences.

## 23. SHARE CAPITAL

	Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised:		
800,000,000 ordinary shares of HK\$0.25 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
617,127,130 ordinary shares of HK\$0.25 each	<u>154,282</u>	<u>154,282</u>

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## 24. RESERVES

	Share premium account HK\$'000	Capital reserve HK\$'000	Fixed asset revaluation reserve HK\$'000	Total HK\$'000
<b>Group</b>				
At 1st August, 1998	164,921	350	408,893	574,164
Released to accumulated losses upon disposal of fixed assets	—	—	(89,898)	(89,898)
<b>At 31st July, 1999 and 2000</b>	<b>164,921</b>	<b>350</b>	<b>318,995</b>	<b>484,266</b>
<b>Company</b>				
<b>At 1st August, 1998, 31st July, 1999 and 2000</b>	<b>164,921</b>	<b>—</b>	<b>214,312</b>	<b>379,233</b>

## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow from operating activities:

	Group	
	2000 HK\$'000	1999 HK\$'000
Loss from operating activities	(23,993)	(186,551)
Loss on disposal of land and buildings	—	4,806
Loss on disposal of fixed assets, other than land and buildings	4,139	2,078
Deficit on revaluation of investment properties	—	1,000
Forfeiture of deposits received in respect of a property sale transaction	(12,004)	—
Provision for bad and doubtful debts	453	8,624
Interest income	(324)	(562)
Depreciation	21,412	21,680
Decrease in stocks	72,545	128,318
Decrease in debtors, deposits and prepayments	4,025	25,173
Movements in balances with the ultimate holding company	19,548	(225)
Decrease in amounts due from fellow subsidiaries	—	106
Increase in trust receipt loans with maturity of more than three months	8,461	6,145
Increase/(decrease) in creditors and accruals	(29,025)	27,293
Increase/(decrease) in amounts due to fellow subsidiaries	(5,586)	5,586
Increase in amounts due to related companies	1,640	—
<b>Net cash inflow from operating activities</b>	<b>61,291</b>	<b>43,471</b>



# Notes to Financial Statements

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## 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the year:

	Bank loans HK\$'000	Finance lease payables HK\$'000	Minority interests HK\$'000
Balance at 1st August, 1998	138,633	—	60
Inception of finance lease contract	—	404	—
Net cash outflow from financing activities	<u>(81,715)</u>	<u>(49)</u>	<u>(60)</u>
Balance at 31st July, 1999 and 1st August, 1999	56,918	355	—
Net cash outflow from financing activities	<u>(16,937)</u>	<u>(123)</u>	<u>—</u>
<b>Balance at 31st July, 2000</b>	<b><u>39,981</u></b>	<b><u>232</u></b>	<b><u>—</u></b>

### (c) Non-cash transactions

- (i) During the year, the Group recognised income from forfeited deposits of HK\$12,004,000 in respect of a property sale transaction, which did not involve any cash inflow to the Group because the forfeited deposits were received in prior years.
- (ii) In the prior year, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$404,000.

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## 26. COMMITMENTS

At the balance sheet date, the Group and the Company had the following commitments:

- (a) Capital commitments in respect of capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Authorised and contracted for	<u>880</u>	<u>4,847</u>	<u>418</u>	<u>4,847</u>

There were no capital commitments authorised, but not contracted for, as at 31st July, 2000 (1999: Nil).

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## 26. COMMITMENTS (continued)

- (b) Annual commitments for non-cancellable operating leases in respect of land and buildings during the forthcoming year are as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Leases expiring:				
Within one year	32,244	39,258	25,189	39,091
In the second to fifth years, inclusive	68,834	63,876	67,643	62,486
	<u>101,078</u>	<u>103,134</u>	<u>92,832</u>	<u>101,577</u>

## 27. PENSION SCHEME

The Group operates a defined benefit retirement scheme which is non-contributory. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The contributions to the scheme are determined with the advice of independent, qualified actuaries on the basis of triennial valuations, being the minimum requirement under the Occupational Retirement Schemes Ordinance, using the aggregate method. Based on the most recent valuation, carried out on 1st August, 1998 by The Prudential Assurance Company Limited, qualified consulting actuary, the level of funding is 7% of employee costs with no material surplus or deficiency.

The principal assumption used by the actuary was that the long term average return on investments would be equal to the average increase in salary. The differences between the market value of the scheme's assets and the present value of the past service liabilities on an on-going basis at the date of the actuarial valuation, are taken into consideration when determining future funding rates, in order to ensure that the schemes will be able to meet these liabilities as they become due. The current funding rates are those recommended by the actuary to ensure that the scheme will be able to meet its future liabilities.

The total retirement benefit costs charged to the profit and loss account for the year ended 31st July, 2000 were HK\$2,207,000 (1999: HK\$2,832,000), which exclude fees and charges levied by the auditors, actuary and administrator.

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## 28. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	—	—	3,500	3,500

Apart from the above, the Company is involved in legal disputes with a supplier, who alleges that the Company has infringed its trademark in the PRC and is seeking orders from the courts in Hong Kong to prohibit the Company from registering certain trademarks in the PRC, and orders from the courts in the PRC for a compensation of RMB3,500,000.

The High Court and the Court of Appeal ruled in favour of the supplier and the Company is considering to appeal against the judgements to the Court of Final Appeal. The courts in the PRC have not delivered their judgement as at the date of this report. In the opinion of the directors, having taken legal advice, the claim for compensation against the Company is unlikely to be successful and, therefore, no provision has been made in these financial statements.

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## 29 SEGMENTAL REPORTING

An analysis of the Group's turnover and contribution to loss from operating activities by activity and geographical location of operations is as follows:

	Turnover		Contribution to loss before tax	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Manufacture and sale of garments	712,851	639,124	(40,391)	(191,723)
Property rental	7,791	6,002	601	(1,541)
Operation of a restaurant	6,880	6,858	245	31
Forfeiture of deposits received in respect of a property sale transaction	—	—	12,004	—
Others	—	—	(1,489)	(1,736)
	<u>727,522</u>	<u>651,984</u>	<u>(29,030)</u>	<u>(194,969)</u>
By geographical location of operations:				
The People's Republic of China:				
Hong Kong	462,882	419,821	(41,332)	(161,924)
Elsewhere	229,214	174,847	21,218	(24,848)
The United States of America	20,219	28,809	(5,579)	(4,802)
The United Kingdom	1,596	12,741	(441)	(2,123)
Others	13,611	15,766	(2,896)	(1,272)
	<u>727,522</u>	<u>651,984</u>	<u>(29,030)</u>	<u>(194,969)</u>

## 30. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of revised SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20th November, 2000.