# Notes to Financial Statements

31st July, 2003

## 1. CORPORATE INFORMATION

The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of garments; and
- property investment and letting.

In the opinion of the Directors, the ultimate holding company is Lai Sun Garment (International) Limited, which was incorporated in Hong Kong.

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"



These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 23 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. Further details of these changes are included in the accounting policy for "Foreign currencies" in note 3 to the financial statements. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

# Notes to Financial Statements

31st July, 2003

## 2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 26 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in a provision for long service payments and an accrual for leave pay being made at the balance sheet date, details of which are set out under the heading "Employee benefits" in note 3 to the financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and certain fixed assets, as further explained below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31st July, 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### Subsidiaries

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

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of fair values of the identifiable assets and liabilities acquired at the date of acquisition, over the cost of the acquisition.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Negative goodwill (continued)

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

Negative goodwill arising on acquisitions prior to 1st August, 2001 remained credited to the capital reserve pursuant to the transitional provisions of the relevant accounting standard.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fixed assets and depreciation**

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The transitional provisions set out in paragraph 80 of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for periods ended before 30th September, 1995, have not been revalued to their fair values by class at the balance sheet date. It is the Directors' intention not to revalue these assets in the future.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.



On a transfer of an asset to investment properties, a valuation is performed to determine the fair value of the asset to be transferred. Any revaluation surplus/deficit arising therefrom is credited/charged to the fixed asset revaluation reserve of the related asset. The remaining fixed asset revaluation reserve attached to that asset, if any, is frozen and remains as a fixed asset revaluation reserve until that asset is sold.

Depreciation of fixed assets is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold land | Over the lease terms |
| Buildings | 2% – 5% |
| Plant and machinery | 10% |
| Furniture and fixtures | 10% – 20% |
| Computer equipment | 20% |
| Motor vehicles | 20% |

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the first-in, first-out method and, in the case of work in progress and finished goods, comprises direct labour and an appropriate portion of production overheads. Net realisable value is determined by reference either to the net sales proceeds of items in the ordinary course of business subsequent to the balance sheet date, or to management estimates based on the prevailing market conditions.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

### Deferred tax

Deferred tax is provided, using the liability method, on all material timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a straight-line basis over the terms of the lease;

(c) royalty income, when the right to receive the income is established; and

(d) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

### Employee benefits

*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has not resulted in any prior year adjustment as the effect on profit/(loss) for the years ended 31st July, 2002 and 2003 and accumulated losses as at 1st August, 2001 and 1st August, 2002 is not material.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

*Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Prior to the adoption of SSAP 34 during the year, as explained in note 2 to the financial statements, the Group did not provide for long service payments at the balance sheet date. This change in accounting policy has not resulted in any prior year adjustment as the effect on profit/(loss) for the years ended 31st July, 2002 and 2003 and accumulated losses as at 1st August, 2001 and 1st August, 2002 is not material.

*Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees of subsidiaries operating in the Mainland of China are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation of the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the profit and loss account in the year to which they relate.

### Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

# Notes to Financial Statements

31st July, 2003

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss account of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the financial statements.

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

## 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.



The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories;

(b) the property investment segment invests in land and buildings for its rental income potential; and

(c) the corporate and others segment comprises the Group's corporate income and expense items and other segment income and segment expense items.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

# Notes to Financial Statements

31st July, 2003

## 4. SEGMENT INFORMATION (continued)

### Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

### Group

| | Garment and related accessories | | Property investment | | Corporate and others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 472,869 | 585,346 | 11,194 | 9,974 | — | — | — | — | 484,063 | 595,320 |
| Intersegment sales | — | — | 3,999 | 4,131 | — | — | (3,999) | (4,131) | — | — |
| Other revenue | 6,802 | 7,236 | 211 | 128 | — | 2 | — | — | 7,013 | 7,366 |
| Total | 479,671 | 592,582 | 15,404 | 14,233 | — | 2 | (3,999) | (4,131) | 491,076 | 602,686 |
| Segment results | (46,043) | 16,753 | (11,344) | 9,156 | (55) | (2,278) | — | — | (57,442) | 23,631 |
| Interest income | | | | | | | | | 427 | 478 |
| Profit/(loss) from operating activities | | | | | | | | | (57,015) | 24,109 |
| Finance costs | | | | | | | | | (1,115) | (1,751) |
| Profit/(loss) before tax | | | | | | | | | (58,130) | 22,358 |
| Tax | | | | | | | | | — | (2,300) |
| Net profit/(loss) for the year attributable to shareholders | | | | | | | | | (58,130) | 20,058 |

# Notes to Financial Statements

31st July, 2003

## 4. SEGMENT INFORMATION (continued)

Business segments (continued)

Group

| | Garment and related accessories | | Property investment | | Corporate and others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 |
| Segment assets | 208,990 | 290,680 | 197,474 | 216,214 | 3 | 71 | 406,467 | 506,965 |
| Segment liabilities | 92,783 | 131,273 | 2,986 | 3,348 | 20 | 151 | 95,789 | 134,772 |
| Unallocated liabilities | | | | | | | 55,060 | 58,445 |
| Total liabilities | | | | | | | 150,849 | 193,217 |
| Other segment information: | | | | | | | | |
| Depreciation | 6,711 | 14,097 | 289 | 264 | — | 11 | 7,000 | 14,372 |
| Provision for bad and doubtful debts | 523 | 2,017 | — | 51 | — | — | 523 | 2,068 |
| Provision for slow-moving inventories | 29,917 | 344 | — | — | — | — | 29,917 | 344 |
| Capital expenditure | 4,679 | 3,686 | 246 | 736 | — | — | 4,925 | 4,422 |



### Geographical segments

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments.

Group

| | Hong Kong | | Mainland of China | | Consolidated | |
|---|---|---|---|---|---|---|
| | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 |
| Segment revenue: | | | | | | |
| Sales to external customers | 250,843 | 301,710 | 233,220 | 293,610 | 484,063 | 595,320 |
| Other revenue | 1,326 | 898 | 5,687 | 6,468 | 7,013 | 7,366 |
| Total | 252,169 | 302,608 | 238,907 | 300,078 | 491,076 | 602,686 |
| Other segment information: | | | | | | |
| Segment assets | 274,367 | 318,683 | 132,100 | 188,282 | 406,467 | 506,965 |
| Capital expenditure | 3,046 | 2,460 | 1,879 | 1,962 | 4,925 | 4,422 |

# Notes to Financial Statements

31st July, 2003

## 5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods supplied to customers after allowances for returns and trade discounts, and rental income.

An analysis of turnover, other revenue and gains is as follows:

| | Group | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| **Turnover** | | |
| Sale of goods | 472,869 | 585,346 |
| Rental income | 11,194 | 9,974 |
| | 484,063 | 595,320 |
| **Other revenue** | | |
| Royalty income | 4,712 | 4,265 |
| Sale of miscellaneous materials | 408 | 748 |
| Sale of export quotas | 474 | 582 |
| Interest income | 427 | 478 |
| Others | 1,419 | 1,688 |
| | 7,440 | 7,761 |
| **Gains** | | |
| Exchange gains, net | — | 83 |
| Other revenue and gains | 7,440 | 7,844 |

# Notes to Financial Statements

31st July, 2003

## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

| | Group | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| Auditors' remuneration | 850 | 850 |
| Cost of inventories sold | 255,705 | 279,353 |
| Depreciation: | | |
| Owned fixed assets | 7,000 | 14,325 |
| Leased fixed assets | — | 47 |
| Minimum lease payments under operating leases in respect of land and buildings | 66,033 | 88,411 |
| Staff costs: | | |
| Salaries and allowances (including directors' remuneration but excluding pension scheme contributions — note 7) | 76,471 | 78,262 |
| Pension scheme contributions | 2,139 | 2,469 |
| | 78,610 | 80,731 |
| Gross rental income | (11,194) | (9,974) |
| Less: Outgoings | 289 | 692 |
| Net rental income | (10,905) | (9,282) |
| Accrual/(write-back of accrual) for litigation claims, overdue interest payments and legal costs | (3,653) | 6,870 |
| Provision for slow-moving inventories | 29,917 | 344 |
| Other operating expenses: | | |
| Deficit on revaluation (note 14) | 22,000 | — |
| Severance payments | 2,562 | 1,101 |
| Provision for bad and doubtful debts | 523 | 2,068 |
| Exchange losses, net | 188 | — |
| | 25,273 | 3,169 |

# Notes to Financial Statements

31st July, 2003

## 7. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

| | Group | | | |
|---|---|---|---|---|
| | Executive directors | | Non-executive directors | |
| | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 |
| Fees | 50 | 50 | 50 | 48 |
| Other emoluments: | | | | |
| Salaries, allowances and benefits in kind | 6,828 | 5,416 | — | 60 |
| Pension scheme contributions | 24 | 36 | — | — |
| Bonuses paid and payable | 1,730 | 1,260 | — | — |
| | 8,582 | 6,712 | — | 60 |
| | 8,632 | 6,762 | 50 | 108 |

Directors' remuneration paid to the independent non-executive directors during the year amounted to HK$20,000 (2002: HK$18,000).



The number of directors whose remuneration fell within the following bands is set out below:

| | Number of directors | |
|---|---|---|
| | 2003 | 2002 |
| Nil — HK$1,000,000 | 7 | 7 |
| HK$1,500,001 — HK$2,000,000 | 1 | 1 |
| HK$2,000,001 — HK$2,500,000 | 1 | 2 |
| HK$3,500,001 — HK$4,000,000 | 1 | — |
| | 10 | 10 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

# Notes to Financial Statements

31st July, 2003

## 8. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are set out below:

| | Group | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| Salaries, allowances and benefits in kind | 4,460 | 4,135 |
| Pension scheme contributions | 24 | 24 |
| Bonuses paid and payable | 2,000 | 2,100 |
| | 6,484 | 6,259 |

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

| | Group Number of employees | |
|---|---|---|
| | 2003 | 2002 |
| HK$2,000,001 — HK$2,500,000 | 1 | 1 |
| HK$3,500,001 — HK$4,000,000 | 1 | 1 |
| | 2 | 2 |



## 9. FINANCE COSTS

| | Group | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| Interest on bank loans and overdrafts | 1,115 | 1,608 |
| Interest on finance leases | — | 3 |
| Interest paid to the ultimate holding company | — | 140 |
| | 1,115 | 1,751 |

# Notes to Financial Statements

31st July, 2003

## 10. TAX

| | Group 2003 HK$'000 | Group 2002 HK$'000 |
|---|---|---|
| Current year's provision: | | |
| Hong Kong | — | — |
| Outside Hong Kong | — | 2,300 |
| Tax charge for the year | — | 2,300 |

No Hong Kong profits tax has been provided in both the current and prior years as the Group had no assessable profit arising in Hong Kong during the year (2002: Nil). No tax outside Hong Kong was provided for as the Group incurred a taxable loss during the year from these operations. In the prior year, taxes on profits assessable outside Hong Kong had been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st July, 2003 dealt with in the profit and loss account of the Company amounted to HK$1,219,000 (2002: net profit of HK$19,562,000).

## 12. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$58,130,000 (2002: net profit of HK$20,058,000) and the weighted average of 617,127,130 (2002: 617,127,130) ordinary shares in issue throughout the year.

Diluted earnings per share amounts for the years ended 31st July, 2003 and 2002 have not been calculated because no diluting events existed during these years.

# Notes to Financial Statements

31st July, 2003

## 13. FIXED ASSETS

Group

| | Land and buildings HK$'000 | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Computer equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Cost or valuation: | | | | | | |
| At beginning of year | 24,458 | 22,615 | 69,155 | 19,334 | 3,236 | 138,798 |
| Additions | — | 554 | 3,476 | 439 | 456 | 4,925 |
| Disposals | — | (925) | (13,320) | (3,027) | (178) | (17,450) |
| At 31st July, 2003 | 24,458 | 22,244 | 59,311 | 16,746 | 3,514 | 126,273 |
| Accumulated depreciation: | | | | | | |
| At beginning of year | 8,097 | 19,360 | 60,861 | 16,865 | 2,726 | 107,909 |
| Provided during the year | 894 | 802 | 3,873 | 1,302 | 129 | 7,000 |
| Disposals | — | (472) | (12,746) | (2,998) | (178) | (16,394) |
| At 31st July, 2003 | 8,991 | 19,690 | 51,988 | 15,169 | 2,677 | 98,515 |
| Net book value: | | | | | | |
| At 31st July, 2003 | 15,467 | 2,554 | 7,323 | 1,577 | 837 | 27,758 |
| At 31st July, 2002 | 16,361 | 3,255 | 8,294 | 2,469 | 510 | 30,889 |

# Notes to Financial Statements

31st July, 2003

13. FIXED ASSETS (continued)

Company

| | Plant and machinery HK$'000 | Furniture and fixtures HK$'000 | Computer equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Cost or valuation: | | | | | |
| At beginning of year | 4,441 | 50,784 | 19,334 | 2,265 | 76,824 |
| Additions | — | 2,710 | 269 | — | 2,979 |
| Disposals | — | (10,835) | (3,027) | (178) | (14,040) |
| At 31st July, 2003 | 4,441 | 42,659 | 16,576 | 2,087 | 65,763 |
| Accumulated depreciation: | | | | | |
| At beginning of year | 4,156 | 45,640 | 16,865 | 2,265 | 68,926 |
| Provided during the year | 51 | 3,151 | 1,268 | — | 4,470 |
| Disposals | — | (10,634) | (2,998) | (178) | (13,810) |
| At 31st July, 2003 | 4,207 | 38,157 | 15,135 | 2,087 | 59,586 |
| Net book value: | | | | | |
| At 31st July, 2003 | 234 | 4,502 | 1,441 | — | 6,177 |
| At 31st July, 2002 | 285 | 5,144 | 2,469 | — | 7,898 |

An analysis of the leasehold land and buildings of the Group as at the balance sheet date is as follows:

| | Group 2003 HK$'000 | Group 2002 HK$'000 |
|---|---|---|
| At cost: | | |
| Long term leasehold land and buildings situated in the Mainland of China | 17,778 | 17,778 |
| At 1992 valuation: | | |
| Long term leasehold land and buildings situated in Hong Kong | 6,680 | 6,680 |
| | 24,458 | 24,458 |

# Notes to Financial Statements

31st July, 2003

## 13. FIXED ASSETS (continued)

A revaluation of the leasehold land and buildings situated in Hong Kong was carried out by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis as at 31st July, 1992. Had these land and buildings not been revalued, their net book values would have been as follows:

| | Group | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| Cost | 4,331 | 4,331 |
| Accumulated depreciation | (2,280) | (2,238) |
| Net book value as at 31st July | 2,051 | 2,093 |

Certain of the Group's land and buildings are pledged to secure the Group's bank borrowings, as further detailed in note 19 to the financial statements.

## 14. INVESTMENT PROPERTIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Balance at beginning of year | 205,000 | 125,000 | 80,000 | — |
| Deficit on revaluation (note 6) | (22,000) | — | (10,000) | — |
| Transfer from fixed assets | — | 80,000 | — | 80,000 |
| Balance at end of year | 183,000 | 205,000 | 70,000 | 80,000 |



The investment properties are situated in Hong Kong and are held under medium term leases.

The investment properties were revalued at HK$183,000,000 (2002: HK$205,000,000) based on their open market values and their existing use at 31st July, 2003 by Centaline Surveyors Limited, independent professionally qualified valuers. The revaluation deficit of HK$22,000,000 (2002: Nil) so arising was charged to the profit and loss account.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 27 to the financial statements.

The Group's investment properties are pledged to secure the Group's bank borrowings, as further detailed in note 19 to the financial statements .

# Notes to Financial Statements

31st July, 2003

## 14. INVESTMENT PROPERTIES (continued)

The details of the Group's and the Company's investment properties are as follows:

| Location | Existing use | Property held by |
|---|---|---|
| Shops G9/9A and G10 on Ground Floor, Room No. 213A on 2nd floor and Room No. 413A on 4th floor, Hankow Centre, Nos. 5-15 Hankow Road, 41-51 Peking Road, Nos. 4, 4A and 4B Ashley Road and Nos. 1, 1A-1E Middle Road, Tsimshatsui, Kowloon, Hong Kong | Commercial rental | Group |
| The whole basement, Shop No. 24 on Ground and Mezzanine Floors, Shop No. 33B on Ground and Mezzanine Floors, Tsimshatsui Mansion, Nos. 83-97 Nathan Road, Nos. 36-50 Lock Road, Tsimshatsui, Kowloon, Hong Kong | Commercial rental | Group |
| Crocodile Building, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong | Commercial rental | Group and Company |



## 15. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2003 | 2002 |
| | HK$'000 | HK$'000 |
| Unlisted shares, at cost | 4,050 | 4,050 |
| Amounts due from subsidiaries | 323,768 | 303,743 |
| Amounts due to subsidiaries | (8,934) | (8,993) |
| | 318,884 | 298,800 |
| Provision for impairment | (111,210) | (87,951) |
| | 207,674 | 210,849 |

Except for certain amounts due from subsidiaries which bear interest at Hong Kong dollar prime rate plus 2% per annum (2002: Hong Kong dollar prime rate plus 2% per annum), the amounts due from/(to) the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

# Notes to Financial Statements

31st July, 2003

## 15. INTERESTS IN SUBSIDIARIES (continued)

The particulars of the principal subsidiaries are as follows:

| Name of company | Place of incorporation/ registration and operations | Nominal value of issued ordinary share capital | Percentage of equity attributable to the Company 2003 | 2002 | Principal activities |
|---|---|---|---|---|---|
| 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# | Mainland of China | HK$17,200,000* | 90 | 90 | Garment manufacturing and trading |
| Dackart Trading Company Limited | Hong Kong | HK$20 | 100 | 100 | Property investment |
| Gold Nation Development Limited | Hong Kong | HK$2 | 100 | 100 | Property investment |
| Shenton Investment Limited | Hong Kong | HK$2 | 100 | 100 | Property holding |

* The amount represents the paid-up capital in the Mainland of China.

\# This subsidiary is a joint venture and is indirectly held by the Company.

The above summary 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 net 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.

# Notes to Financial Statements

31st July, 2003

## 16. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Raw materials | 6,145 | 7,398 | 2,648 | 2,006 |
| Work in progress | 134 | 563 | — | — |
| Finished goods | 85,755 | 130,603 | 51,697 | 43,964 |
| | 92,034 | 138,564 | 54,345 | 45,970 |

The carrying amounts of the Group's and the Company's inventories included in the above at net realisable value were HK$39,471,000 (2002: HK$30,626,000) and HK$12,556,000 (2002: HK$8,376,000), respectively.

## 17. DEBTORS, DEPOSITS AND PREPAYMENTS

Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the terms are extended to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.



An aged analysis of trade receivables, net of provisions, based on the overdue date, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Current to 90 days | 22,511 | 26,062 | 376 | 1,599 |
| 91 days to 180 days | 35 | 184 | 35 | 87 |
| 181 days to 365 days | 5 | 754 | 5 | 21 |
| Over 365 days | — | 53 | — | 24 |
| Trade debtors | 22,551 | 27,053 | 416 | 1,731 |
| Deposits and prepayments | 7,115 | 14,493 | 4,801 | 10,218 |
| | 29,666 | 41,546 | 5,217 | 11,949 |

# Notes to Financial Statements

31st July, 2003

## 18. CASH AND BANK BALANCES

**Group**

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$56,448,000 (2002: HK$45,605,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

## 19. BANK BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Bank overdrafts | 2,330 | 2,920 | — | — |
| Short-term bank loans, secured | 24,250 | 24,250 | 24,250 | 24,250 |
| Trust receipt loans | 17,929 | 17,787 | 17,929 | 17,787 |
| Term loan, secured | — | 2,288 | — | 2,288 |
| | 44,509 | 47,245 | 42,179 | 44,325 |
| Portion due within one year included under current liabilities: | | | | |
| Secured | 39,365 | 43,478 | 37,035 | 40,558 |
| Unsecured | 5,144 | 3,767 | 5,144 | 3,767 |
| | 44,509 | 47,245 | 42,179 | 44,325 |
| Bank borrowings are repayable: | | | | |
| Within one year or on demand | 44,509 | 47,245 | 42,179 | 44,325 |

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 the investment properties and certain land and buildings of the Group. The prior year's term loan, which was repayable by instalments, was secured by the investment properties of the Group (note 14).

At the balance sheet date, the Group had pledged investment properties (note 14) with carrying values of HK$183,000,000 (2002: HK$205,000,000) and certain land and buildings (note 13) with a net book value of HK$6,239,000 (2002: HK$6,333,000) to bankers to secure banking facilities granted to the Group.

## 20. CREDITORS AND ACCRUALS

An aged analysis of trade creditors, based on the date of receipt of the goods and services purchased, is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Current to 90 days | 32,017 | 62,012 | 16,559 | 28,653 |
| 91 days to 180 days | 582 | 4,470 | 403 | 3,332 |
| 181 days to 365 days | 554 | 1,027 | 446 | 511 |
| Over 365 days | 5,296 | 4,566 | 1,386 | 1,045 |
| Trade creditors | 38,449 | 72,075 | 18,794 | 33,541 |
| Accruals | 52,995 | 61,331 | 9,806 | 26,832 |
| | 91,444 | 133,406 | 28,600 | 60,373 |

## 21. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/A RELATED COMPANY

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Amounts due to: | | | | |
| **Ultimate holding company** | | | | |
| Lai Sun Garment (International) Limited | 3 | 118 | 3 | 118 |
| **Related company** | | | | |
| Lai Sun Development Company Limited | 4 | 1,248 | 4 | 1,248 |

The related company, Lai Sun Development Company Limited, is a company beneficially owned by certain directors of the Company and an associate of the Company's ultimate holding company.

The balances were derived from normal business activities and are unsecured, interest-free and repayable on terms similar to those granted to major customers or by major suppliers of the Group. Details of the material transactions with the ultimate holding company and a related company are set out in note 29 to the financial statements.

# Notes to Financial Statements

31st July, 2003

## 22. PROVISION FOR LONG SERVICE PAYMENTS

| | Group and Company HK$'000 |
|---|---|
| Provision for the year and balance at 31st July, 2003 | 4,338 |

As further explained in note 2 to the financial statements, with the adoption of SSAP 34, the Group makes provision for long service payments representing the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

## 23. DEFERRED TAX

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 HK$'000 | 2002 HK$'000 | 2003 HK$'000 | 2002 HK$'000 |
| Tax losses | (45,793) | (57,817) | (33,349) | (47,441) |
| Accelerated capital allowances | — | 143 | — | 137 |
| | (45,793) | (57,674) | (33,349) | (47,304) |



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

## 24. SHARE CAPITAL

| | Company | |
|---|---|---|
| | 2003 HK$'000 | 2002 HK$'000 |
| Authorised: | | |
| 800,000,000 ordinary shares of HK$0.25 each | 200,000 | 200,000 |
| Issued and fully paid: | | |
| 617,127,130 ordinary shares of HK$0.25 each | 154,282 | 154,282 |

## 25. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 23 of the financial statements.

### (b) Company

| | Share premium account HK$'000 | Fixed asset revaluation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1st August, 2001 | 164,921 | 214,312 | (161,907) | 217,326 |
| Deficit on revaluation | — | (105,222) | — | (105,222) |
| Net profit for the year | — | — | 19,562 | 19,562 |
| At 31st July, 2002 and 1st August, 2002 | 164,921 | 109,090 | (142,345) | 131,666 |
| Net loss for the year | — | — | (1,219) | (1,219) |
| At 31st July, 2003 | 164,921 | 109,090 | (143,564) | 130,447 |

Included in the Company's fixed asset revaluation reserve is a frozen revaluation surplus of HK$109,090,000 (2002: HK$109,090,000), in relation to leasehold land and building which was transferred to investment properties in the prior year.



## 26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

**Changes to the layout of the consolidated cash flow statement**

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously, five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received is now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The revision of this SSAP has had no material impact on the 2002 comparative cash flows.

# Notes to Financial Statements

31st July, 2003

## 27. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements with leases negotiated for terms ranging from one to four years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Within one year | 9,964 | 9,175 | 2,048 | 3,068 |
| In the second to fifth years, inclusive | 7,617 | 9,977 | 3,008 | 4,904 |
| | 17,581 | 19,152 | 5,056 | 7,972 |

### (b) As lessee

The Group leases its office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. At the balance sheet date, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:



| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Within one year | 47,169 | 62,943 | 45,064 | 61,228 |
| In the second to fifth years, inclusive | 32,462 | 42,753 | 31,720 | 41,234 |
| After five years | — | 28 | — | — |
| | 79,631 | 105,724 | 76,784 | 102,462 |

Other than the operating lease commitments detailed above, the Group and the Company did not have other material commitments at the balance sheet date.

# Notes to Financial Statements

31st July, 2003

## 28. CONTINGENT LIABILITIES

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Guarantees given to banks in connection with facilities granted to subsidiaries | — | — | 3,000 | 3,000 |

Apart from the above, as referred to in the prior year financial statements, the Company was involved in legal disputes with a supplier, who alleged that the Company had infringed its trademark in the Mainland of China and sought orders from the courts in the Mainland of China for compensation of RMB3,500,000. Subsequent to the balance sheet date, on 23rd October, 2003, a joint declaration was announced by both parties pursuant to which the Company agreed to use a new trademark device in the Mainland of China and the supplier agreed to abandon all of the claims against the Company. In the opinion of the Directors, no losses have arisen from this settlement and accordingly, no further costs have to be provided at the balance sheet date.

## 29. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:



| | | Group | |
|---|---|---|---|
| | | 2003 | 2002 |
| | Notes | HK$'000 | HK$'000 |
| Rental expenses paid and payable to related companies | (i) | 7,600 | 10,968 |
| Interest paid and payable to the ultimate holding company | (ii) | — | 140 |

*Notes:*

(i) The rental expenses are charged by certain related companies, in which certain directors of the ultimate holding company have beneficial interests, pursuant to the respective lease agreements.

(ii) In the prior year, the interest expense was paid and payable to the ultimate holding company in connection with the Group's banking facilities of HK$20,000,000 which was obtained and guaranteed by the ultimate holding company, and bore interest at 1% per annum.

The Company's directors considered that the above transactions have been conducted in the ordinary and usual course of the Group's business.

# Notes to Financial Statements

31st July, 2003

## 30. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7th November, 2003.