Notes to Financial Statements

31st July, 2004

1. CORPORATE INFORMATION

During the year, the principal activities of the Group consisted of the manufacture and trading of garments, property development, property investment and investment holding.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (''SSAP'')

The following revised SSAP is effective for the first time for the current year's financial statements:

- SSAP 12 (Revised): "Income taxes"

This SSAP prescribes 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 this SSAP which has had a significant effect on the financial statements, are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 26 to the financial statements and include a reconciliation between the accounting profit/(loss) and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 26 to the financial statements.

Notes to Financial Statements

31st July, 2004

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 requirements of the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, fixed assets and short term investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st July, 2004. 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.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

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

Notes to Financial Statements

31st July, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill that remains eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

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

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.

Notes to Financial Statements

31st July, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

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. For negative goodwill which does not relate to depreciable/ amortisable assets, the negative goodwill is recognised in the consolidated profit and loss account when the related assets are sold or utilised. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, negative goodwill arising on acquisitions was credited to capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries and associates, 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.

Notes to Financial Statements

31st July, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. No depreciation is provided for investment properties.

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 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 the asset.

Depreciation 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 unexpired lease terms
Buildings	2%–5%
Leasehold improvements	2.5%–20%
Plant and machinery	10%
Furniture, fixtures and equipment	5%–20%
Motor vehicles	10%–25%
Computers	10%–25%
Motor vessels	25%

The transitional provisions set out in paragraph 72 of SSAP 17 "Property, plant and equipment" 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 in periods ended before 30th September, 1995 have not been further revalued to fair value at subsequent balance sheet dates. It is the directors' intention not to revalue these assets in the future.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

On a transfer of a revalued asset to investment properties, the remaining fixed asset revaluation reserve arising from that asset is frozen and remains as a fixed asset revaluation reserve until the asset is sold, when the frozen fixed asset revaluation reserve is transferred to retained earnings as a movement in reserves.

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.

Properties under development

Properties under development are stated at cost less any impairment losses. Cost includes the cost of land, construction, financing and other related expenses.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. 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, cost includes direct materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Textile quota entitlements

The Group is entitled to certain textile quotas. Temporary textile quota purchased from outside parties are written off to the profit and loss account at the time of utilisation, or in the absence of such utilisation, upon the expiry of the relevant utilisation period. Temporary textile quotas granted by government are not capitalised as assets in the balance sheet. The profit on the transfer of temporary textile quota entitlements to a third party is recognised upon the execution of a legally binding, unconditional and irrevocable transfer form.

Operating leases

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.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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 and transfer of quotas, 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) from the sale of properties held for sale, upon the establishment of a binding contract in respect of the sale of properties, or upon the issue of an occupation permit by the Hong Kong Special Administrative Region Government or a completion certificate by the relevant government authorities, whichever is later;

(c) rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(d) property management fee income, when the services are rendered;

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

(f) dividend income, when the shareholders' right to receive payment has been established; and

(g) royalty income, when the right to receive the income is established.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a financial 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.

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.

Pension schemes

The Group operates defined contribution pension schemes under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes") for those employees who are eligible to participate in the MPF Schemes. 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 Schemes. The assets of the MPF Schemes 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 Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

The employees of the Group's subsidiaries which operate in the Mainland of China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they became payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale. The capitalisation rate for the year is based on the weighted average of the attributable borrowing costs of the borrowings. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

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.

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.

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.

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 operation segment engages in the trading and distribution of garments and the transfer of textile quotas;

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4. SEGMENT INFORMATION (continued)

(b) the property development segment engages in property development and the sale of properties;

(c) the property investment segment comprises the leasing of commercial and residential premises; and

(d) the "others" segment comprises, principally, the Group's property management service business, and corporate income and 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 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.

(a) Business segments

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

Group

	Garment operation		Property development		Property investment		Others		Eliminations		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue:												
Sales to external customers	**827,185**	1,268,361	**—**	—	**16,765**	14,054	**14,805**	12,826	**—**	—	**858,755**	1,295,241
Intersegment sales	**—**	—	**—**	—	**525**	3,999	**—**	—	**(525)**	(3,999)	**—**	—
Other revenue	**19,321**	6,802	**—**	—	**13,592**	211	**—**	—	**—**	—	**32,913**	7,013
Total	**846,506**	1,275,163	**—**	—	**30,882**	18,264	**14,805**	12,826	**(525)**	(3,999)	**891,668**	1,302,254
Segment results	**81,015**	29,902	**(65)**	(1,239)	**29,820**	(10,184)	**(13,250)**	(13,160)	**—**	—	**97,520**	5,319
Interest income and unallocated other revenue and gains											**10,556**	3,402
Profit from operating activities											**108,076**	8,721
Finance costs											**(12,336)**	(13,099)
Share of profits and losses of associates											**62,968**	(68,531)
Negative goodwill recognised											**24,865**	11,329
Profit/(loss) before tax											**183,573**	(61,580)
Tax											**(38,417)**	(50,017)
Profit/(loss) before minority interests											**145,156**	(111,597)
Minority interests											**(21,586)**	26,487
Net profit/(loss) from ordinary activities attributable to shareholders											**123,570**	(85,110)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Garment operation 2004 HK$'000	Garment operation 2003 HK$'000 (Restated)	Property development 2004 HK$'000	Property development 2003 HK$'000 (Restated)	Property investment 2004 HK$'000	Property investment 2003 HK$'000 (Restated)	Others 2004 HK$'000	Others 2003 HK$'000 (Restated)	Consolidated 2004 HK$'000	Consolidated 2003 HK$'000 (Restated)
Segment assets	**305,316**	501,068	**179,330**	177,334	**267,606**	254,297	**2,626**	2,373	**754,878**	935,072
Interests in associates									**1,593,166**	1,507,801
Unallocated assets									**195,937**	109,618
Total assets									**2,543,981**	2,552,491
Segment liabilities	**225,735**	362,026	**2,989**	2,986	**1,131**	907	**12,982**	13,190	**242,837**	379,109
Unallocated liabilities									**347,086**	340,585
Total liabilities									**589,923**	719,694
Other segment information:										
Depreciation	**6,574**	7,501	**12**	22	**291**	289	**135**	153	**7,012**	7,965
Amortisation of goodwill on acquisition of subsidiaries	**17,980**	17,980	**—**	—	**—**	—	**—**	—	**17,980**	17,980
Deficit/(surplus) on revaluation of investment properties	**—**	—	**—**	—	**(12,362)**	23,700	**—**	—	**(12,362)**	23,700
Impairment of properties under development	**—**	—	**—**	943	**—**	—	**—**	—	**—**	943
Capital expenditure	**4,735**	6,565	**—**	—	**838**	245	**41**	54	**5,614**	6,864

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong 2004 HK$'000	Hong Kong 2003 HK$'000 (Restated)	Mainland of China 2004 HK$'000	Mainland of China 2003 HK$'000 (Restated)	United States of America 2004 HK$'000	United States of America 2003 HK$'000 (Restated)	Consolidated 2004 HK$'000	Consolidated 2003 HK$'000 (Restated)
Segment revenue:								
Sales to external customers	**247,892**	253,703	**232,719**	246,047	**378,144**	795,491	**858,755**	1,295,241
Other segment information:								
Segment assets	**440,114**	448,990	**227,096**	254,032	**87,668**	232,050	**754,878**	935,072
Capital expenditure	**4,754**	4,936	**860**	1,928	**—**	—	**5,614**	6,864

Notes to Financial Statements

31st July, 2004

5. RELATED PARTY TRANSACTIONS

(a) In addition to the related party transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2004	2003
	Notes	**HK$'000**	HK$'000
Rental expenses paid and payable to associates	(i)	**5,250**	8,996
Interest expense paid to a shareholder	(ii)	**10,583**	10,571

Notes:

(i) The rental expenses were charged by the associate pursuant to the respective lease agreements.

(ii) The interest was charged by a shareholder at the best lending rate quoted by a designated bank in Hong Kong in respect of the note payable (note 25).

(b) Mr. Lim Por Yen, an executive director and a substantial shareholder of the Company, has granted a loan facility up to HK$100 million to the Company. The facility is unsecured, bearing interest at the best lending rate quoted by a designated bank in Hong Kong and will expire on 30th November, 2005. As at 31st July, 2004, the outstanding balance was HK$38,800,000 (2003: Nil) and was included in the Group's other borrowings (note 24).

6. TURNOVER

Turnover comprises the net invoiced value of garments sold, proceeds from the transfer of textile quotas, rental income and income from other operations. Revenue from the following activities has been included in turnover.

	Group	
	2004	2003
	HK$'000	HK$'000
Sale of garments and transfer of textile quotas	**827,184**	1,268,361
Property rentals	**16,765**	14,054
Other operations	**14,806**	12,826
	858,755	1,295,241

Notes to Financial Statements

31st July, 2004

7. PROFIT FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Group 2004 HK$'000	Group 2003 HK$'000
Auditors' remuneration	**1,735**	1,665
Amortisation of goodwill on acquisition of subsidiaries*	**17,980**	17,980
Deficit/(surplus) on revaluation of investment properties	**(12,362)**	23,700
Depreciation	**7,012**	7,965
Foreign exchange losses, net	**706**	202
Impairment of properties under development	**—**	943
Loss on disposal of fixed assets	**1,079**	1,041
Loss on deemed disposal of an associate	**5,614**	—
Minimum lease payments under operating leases in respect of land and buildings	**59,094**	67,479
Provision for doubtful debts	**251**	523
Provision/(write-back of provision) for slow-moving inventories	**(13,063)**	29,917
Provision for amount due from an associate	**821**	—
Staff costs *(including directors' remuneration — see note 9)*:		
Wages and salaries	**89,333**	102,097
Pension scheme contributions	**2,446**	2,857
Less: Forfeited contributions	**—**	(219)
Net pension scheme contributions**	**2,446**	2,638
	91,779	104,735
Gain on disposal of investment properties	**(1,018)**	—
Unrealised gains of short term investments	**(4,613)**	(1,487)
Dividend income from short term listed investments	**(584)**	(845)
Gain on deregistration of a subsidiary	**(4,400)**	—
Interest income from bank deposits	**(579)**	(653)
Other interest income	**(32)**	(48)
Rental income	**(16,765)**	(14,054)
Less: Outgoings	**822**	1,152
Net rental income	**(15,943)**	(12,902)

* This amount is included in "Other operating expenses" on the face of the consolidated profit and loss account.

** As at 31st July, 2004, no forfeited contributions were available to the Group to reduce its contributions to the pension schemes in future years (2003: HK$219,000).

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8. FINANCE COSTS

	Group 2004 HK$'000	Group 2003 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**12,336**	13,099

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	Group 2004 HK$'000	Group 2003 HK$'000
Fees	**614**	608
Other emoluments:		
Basic salaries, housing and other allowances and benefits in kind	**9,025**	10,357
Bonuses paid and payable	**550**	1,530
Pension scheme contributions	**38**	38
	10,227	12,533

Fees include HK$106,000 (2003: HK$106,000) paid to independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Group 2004 Number of directors	Group 2003 Number of directors
Nil – HK$1,000,000	**9**	9
HK$1,000,001 – HK$1,500,000	**1**	1
HK$2,500,001 – HK$3,000,000	**1**	—
HK$4,000,001 – HK$4,500,000	**—**	1
HK$5,000,001 – HK$5,500,000	**1**	—
HK$6,000,001 or above	**—**	1
	12	12

There were no arrangements under which a director waived or agreed to waive any emoluments during the year.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

The five highest paid employees during the year included two directors (2003: three directors), details of whose emoluments are set out in (a) above. Details of the remuneration of the remaining three (2003: two) non-director, highest paid employees are set out below:

	Group	
	2004	2003
	HK$'000	HK$'000
Basic salaries, housing and other allowances and benefits in kind	**2,626**	4,460
Bonuses paid and payable	**8,900**	2,000
Pension scheme contributions	**41**	24
	11,567	6,484

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

	Group	
	2004	2003
	Number of employees	Number of employees
HK$1,500,001 – HK$2,000,000	**1**	—
HK$2,000,001 – HK$2,500,000	—	1
HK$3,000,001 – HK$3,500,000	**1**	—
HK$3,500,001 – HK$4,000,000	—	1
HK$6,500,001 – HK$7,000,000	**1**	—
	3	2

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10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2004	2003
	HK$'000	HK$'000
		(Restated)
Provision for tax for the year:		
Current — Hong Kong	**13,635**	18,202
Deferred *(note 26)*	**(3,355)**	638
	10,280	18,840
Prior year underprovision/(overprovision):		
Hong Kong	**(807)**	500
Share of tax attributable to associates	**28,944**	30,677
Tax charge for the year	**38,417**	50,017

Notes to Financial Statements

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10. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the countries in which the Company and its subsidiaries and associates are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Profit/(loss) before tax	**183,573**	(61,580)
Tax at the statutory rate of 17.5% (2003: 17.5%)	**32,125**	(10,777)
Higher tax rate of other countries	**(1,595)**	(7,621)
Tax effect of results attributable to associates	**13,571**	40,687
Effect on opening deferred tax of increase in rates	**—**	(1,001)
Income not subject to tax	**(8,350)**	(6,122)
Expenses not deductible for tax	**12,790**	12,483
Adjustments in respect of current tax of previous periods	**(807)**	500
Tax losses utilised from previous periods	**(7,129)**	—
Temporary differences not recognised	**(2,188)**	21,868
Tax charge at the Group's effective rate	**38,417**	50,017

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

The net profit from ordinary activities attributable to shareholders for the year ended 31st July, 2004 dealt with in the financial statements of the Company was HK$45,902,000 (2003: HK$73,903,000) (note 28(b)).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$123,570,000 (2003: net loss of HK$85,110,000 (restated)) and the weighted average number of 1,437,709,710 (2003: 1,437,709,710) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the adjusted net profit attributable to shareholders for the year of HK$123,358,000 and the weighted average number of 1,437,709,710 ordinary shares in issue during the year.

The adjusted net profit attributable to shareholders is calculated based on the net profit attributable to shareholders for the year of HK$123,570,000 less the dilution in the results of an associate, Lai Fung Holdings Limited ("Lai Fung"), attributable to the Group by HK$212,000 arising from the deemed exercise of all Lai Fung's share options being outstanding during the year.

The diluted earnings per share for the year ended 31st July, 2003 has not been disclosed as no diluting events existed during that year.

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13. FIXED ASSETS

Group

	31st July, 2003 HK$'000	Additions HK$'000	Disposals HK$'000	Revaluation HK$'000	Transfer to investment properties HK$'000	**31st July, 2004 HK$'000**
Cost or valuation:						
Leasehold land and buildings	26,858	—	(2,400)	20	(6,700)	**17,778**
Leasehold improvements	753	—	—	—	—	**753**
Plant and machinery	22,245	359	(4,484)	—	—	**18,120**
Furniture, fixtures and equipment	67,891	3,474	(12,343)	—	—	**59,022**
Motor vehicles	14,301	1,356	(506)	—	—	**15,151**
Computers	16,746	425	(1,063)	—	—	**16,108**
Motor vessels	16,951	—	—	—	—	**16,951**
	165,745	5,614	(20,796)	20	(6,700)	**143,883**
Accumulated depreciation:						
Leasehold land and buildings	10,063	895	(1,073)	(535)	—	**9,350**
Leasehold improvements	746	5	—	—	—	**751**
Plant and machinery	19,690	732	(4,292)	—	—	**16,130**
Furniture, fixtures and equipment	58,861	3,701	(11,290)	—	—	**51,272**
Motor vehicles	12,800	531	(506)	—	—	**12,825**
Computers	15,169	1,148	(954)	—	—	**15,363**
Motor vessels	16,951	—	—	—	—	**16,951**
	134,280	7,012	(18,115)	(535)	—	**122,642**
Net book value	31,465					**21,241**

The Group's leasehold land and buildings are held under long term leases and are situated outside Hong Kong.

13. FIXED ASSETS (continued)

Company

	31st July, 2003 HK$'000	Additions HK$'000	Disposals HK$'000	**31st July, 2004 HK$'000**
Cost or valuation:				
Medium term leasehold land and buildings situated in Hong Kong	2,400	—	(2,400)	**—**
Furniture, fixtures and equipment	7,614	2,595	—	**10,209**
Motor vehicles	10,590	1,356	—	**11,946**
Motor vessels	16,951	—	—	**16,951**
	37,555	3,951	(2,400)	**39,106**
Accumulated depreciation:				
Medium term leasehold land and buildings situated in Hong Kong	1,073	—	(1,073)	**—**
Furniture, fixtures and equipment	5,594	838	—	**6,432**
Motor vehicles	9,926	424	—	**10,350**
Motor vessels	16,951	—	—	**16,951**
	33,544	1,262	(1,073)	**33,733**
Net book value	4,011			**5,373**

No land and building of the Group was pledged to banks to secure banking facilities granted to the Group (2003: HK$6,239,000).

The Group's leasehold land and buildings as at balance sheet date are stated at cost.

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31st July, 2004

14. INVESTMENT PROPERTIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year, at valuation	**246,900**	221,100	**63,900**	16,100
Disposals	**(1,300)**	—	**(1,300)**	—
Transfer from fixed assets	**6,700**	49,500	**—**	49,500
Surplus/(deficit) on revaluation	**13,380**	(23,700)	**12,380**	(1,700)
At end of year, at valuation	**265,680**	246,900	**74,980**	63,900

The Group's and the Company's investment properties are situated in Hong Kong and are held under medium term leases.

At 31st July, 2004, the Group's investment properties were revalued by Centaline Surveyors Limited, independent professionally qualified valuers or by Chesterton Petty Limited, independent chartered surveyors, on an open market basis.

Certain investment properties of the Group and the Company were leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

Certain investment properties of the Group and of the Company with carrying values of HK$264,200,000 (2003: HK$244,300,000) and HK$73,500,000 (2003: HK$61,300,000), respectively, were pledged to banks to secure banking facilities granted to the Group.

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2004	2003
	HK$'000	HK$'000
At beginning of year, at carrying value	**176,397**	177,228
Additions	**1,883**	—
Impairment provided for during the year	**—**	(943)
Exchange realignment	**(130)**	112
At end of year, at carrying value	**178,150**	176,397

The Group's properties under development are situated outside Hong Kong and are held under long term leases. These properties were carried at cost less impairment in both years.

The balance at 31st July, 2004 represents the carrying value of a property development project of Shanghai Hu Xin Real Estate Development Co., Ltd. ("Hu Xin"), a subsidiary of the Group, undertaken in Shanghai, Mainland China.

15. PROPERTIES UNDER DEVELOPMENT (continued)

Pursuant to a land use rights agreement entered into between Hu Xin and the Shanghai Land Administration Bureau (the "Land Administration Bureau") in September 1995, Hu Xin had to complete 60% of the development project by 31st December, 1998, and the entire project by 31st December, 2000 (the "Completion Date"). If the completion was delayed, a penalty would be charged at (1) 1% of the land consideration of RMB13,745,000 during the first six months after the Completion Date; (2) 3% during the following six months; and (3) 7% during the second year after the Completion Date. If the project was not completed within two years after the Completion Date, the Land Administration Bureau would have the right to repossess the land use rights.

On 25th December, 1998 and subsequently on 18th December, 2002, Hu Xin extended the Completion Date to 31st December, 2002 and then to 31st December, 2004. If the project is not completed during the period from 1st January, 2005 to 31st December, 2006, Hu Xin will be subject to the above mentioned penalty to a maximum amount of RMB1,540,000. During the year, the Group submitted an application for another extension of the Completion Date. The Group is currently preparing for additional information and documents requested by the Land Administration Bureau for its consideration of the extension application.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	HK$'000
Shares listed in Hong Kong, at cost	**7,265**	7,265
Unlisted shares, at cost	**486**	486
	7,751	7,751
Amounts due from subsidiaries	**1,082,518**	1,065,897
Amounts due to subsidiaries	**(113,947)**	(111,839)
	968,571	954,058
Provision for impairment	**(374,898)**	(374,898)
	593,673	579,160
	601,424	586,911
Market value of listed shares at the balance sheet date	**920**	600

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16. INTERESTS IN SUBSIDIARIES (continued)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/registered share capital	Class of shares held	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Creative Fashions Limited	Hong Kong	HK$500,000	Ordinary	100.00	—	Garment trading
Crocodile (China) Limited	Hong Kong	HK$4	Ordinary	—	54.93	Garment trading
Crocodile Garments Limited	Hong Kong	HK$154,281,783	Ordinary	0.43	54.50	Garment manufacturing and trading
Crocodile Garments (Zhong Shan) Limited	Mainland China	HK$17,200,000	*	—	49.44**	Garment manufacturing and trading
Dackart Trading Company Limited	Hong Kong	HK$20	Ordinary	—	54.93	Property investment
Gold Nation Development Limited	Hong Kong	HK$2	Ordinary	—	54.93	Property investment
Joy Mind Limited	Hong Kong	HK$2	Ordinary	100.00	—	Investment holding
Kingscord Investment Limited	Hong Kong	HK$2	Ordinary	—	100.00	Investment holding
Kingscord Real Estate (Shanghai) Co., Ltd.	Mainland China	US$1,500,000	*	—	100.00	Investment holding
Shanghai Hu Xin Real Estate Development Co., Ltd.	Mainland China	US$6,000,000	*	—	95.00	Property development and investment
Shenton Investment Limited	Hong Kong	HK$2	Ordinary	—	54.93	Property investment
Silver Glory Securities Limited	British Virgin Islands	US$1	Ordinary	100.00	—	Investment holding

* These subsidiaries have registered rather than issued share capital.

** Crocodile Garments (Zhong Shan) Limited is a 90% owned subsidiary of Crocodile Garments Limited and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

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

As at 31st July, 2004, 96,000,000 ordinary shares of Crocodile Garments Limited ("Crocodile") held by the Group were pledged to a bank to secure banking facilities granted to the Company.

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17. GOODWILL

The amount of goodwill capitalised as an asset arising from the acquisition of subsidiaries is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Cost:		
At beginning and at end of year	**534,373**	534,373
Accumulated amortisation and impairment:		
At beginning of year	**444,486**	426,506
Amortisation provided during the year	**17,980**	17,980
At end of year	**462,466**	444,486
Net book value	**71,907**	89,887

There was no goodwill arising on the acquisitions of subsidiaries in prior years that was eliminated against consolidated reserves.

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP to remain credited to the capital reserve.

The amount of negative goodwill remaining in consolidated reserves, which arose from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$7,994,000 as at 1st August, 2003 and HK$3,594,000 as at 31st July, 2004.

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18. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
Shares listed in Hong Kong, at cost	**—**	—	**2,381,057**	2,344,673
Share of net assets	**2,364,202**	2,318,578	**—**	—
Negative goodwill on acquisition	**(770,501)**	(811,194)	**—**	—
	1,593,701	1,507,384	**2,381,057**	2,344,673
Amounts due from associates	**2,603**	2,571	**1,647**	2,435
Amounts due to associates	**(2,182)**	(2,019)	**(2,182)**	(2,015)
	1,594,122	1,507,936	**2,380,522**	2,345,093
Provision for impairment	**(956)**	(135)	**(1,974,225)**	(1,974,225)
	1,593,166	1,507,801	**406,297**	370,868
Market value of listed shares at balance sheet date	**598,226**	356,875	**448,788**	265,079

The balances with associates are unsecured, interest-free and have no fixed terms of repayment, except for an amount of HK$2,276,000 (2003: HK$252,000) due from an associate which bears interest at the prevailing market rate.

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted negative goodwill in respect of acquisitions, which occurred prior to the adoption of the SSAP, to remain credited to the capital reserve.

The amount of negative goodwill remaining in the capital reserve, arising from the acquisition of associates prior to the adoption of SSAP 30 in 2001, was HK$3,822,873,000 (restated) as at 1st August, 2003 and HK$3,803,261,000 as at 31st July, 2004.

18. INTERESTS IN ASSOCIATES (continued)

The amount of negative goodwill recognised in the consolidated balance sheet arising from the acquisition of associates which was accounted for in accordance with SSAP 30 is as follows:

Group

	HK$'000
Cost:	
At beginning of year	
As previously reported	915,672
Prior year adjustment	(89,791)
As restated	825,881
Deemed disposal of an associate	(16,324)
At 31st July, 2004	809,557
Recognition as income:	
At beginning of year	
As previously reported	16,284
Prior year adjustment	(1,597)
As restated	14,687
Recognised as income during the year	24,865
Deemed disposal of an associate	(496)
As 31st July, 2004	39,056
Net book value:	
At 31st July, 2004	770,501
At 31st July, 2003 (as restated)	811,194

As detailed in note 2 to the financial statements, SSAP 12 (Revised) was adopted for the first time for the current year's financial statements. As a result of the implementation of the revised SSAP 12, the net asset value of the associates acquired in prior years and the negative goodwill arising from the acquisition which had been eliminated against capital reserve at the date of acquisition was changed. Accordingly, negative goodwill previously recognised by the Group is adjusted. The prior year adjustment so arising as at 1st August, 2003 reduced the cost of negative goodwill by HK$89,791,000 and the accumulated amortisation of negative goodwill by HK$1,597,000. Negative goodwill recognised as income for the year ended 31st July, 2003 was reduced by HK$1,232,000. Further details of the prior year adjustments arising from the adoption of the revised SSAP 12 are included in note 26 to the financial statements.

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18. INTERESTS IN ASSOCIATES (continued)

Details of the principal associates are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Class of shares held	Percentage of capital held	Principal activities
Lai Fung Holdings Limited	Corporate	Cayman Islands	Ordinary	45.13	Note 1
Lai Sun Development Company Limited	Corporate	Hong Kong	Ordinary	42.25	Note 2

Notes:

1. Lai Fung's principal activity during the year was investment holding.

   The principal activities of Lai Fung and its subsidiaries (collectively the "Lai Fung Group") during the year consisted of property development for sale and property investment for rental purposes.

2. LSD's principal activities during the year consisted of property development for sale, property investment and investment holding.

   The principal activities of LSD and its subsidiaries (collectively the "LSD Group") during the year consisted of property development for sale, property investment, investment in and operation of hotels and restaurants and investment holding.

The above table lists, in the opinion of the directors, the principal associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

As at 31st July, 2004, 115,000,000 (2003: 115,000,000) ordinary shares of Lai Fung held by the Group were pledged to a bank to secure banking facilities granted to the Company.

Included in the Group's share of the net assets of its associates is its share of net assets of Lai Fung, a company listed on The Stock Exchange of Hong Kong Limited, which, in the opinion of the directors, is material in the context of the Group's financial statements.

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18. INTERESTS IN ASSOCIATES (continued)

A summary of the assets and liabilities of the Lai Fung Group as at 31st July, 2004, its results for the financial year ended 31st July, 2004 and its contingent liabilities as at 31st July, 2004, as extracted from the audited financial statements of Lai Fung for the year ended 31st July, 2004, are set out below:

	As at 31st July, 2004 HK$'000
Non-current assets	7,021,162
Current assets	724,103
Current liabilities	(435,009)
Non-current liabilities	(1,819,250)
Minority interests	(215,708)
	5,275,298

	Year ended 31st July, 2004 HK$'000
Turnover	630,204
Profit before tax	240,445
Tax	(63,820)
Profit before minority interests	176,625
Minority interests	(3,851)
Net profit from ordinary activities attributable to shareholders	172,774

Lai Fung Group had the following contingent liabilities not provided for in the financial statements at 31st July, 2004:

(i) Under a mortgage loan facility provided by a bank to the end-buyers of the office and apartment units of Hong Kong Plaza, Lai Fung Group agreed to guarantee up to 95% of the liabilities of a subsidiary of Lai Fung, for the due performance of its undertaking to buy back the relevant property in case of default by the borrowers. It is not practical to determine the outstanding amount of the contingent liabilities of Lai Fung Group at the balance sheet date.

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18. INTERESTS IN ASSOCIATES (continued)

(ii) Under mortgage loan facilities provided by banks to the end-buyers of Eastern Place Phase I, Phase II and Phase III and Regents Park Phase I, Lai Fung Group agreed to provide guarantees to the bank to buy back the relevant property in case of default by the borrowers. It is not practical to determine the outstanding amount of the contingent liabilities of Lai Fung Group at the balance sheet date.

In addition to the above, the Group's another associate, LSD, a company listed in The Stock Exchange of Hong Kong Limited, announced its proposed settlement of its indebtedness due to the bondholders and eSun Holdings Limited on 2nd July, 2004.

A summary of the assets and liabilities of the LSD Group as at 31st July, 2004, its results for the financial year ended 31st July, 2004, its contingent liabilities as at 31st July, 2004 and the details of its basis of presentation as extracted from its audited financial statements for the year ended 31st July, 2004 are set out below:

	As at 31st July, 2004 HK$'000
Non-current assets	6,003,339
Current assets	766,751
Current liabilities	(6,430,397)
Non-current liabilities	(63,271)
Minority interests	(392,533)
	(116,111)
Contingent liabilities	469,088

	Year ended 31st July, 2004 HK$'000
Turnover	2,109,513
Loss before tax	(59,564)
Tax	74,505
Profit before minority interests	14,941
Minority interests	(54,254)
Net loss from ordinary activities attributable to shareholders	(39,313)

18. INTERESTS IN ASSOCIATES (continued)

Save as disclosed above, LSD had the following contingent liabilities not provided for in its financial statements at 31st July, 2004:

Pursuant to certain indemnity deeds dated 12th November, 1997 entered into between LSD and Lai Fung, LSD has undertaken to indemnify Lai Fung in respect of certain potential PRC income tax and land appreciation tax ("LAT") payable or shared by Lai Fung in consequence of the disposal of any of the property interests attributable to Lai Fung through its subsidiaries and its associates as at 31st October, 1997 (the "Property Interests"). These tax indemnities given by LSD apply in so far as such tax is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited, independent chartered surveyors, as at 31st October, 1997 (the "Valuation"); and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997, together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests. The indemnity deeds assume that the Property Interests are disposed of at the values attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation.

The indemnities given by LSD do not cover (i) new properties acquired by Lai Fung subsequent to the listing of the shares of Lai Fung on The Stock Exchange of Hong Kong Limited (the "Listing"); (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred tax on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of Lai Fung as set out in Lai Fung's prospectus dated 18th November, 1997.

Lai Fung had no LAT payable during the year. No income tax payable by Lai Fung was indemnifiable by LSD during the year.

The auditors' report of LSD for the year ended 31st July, 2004 was disclaimed, as the auditors of LSD were unable either to obtain sufficient reliable information and explanation or to carry out any alternative audit procedures to satisfy themselves as to the value of the LSD Group's share of net assets of the eSun Holdings Limited and its subsidiaries included in the consolidated balance sheet as at 31st July, 2004. The basis of presentation extracted from the financial statements of LSD is summarised as follows:

LSD Group sustained net loss from ordinary activities attributable to shareholders of HK$39 million (2003: HK$477 million (as restated)). At the balance sheet date, LSD Group had consolidated net current liabilities of HK$5,664 million (2003: HK$7,654 million) and a consolidated deficiency in assets of HK$116 million (2003: HK$418 million (as restated)). The improvement in LSD Group's operating results during the year was mainly attributable to the reversal of impairment losses made in prior years against fixed assets, long term unlisted investments and interests in associates, and the write-back of certain profits tax provisions made in prior years. The financial position of LSD Group improved during the year due to the disposal of certain investment properties and subsidiaries which contributed additional funds to LSD Group that were partially used for the reduction of its indebtedness.

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18. INTERESTS IN ASSOCIATES (continued)

At the balance sheet date, LSD Group had outstanding borrowings of approximately HK$5,965 million, comprising (i) secured bank and other borrowings of approximately HK$2,292 million; (ii) an accrued loan repayment premium of approximately HK$32 million under a loan facility; (iii) an outstanding amount of approximately HK$881 million payable under the exchangeable bonds (principal amount of HK$622 million and accrued bond redemption premium of HK$259 million) (the "Exchangeable Bonds"); (iv) an outstanding amount of approximately HK$1,260 million payable under the convertible bonds (principal amount of HK$907 million and accrued bond redemption premium of HK$353 million) (the "Convertible Bonds"); and (v) an amount payable to Golden Pool Enterprise Limited ("GPEL"), a wholly-owned subsidiary of eSun Holdings Limited ("eSun"), of approximately HK$1,500 million (the "Debt").

As previously reported in the financial statements of prior years, the Exchangeable Bonds and the Convertible Bonds (collectively defined as the "Bonds") were originally due for repayment on 31st December, 2002. During formal meetings with holders of the Bonds (collectively the "Bondholders") in December 2002, the Bondholders passed resolutions to defer the repayment date of the Bonds to 31st March, 2003. At 31st March, 2003, LSD Group was unable to repay the outstanding Bonds and was not able to reach any other settlement agreement or restructuring plan with the Bondholders. Consequently, LSD Group has been in default on repayment of the Bonds since 31st March, 2003 and remained so as at 31st July, 2004. At 31st July, 2004, LSD Group was also in default on repayment of the Debt to GPEL, which was originally due for repayment on 31st December, 2002.

Since 31st March, 2003, LSD Group had ongoing discussions with all of its financial creditors (including the Bondholders and GPEL) with a view to formulating a consensual debt restructuring proposal and with an objective of refinancing LSD Group's indebtedness in order to put LSD Group in a better financial position.

Bonds Settlement and eSun Settlement Agreement

During the year, LSD reached an agreement in principle with the informal committee of the Bondholders (the "Informal Committee") concerning the proposed settlement of the Bonds owed by LSD Group to the Bondholders (the "Bonds Settlement").

The Bonds Settlement included the settlement of the outstanding principal amount, accrued outstanding interest, redemption premium of the Bonds that amounted to approximately HK$2,279 million as at 31st July, 2004 and an agreed settlement premium of approximately US$33 million (equivalent to approximately HK$257 million) payable to the Bondholders upon the completion of the Bonds Settlement as determined after arm's length negotiation between the Informal Committee and LSD.

Principal proposed terms of the Bonds Settlement are summarised as follows:

The total amount due to the Bondholders is to be settled by:

(i) cash repayments of approximately US$38 million (equivalent to approximately HK$300 million);

18. INTERESTS IN ASSOCIATES (continued)

Bonds Settlement and eSun Settlement Agreement (continued)

(ii) the residual principal indebtedness in the amount of approximately HK$266 million (the "Residual Indebtedness") and a further principal amount of approximately HK$70 million (the "Contingent Indebtedness"), which remain due to the Bondholders, would be settled on or before 31st December, 2005. The Residual Indebtedness and the Contingent Indebtedness are non interest-bearing and are to be secured by a package of securities (the "Bonds Security") as further explained below; and

(iii) the issuance of approximately 3,800 million settlement shares of LSD at a price of HK$0.50 each (the "Bonds Settlement Shares").

It is proposed that Mr. Peter Lam, the Chairman, an executive director and a shareholder of LSD, will grant the Bondholders a non-assignable right to put to him the Bonds Settlement Shares in two tranches:

(i) 1,000,600,000 Bonds Settlement Shares (the "First Tranche Shares") at HK$0.07 per share, exercisable during a period commencing from two months after the completion (the "Completion") of the Bonds Settlement and the eSun Settlement Agreement (as defined below) and ending by end of the third month after the Completion; and

(ii) 2,799,440,000 Bonds Settlement Shares (the "Second Tranche Shares") at HK$0.03 per share, exercisable during a period commencing on 1st November, 2005 and ending on 30th November, 2005.

To secure the Residual Indebtedness and Contingent Indebtedness due to the Bondholders, LSD, subject to obtaining the necessary consents, permits, approvals, authorisations and waivers, will afford to the Bondholders the Bonds Security as follows:

(i) first charges over LSD Group's 10% equity interest in Avondale Properties Limited (the "Waterfront Security Interest");

(ii) a first charge over LSD Group's 26.01% equity interest in Chains Caravelle Hotel Joint Venture Co. Ltd. (the "Caravelle Security Interest");

(iii) a first charge over LSD Group's 62.625% equity interest in Indochina Beach Hotel Joint Venture (the "Danang Security Interest");

(iv) a limited recourse right to share in the Ritz-Carlton Security (as defined and detailed below) on a pari passu basis with GPEL; and

(v) charges over LSD's 42.54% indirect shareholding interest in eSun and its subsidiaries (the "eSun Group").

The Waterfront Security Interest, the Caravelle Security Interest and the Danang Security Interest are collectively known as the Three Planned Sale Interests under the Bonds Settlement, further details of which are included in pages 20 to 21 of LSD's circular dated 15th September, 2004 (the "Circular").

Notes to Financial Statements

31st July, 2004

18. INTERESTS IN ASSOCIATES (continued)

Bonds Settlement and eSun Settlement Agreement (continued)

On 28th June, 2004, LSD also entered into a settlement agreement with eSun (the "eSun Settlement Agreement") in connection with the proposed settlement of the Debt. The eSun Settlement Agreement included the settlement of the principal amount of the Debt of approximately HK$1,500 million and an agreed settlement premium of approximately HK$1,345 million payable upon the completion of the eSun Settlement Agreement.

The principal terms of the eSun Settlement Agreement are summarised as follows:

The total amount due to eSun is to be settled by:

(i) cash repayment of HK$20 million;

(ii) a 5-year secured interest-bearing term loan in the principal amount of HK$225 million owed by Furama Hotel Enterprises Limited ("FHEL") to GPEL (the "eSun Loan"). The eSun Loan will bear interest at a rate of 4.5% per annum, payable semi-annually, with the principal amount to be repaid in five years after the completion of the eSun Settlement Agreement, and is secured by LSD Group's interests in The Ritz-Carlton, Hong Kong (the "Ritz-Carlton Security"); and

(iii) the issuance of 5,200 million settlement shares of LSD at a price of HK$0.50 each (the "eSun Settlement Shares") upon which the eSun Group will hold 40.8% interest in LSD.

Upon completion of the cash repayments under the Bonds Settlement and the eSun Settlement Agreement, the existing parties to the current second charge over the Ritz-Carlton Security in favour of GPEL and the Bondholders shall amend the existing second charge to adjust their respective security interests existing as at the relevant date thereof to take account of payment made by LSD of HK$20 million to GPEL and of approximately US$38 million to the Bondholders.

In relation to the eSun Settlement Shares, eSun or GPEL has covenanted and undertaken to LSD not to dispose of them until the earlier of the purchase by Mr. Peter Lam of such Second Tranche Shares as are put to him, or 31st January, 2006.

Subject to the Completion taking place, the accrued overdue interest on the Debt owed to GPEL will be waived. As at 31st July, 2004, the accrued overdue interest amounted to approximately HK$119 million.

Further details of the principal terms of the Bonds Settlement and the eSun Settlement Agreement are set out in the Circular.

On 6th October, 2004, the Bondholders held a meeting in accordance with the terms of the Bonds and passed the necessary resolutions to duly approve the terms agreed between the Informal Committee and LSD. Pursuant to the resolutions, the conditions precedent must be fulfilled or otherwise waived on or before 31st January, 2005.

Pursuant to a resolution passed at a special general meeting held by eSun on 13th October, 2004, the independent shareholders of eSun approved the eSun Settlement Agreement.

18. INTERESTS IN ASSOCIATES (continued)

Bonds Settlement and eSun Settlement Agreement (continued)

On the same date, pursuant to a resolution passed at the extraordinary general meeting held by LSD, the Bonds Settlement and the eSun Settlement Agreement (collectively, the "Settlements") were duly approved by the independent shareholders of LSD.

On 18th October, 2004, upon fulfillment of certain specified conditions, cash repayments of HK$20 million and US$38 million were made to eSun and the Bondholders, respectively and the amended second charge to adjust the respective security interests in favour of GPEL and the Bondholders as at that date was duly executed as agreed.

The completion of the Settlements is subject to certain other conditions, as detailed in the Circular, being fulfilled, which include, among other things:

(i) LSD obtaining all relevant consents, permits, approvals, authorisations and waivers necessary for the purposes of putting in place the Three Planned Sale Interests;

(ii) LSD and eSun obtaining any or all the consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated under the Settlements;

(iii) the Stock Exchange of Hong Kong Limited granting the approval of the listing of, and permission to, deal in the eSun Settlement Shares and the Bond Settlement Shares; and

(iv) the simultaneous completion of the Bonds Settlement and the eSun Settlement Agreement.

Under the eSun Settlement Agreement, if each of the conditions was not fulfilled or waived by the respective parties, by 1st November, 2004 (the "Longstop Date") or such other date as the parties shall agree from time to time in writing, the Settlements will terminate. On 29th October, 2004, the Longstop Date was agreed to extend to 31st December, 2004.

LSD is currently working closely with its legal advisers to finalise the formal documentations applicable to the Bonds Settlement. In addition, LSD, with the assistance of its legal advisers, continues to work with relevant parties to obtain the necessary consents, permits, approvals, authorisations and waivers with a view to complete the Settlements in the near future.

Notes to Financial Statements

31st July, 2004

18. INTERESTS IN ASSOCIATES (continued)

Bank and other borrowings

As a result of the cross-default triggered by the defaults in the repayment of the Bonds and the Debt, LSD Group was in technical default of bank and other borrowings and accordingly such bank and other borrowings have been classified as current liabilities in the financial statements. These financial creditors have the right to serve notice to LSD Group to declare the bank and other borrowings to be immediately due and repayable. To date, no such notices have been served. As at 31st July, 2004, all outstanding bank and other borrowings were stated as current liabilities. All principal banks had shown their intention to provide continued financial support to LSD Group by continuously granting short-term extension to the loan repayment dates as necessary. LSD Group is having ongoing discussions with these financial creditors with an objective to refinance LSD Group's bank and other borrowings for a longer term (the "Long-term Financing").

If the Settlements are implemented in accordance with the terms described above, the consolidated profit and loss account of LSD Group will be affected by, inter alia, the recognition of the settlement premium provision, the consolidated indebtedness of LSD Group will be significantly reduced and the net asset position of LSD Group will turn from negative to positive.

The directors of LSD believe that LSD Group will be successful in fulfilling the outstanding conditions and all necessary procedures required for the Settlements such that the Settlements could be implemented and that LSD Group will be successful in securing the Long-term Financing. On this basis, the directors of LSD consider that LSD Group will be able to significantly reduce its liabilities and will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, the directors of LSD are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

If the going concern basis were not appropriate, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

19. SHORT TERM INVESTMENTS

	Group and Company	
	2004	2003
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**24,250**	19,637

20. INVENTORIES

	Group	
	2004	2003
	HK$'000	HK$'000
Raw materials	**10,225**	6,145
Work in progress	**511**	133
Finished goods	**64,250**	85,755
	74,986	92,033

The Group's inventories included an amount of HK$27,467,000 (2003: HK$39,471,000) which were carried at net realisable value as at the balance sheet date.

21. TRADE RECEIVABLES

The credit term extended by the Group to trade debtors is normally within 30 to 180 days.

Crocodile Garments Limited ("CGL") and its subsidiaries (collectively the "CGL Group"), a listed subgroup of the Company, maintains their own sets of credit policies. Other than cash sales made by the CGL Group at its retail outlets, trading terms with wholesale customers are to a large extent on credit, except that payment in advance is normally required from new customers. Invoices are normally payable within 30 days from the date of issuance, except that the terms are extended to 90 days for certain well established customers. Each customer has a designated 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.

Notes to Financial Statements

31st July, 2004

21. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables, based on invoice due date, as at 31st July, 2004 is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current to 90 days	**24,553**	171,123
91 to 180 days	**11,738**	5,535
181 to 365 days	**12,815**	35,577
Over 365 days	**46,392**	43,646
	95,498	255,881

The settlement of certain of the Group's trade receivables correlates with the payment of trade payables. Certain of these creditors have agreed not to demand repayment until the Group receives settlement from its debtors.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**182,539**	78,718	**22,002**	9,795
Time deposits	**—**	20,857	**—**	18,231
	182,539	99,575	**22,002**	28,026

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$130,879,000 (2003: HK$60,077,000). Such cash and bank balances in RMB are not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange such cash and bank balances in RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to Financial Statements

31st July, 2004

23. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 31st July, 2004 is as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Current to 90 days	**39,044**	167,706
91 to 180 days	**18,369**	4,461
181 to 365 days	**12,019**	36,405
Over 365 days	**56,085**	54,102
	125,517	262,674

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured bank overdrafts	**2,232**	—	**—**	—
Unsecured bank overdrafts	**—**	2,330	**—**	—
Secured bank loans	**54,250**	64,250	**30,000**	40,000
Trust receipt loans:				
Secured	**14,322**	12,786	**—**	—
Unsecured	**2,299**	5,144	**—**	—
Other borrowings, unsecured	**38,810**	7	**38,810**	7
	111,913	84,517	**68,810**	40,007
Portion due within one year or on demand classified as current liabilities	**(73,113)**	(84,517)	**(30,010)**	(40,007)
Long term portion	**38,800**	—	**38,800**	—
Long term portion of bank and other borrowings repayable within a period of more than one year but not exceeding two years	**38,800**	—	**38,800**	—

The secured bank loans are secured by fixed charges on certain properties and floating charges over certain assets held by the Group.

Notes to Financial Statements

31st July, 2004

25. NOTE PAYABLE

The amount represented the outstanding balance of a note payable to Mr. Lim Por Yen (the "Loan Note"), an executive director and a substantial shareholder of the Company (as defined in the Listing Rules). The Loan Note is unsecured, bearing interest at the best lending rate quoted by a designated bank in Hong Kong and is repayable by 30th April, 2005. On 1st November, 2004, the repayment term of the Loan Note was extended to 30th April, 2006, and the Loan Note continued to be classified as a non-current liability.

26. DEFERRED TAX

The movements in the deferred tax assets during the year are as follows:

	Group	
	2004	2003
	Losses available for offset against future taxable profit	
	HK$'000	HK$'000
At beginning of year		
As previously reported	**—**	—
Prior year adjustment:		
SSAP 12 — restatement of deferred tax	**10,043**	10,681
As restated	**10,043**	10,681
Deferred tax credited/(charged) to the profit and loss account during the year *(note 10)*	**3,355**	(638)
Net deferred tax assets at end of year	**13,398**	10,043

At 31st July, 2004, there was no significant unrecognised deferred tax liability (2003: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year as further explained in note 2 to the financial statements. This change in accounting policy has resulted in increases in the Group's deferred tax assets as at 31st July, 2003 and 2002 by HK$10,043,000 and HK$10,681,000, respectively, and decreases in the cost of negative goodwill and the accumulated amortisation of negative goodwill of associates as at 1st August, 2003 by HK$89,791,000 and HK$1,597,000, respectively.

26. DEFERRED TAX (continued)

As a consequence, the consolidated net loss attributable to shareholders for the year ended 31st July, 2003 was increased by HK$54,044,000, the consolidated accumulated losses at 31st July, 2003 and 2002 were increased by HK$64,173,000 and HK$10,129,000, respectively, the minority interests at 31st July, 2003 and 2002 have been increased by HK$4,526,000 and HK$4,814,000, respectively, and the consolidated capital reserve as at 31st July, 2003 and 2002 were reduced by HK$83,781,000, as detailed in the consolidated statement of changes in equity.

27. SHARE CAPITAL

	2004	2003
	HK$'000	HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.50 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,437,709,710 ordinary shares of HK$0.50 each	**718,855**	718,855

28. 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 pages 33 to 34 of the financial statements.

Notes to Financial Statements

31st July, 2004

28. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Fixed asset revaluation reserve HK$'000	Investment property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st August, 2002	1,119,738	19,785	5,535	(1,216,803)	(71,745)
Surplus on revaluation of fixed assets on their transfer to investment properties	—	47,541	—	—	47,541
Deficit on revaluation of investment properties	—	—	(1,700)	—	(1,700)
Net profit for the year	—	—	—	73,903	73,903
At 31st July, 2003 and at 1st August, 2003	1,119,738	67,326	3,835	(1,142,900)	47,999
Surplus on revaluation of investment properties	—	—	12,380	—	12,380
Released on disposal of an investment property	—	—	(1,018)	—	(1,018)
Transfer to accumulated losses upon disposal of a fixed asset	—	(2,291)	—	2,291	—
Net profit for the year	—	—	—	45,902	45,902
At 31st July, 2004	1,119,738	65,035	15,197	(1,094,707)	105,263

29. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group, nor the Company had any significant contingent liabilities.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their investment properties (note 14 to the financial statements) and certain land and buildings 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 and provide for periodic rent adjustments according to the then prevailing market conditions.

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31st July, 2004

30. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

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

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,297**	13,533	**6,359**	3,569
In the second to fifth years, inclusive	**6,088**	10,448	**4,904**	2,831
	19,385	23,981	**11,263**	6,400

(b) As lessee

The Group leases its office premises, certain 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	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**49,873**	47,240	**120**	57
In the second to fifth years, inclusive	**39,548**	32,462	**50**	—
	89,421	79,702	**170**	57

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30(b) above, the Group and the Company had the following commitments at the balance sheet date:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital commitments in respect of development costs attributable to properties under development:				
Contracted, but not provided for	**163,222**	156,384	**—**	—
Authorised, but not contracted for	**94,470**	94,470	**—**	—
	257,692	250,854	**—**	—

Notes to Financial Statements

31st July, 2004

32. POST BALANCE SHEET EVENT

On 16th September, 2004, the Company made an announcement pursuant to Rule 13.09 of the Listing Rules in respect of the issue of a circular on 15th September, 2004 by LSD, an associate of the Group, to its shareholders regarding its proposed settlement of indebtedness of the LSD Group due to the bondholders and eSun Holdings Limited by, inter-alia, the issue of new shares of LSD (the "Debt Restructuring Plan"). If completion of the Debt Restructuring Plan occurs, LSG's interest in LSD will be diluted from 42.25% to 12.42% which constitutes a deemed disposal by the Group of its interest in LSD and will result in significant financial effects to be recorded by the Group. The Debt Restructuring Plan is still pending completion subject to fulfillment of certain conditions precedent as at the date of the approval of the financial statements.

33. COMPARATIVE AMOUNTS

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

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12th November, 2004.