CROCODILE

2010-2011

Crocodile Garments Limited Annual Report | 鱷魚恤有限公司年報

Stock Code | 股份代號 122

Contents

Crocodile Garments Limited
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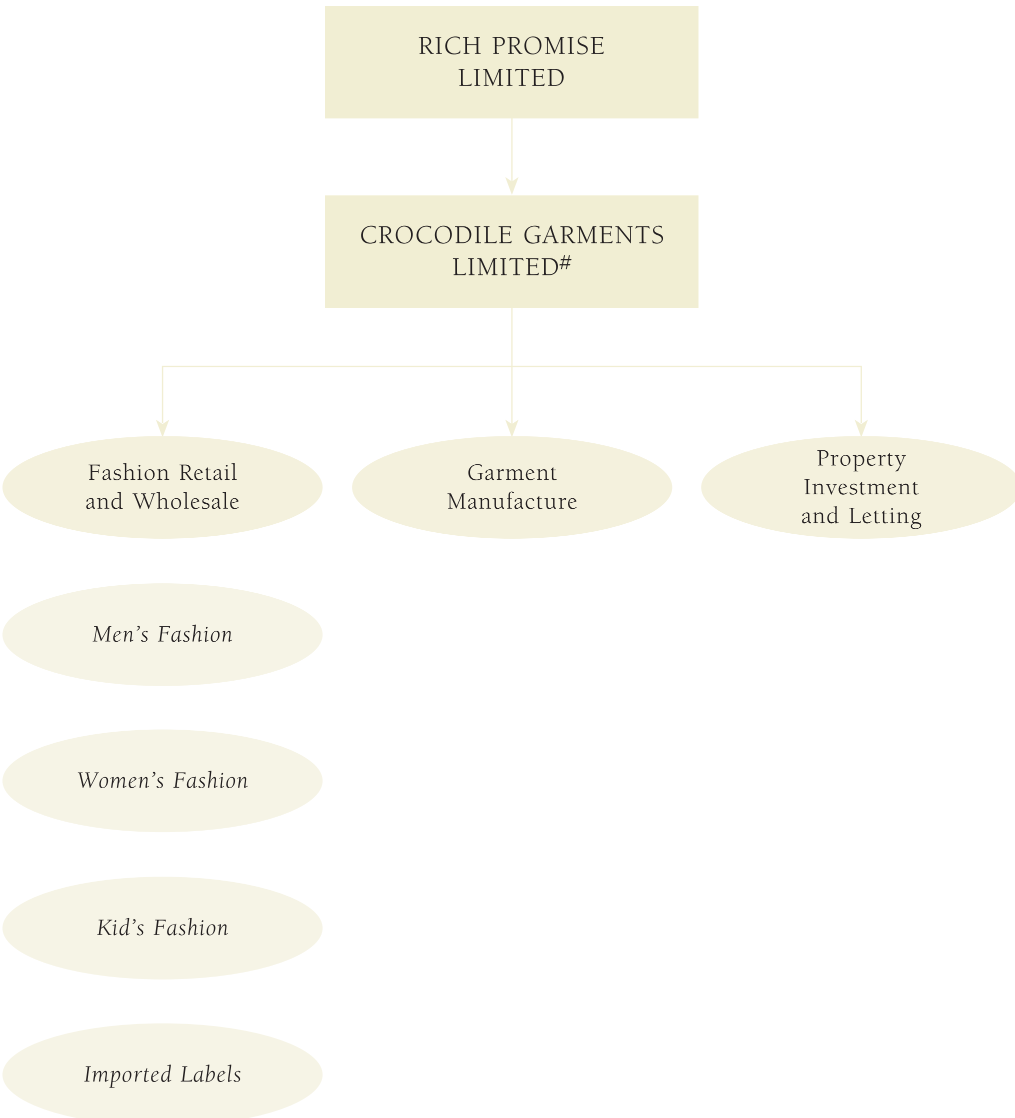
E-mail: corpadmin@crocodile.com.hk

Stock code on the Hong Kong Stock Exchange: ***122***

Corporate Profile

Crocodile Garments Limited was first listed on the Hong Kong Stock Exchange in 1971. It owns several fashion labels and is engaged in the manufacture, retail and wholesale of fashion in Hong Kong, Macau and the Mainland of China, as well as property investment and letting.



Listed on the Main Board of The Stock Exchange of Hong Kong Limited

Corporate Information

Place of Incorporation
Hong Kong

Board of Directors
Executive Directors
Lam Kin Ming *(Chairman and Chief Executive Officer)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Yee Hwa, Edward
Tong Ka Wing, Carl

Non-executive Director
Lam Suk Ying, Diana

Independent Non-executive Directors
Yeung Sui Sang
Chow Bing Chiu
Leung Shu Yin, William

Audit Committee
Leung Shu Yin, William *(Chairman)*
Yeung Sui Sang
Chow Bing Chiu

Remuneration Committee
Leung Shu Yin, William *(Chairman)*
Yeung Sui Sang
Chow Bing Chiu
Wan Yee Hwa, Edward
Tong Ka Wing, Carl

Company Secretary
Kwok Siu Man

Registered Office
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

Share Registrars and Transfer Office
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Independent Auditor
SHINEWING (HK) CPA Limited
Certified Public Accountants

Solicitors
Deacons
Reed Smith Richards Butler
Vincent T.K. Cheung, Yap & Co.

Principal Bankers
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Shares Listing
Place
The Main Board of The Stock Exchange of Hong Kong Limited

Stock Code
122

Board Lot
1,000 shares

Website
www.crocodile.com.hk

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

The Group recorded a growth in revenue of 12% to HK$514,520,000 for the year ended 31 July 2011 (2010: HK$457,608,000). Gross profit increased by 16% to HK$337,264,000 (2010: HK$289,887,000).

For the "Garment and Related Accessories Business" segment, the Group has continued to focus on accentuating the brand image and enriching its merchandise range in order to cope with the increasing market demand for acclaimed and trendy apparel. In addition, the Group has deployed considerable resources in training its frontline sales personnel to assure quality service to customers.

The "Property Investment and Letting Business" segment contributed greatly to the overall performance of the Group for the year ended 31 July 2011. Besides rental income of HK$22,076,000 (2010: HK$2,319,000), fair value gains on investment properties was HK$76,453,000 (2010: HK$146,500,000).

As a result of the above and together with the share of profit of an associated company of HK$1,443,000 (2010: HK$6,887,000), the Group recorded the profit attributable to shareholders of HK$93,627,000 for the year ended 31 July 2011 (2010: HK$166,199,000).

Chairman's Statement

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 31 July 2011 (2010: Nil).

OPERATIONS IN HONG KONG AND MACAU

Along with the improvement in the market sentiment and influx of tourists, the Group enhanced its sales network through shop re-positioning and relocation in districts with high pedestrian flows, and staged the effective promotional campaigns. The "Garment and Related Accessories Business" segment in Hong Kong and Macau recorded a double-digit growth during the year. As at 31 July 2011, the Group operated 26 shops/outlets for Crocodile line (2010: 28) and 8 shops/outlets for Lacoste line (2010: 7).

Regarding the "Property Investment and Letting Business" segment, the rental revenue reached HK$22,076,000 in the year ended 31 July 2011 (2010: HK$2,319,000). The relatively low rental income in the last year was attributed to the fact that the tenancy periods did not cover the whole of the last year and commenced only after February 2010 following the grant of the occupation permit of the Crocodile Center in late September 2009. Benefitting from the blooming property market, the Group recognized fair value gains on investment properties of HK$76,453,000 as at 31 July 2011, which mainly consisted of the surplus from revaluation of the Crocodile Center.

OPERATIONS IN THE MAINLAND OF CHINA (THE "MAINLAND")

High inflation rate and fierce market competition have been the major hurdles to the Group. The Group has borne heavier burden of operating costs in the highly inflationary atmosphere whereas the fierce market competition has limited its pricing power. To tackle the above dual impacts, the Group expedited the process of consolidating its sales network. The total sales decreased by 5% in the year under review partly because of closures of shops with unsatisfactory performances. The Group also further tightened its control on costs and expenses in order to weather the prevailing difficult business environment.

As at 31 July 2011, there were a total of 282 sales outlets in the Mainland (2010: 323), including self-operated retail outlets of 86 (2010: 79) and those operated by the Group's franchisees of 196 (2010: 244).

Royalty income derived from licensees continued to be a stable income source of the Group and increased by 9% in the year ended 31 July 2011.

Chairman's Statement

PROSPECTS

The global market is currently at a downside risk caused by the slowdown of economy in the United States and the European credit crisis. Being an open economic entity, Hong Kong will inevitably be vulnerable to the deteriorating worldwide business atmosphere.

In the Mainland, the current liquidity crunch, but with the inflation rate still standing in a high level, will worsen the operation conditions.

Facing these tremendous macro-economic uncertainties ahead, the Group intends to maximize the cost efficiency of its regional retail network, improve merchandising capability and preserve financial flexibility.

Being the 60th anniversary of Crocodile footprint in the apparel business, the forthcoming year 2011/12 will be another milestone for the Group in its achievement and development in those decades. Following its excellent tradition and cherishing the ever-lasting support from its customers in this remarkable time, the Group strives to deliver prestige products and quality service to its esteemed clients as a return for their long-term loyalty.

CONTINGENT LIABILITIES

As at 31 July 2011, the Group had no material contingent liabilities.

LIQUIDITY, FINANCIAL RESOURCES, FOREIGN EXCHANGE RISK EXPOSURE, GEARING, CHARGES ON ASSETS AND CAPITAL COMMITMENTS

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2011.

The Group mainly earns revenue and incurs cost in Hong Kong dollars and Renminbi. The Group considers the impact of foreign exchange risks is not significant as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and will not bear unforeseeable foreign currency exchange risks.

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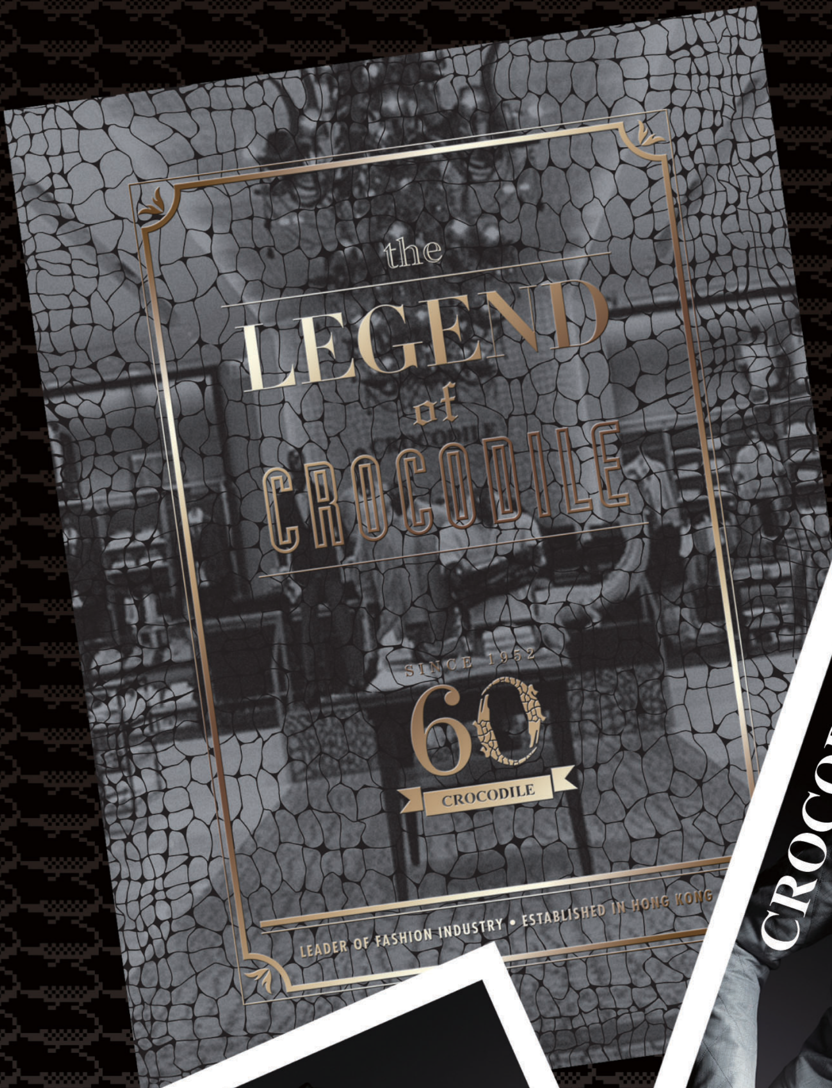
CROCODILE



Chairman's Statement

Cash and cash equivalents held by the Group amounted to HK$80,045,000 as at 31 July 2011 (2010: HK$96,985,000) and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 July 2011 amounted to HK$56,070,000 (2010: HK$73,707,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 July 2011, the total outstanding borrowings of the Group amounted to HK$40,380,000. The total outstanding borrowings comprised unsecured trust receipt loans of HK$15,033,000, secured long-term bank mortgage loan of HK$9,347,000 and secured long-term bank revolving loan of HK$16,000,000. The secured long-term bank mortgage loan was repayable by instalments with its current portion of HK$913,000 repayable within one year and long-term portion of HK$8,434,000 repayable in the second to tenth years. Interest on bank borrowings is charged at floating rates. All bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2011.

As at 31 July 2011, the Group had mortgaged its investment properties with carrying values of HK$791,000,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2011 was 4.1%, expressed as a percentage of total bank borrowings to total net assets.

As at 31 July 2011, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,181,000; acquisition and construction of property, plant and equipment in the Mainland of HK$4,473,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no significant investments, material acquisitions or disposals for the year ended 31 July 2011.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2011, the Group employed a total of around 868 employees (2010: 894). The Group recognises the importance of maintaining a stable staff force in its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis. Discretionary bonuses are granted to employees based on their merit and in accordance with industry practice. Other benefits including subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies are also offered to eligible employees.

MANAGEMENT AND STAFF

As we continue to pursue our strategy to achieve sustainable growth with prudence, I would like to thank on behalf of the Board our staff and management for their dedication, energy and hard work, and express our gratitude to our shareholders and business associates for their valuable support during the past financial year.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
27 October 2011

Report of the Directors

The directors of the Company (the "Directors") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 July 2011.

PRINCIPAL ACTIVITIES

During the year under review, the principal activities of the Group included the manufacture and sale of garments in Hong Kong, Macau and the Mainland of China (the "Mainland") as well as property investment in Hong Kong and the Mainland. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by business and geographical areas of the operations for the year ended 31 July 2011 is set out in Note 5 to the financial statements.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Company for the year ended 31 July 2011 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 31 to 91.

The board of Directors (the "Board") does not recommend the payment of a final dividend for the financial year ended 31 July 2011 (2010: Nil). No interim dividend was paid or declared in respect of the year ended 31 July 2011 (2010: Nil).

SHARE CAPITAL

Details of the movements in the Company's share capital during the year, together with the reasons therefor, are set out in Note 30 to the financial statements.

DIRECTORS

The Directors who were in office during the year and those as at the date of this Report are named as follows:

Executive Directors

Lam Kin Ming *(Chairman and Chief Executive Officer)*	
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	
Lam Kin Ngok, Peter	
Lam Kin Hong, Matthew	
Wan Yee Hwa, Edward	(re-designated from an independent non-executive Director to an executive Director on 1 February 2011)
Tong Ka Wing, Carl	(re-designated from a non-executive Director to an executive Director on 16 May 2011)
Cheng Suet Fei, Sophia	(retired on 17 December 2010)

Report of the Directors

DIRECTORS (continued)

Non-executive Director
Lam Suk Ying, Diana

Independent Non-executive Directors
Yeung Sui Sang
Chow Bing Chiu
Leung Shu Yin, William (appointed on 1 February 2011)

In accordance with Article 94 of the Company's Articles of Association (the "Articles of Association"), Mr. Leung Shu Yin, William who was appointed an independent non-executive Director by the Board on 1 February 2011 will retire at the forthcoming annual general meeting of the Company ("AGM"). Being eligible, he offers himself for re-election.

In accordance with Article 100 of the Articles of Association, Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew will retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-election.

Details of the above Directors proposed for re-election required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out in the "Biographical Details of Directors" section and "Directors' Interests" section of this Report.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out below:

Executive Directors
Each of the executive Directors named below (except Mr. Wan Yee Hwa, Edward and Mr. Tong Ka Wing, Carl) holds directorships in a number or certain of the subsidiaries of the Company:

Dr. Lam Kin Ming, Chairman and Chief Executive Officer, aged 74, was appointed an executive director of the Company (the "Executive Director") in December 1993 and is a member of the Executive Committee of the Company. He is also the chairman of Lai Sun Garment (International) Limited ("LSG") , a non-executive director of Lai Sun Development Company Limited ("LSD") and the deputy chairman of Lai Fung Holdings Limited ("LFH"). Dr. Lam was a non-executive director of eSun Holdings Limited ("eSun") from October 1996 to September 2009. All the aforesaid companies are listed on the Main Board of the Stock Exchange. Apart from the aforesaid, he does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. In addition, Dr. Lam is the sole director and sole shareholder of Rich Promise Limited (a substantial shareholder of the Company). He received an honorary doctoral degree from the International American University in 2009. Dr. Lam has been involved in day-to-day management in the garment business since 1958.

He is the elder brother of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being Executive Directors) and Ms. Lam Suk Ying, Diana (non-executive director of the Company (the "Non-executive Director")). Dr. Lam is also the father of Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer of the Company). Apart from the aforesaid, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

The Company and Dr. Lam have entered into a service contract with no fixed term of service. However, in accordance with the provisions of the Articles of Association, Dr. Lam will be subject to retirement as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. He presently receives a monthly salary and allowance of HK$462,080 and an annual director's fee of HK$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as prevailing market practice.

As at the date of this Report, he is interested or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO"), in a total of 317,766,000 shares in the Company, representing approximately 50.94% of the issued share capital of the Company. Save as aforesaid, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 40, was appointed an Executive Director in February 2006 and is a member of the Executive Committee of the Company. Ms. Lam presently receives a monthly salary and allowance of HK$220,239.50. She holds a Bachelor of Arts degree from Scripps College, California, United States of America and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 10 years of experience in the fashion industry. Prior to joining the Group in March 1998 as Vice-President, she worked for two famous London-based design houses — Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work. She is a daughter of Dr. Lam Kin Ming (Chairman and Chief Executive Officer of the Company) and a niece of Ms. Lam Suk Ying, Diana (Non-executive Director), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being Executive Directors).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Dr. Lam Kin Ngok, Peter, aged 54, was appointed an Executive Director in October 1987. Dr. Lam is the deputy chairman of LSG, the chairman of LSD and LFH, and an executive director of eSun. Further, he was appointed an executive director and the chairman of Media Asia Group Holdings Limited (formerly known as Rojam Entertainment Holdings Limited) ("MAGHL") on 16 June 2011. LSG, LSD, LFH and eSun are listed on the Main Board of the Stock Exchange while MAGHL is listed on the Growth Enterprise Market of the Stock Exchange. Apart from the aforesaid, Dr. Lam does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He has extensive experience in property development and investment business, hospitality and media and entertainment business.

Currently, Dr. Lam is a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. In addition, Dr. Lam is also a trustee of The Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. Dr. Lam was conferred an Honorary Doctorate of the Academy by The Hong Kong Academy for Performing Arts in June 2011.

He is a younger brother of Dr. Lam Kin Ming (Chairman and Chief Executive Officer of the Company) and Ms. Lam Suk Ying, Diana (Non-executive Director), an elder brother of Mr. Lam Kin Hong, Matthew (Executive Director), and an uncle of Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer of the Company). Apart from the aforesaid, Dr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. He presently receives an annual director's fee of HK$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as prevailing market practice.

As at the date of this Report, Dr. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Lam Kin Hong, Matthew, aged 43, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and an executive director and the executive deputy chairman of LFH. Both of the aforesaid companies are listed on the Main Board of the Stock Exchange. Apart from the aforesaid, Mr. Lam does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. Mr. Lam is a member of The Law Society of Hong Kong and the Law Society of England and Wales. He has considerable experience in property development and corporate finance in Hong Kong and China.

Mr. Lam is the younger brother of Dr. Lam Kin Ming (Chairman and Chief Executive Officer of the Company), Ms. Lam Suk Ying, Diana (Non-executive Director) and Dr. Lam Kin Ngok, Peter (Executive Director), and an uncle of Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer of the Company). Apart from the aforesaid, Mr. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. He presently receives an annual director's fee of HK$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as prevailing market practice.

As at the date of this Report, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Mr. Wan Yee Hwa, Edward, aged 75, is an Executive Director and a member of both of the Company's Executive Committee and Remuneration Committee. Mr. Wan first joined the Board as an independent non-executive director of the Company (the "Independent Non-executive Director") in December 1993 and was re-designated as an Executive Director of the Company on 1 February 2011. Mr. Wan was the chairman of the Audit Committee and the Remuneration Committee of the Company until 31 January 2011. He was also an independent non-executive director of LSG (from March 2002 to January 2011) and LSD (from September 2008 to January 2011) before he was re-designated as a non-executive director of LSG and LSD on 1 February 2011. LSG and LSD are listed on the Main Board of the Stock Exchange. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Tong Ka Wing, Carl, aged 60, is currently an Executive Director and a member of the Remuneration Committee of the Company. Mr. Tong joined the Company as a Non-executive Director in February 2007 and was re-designated as an Executive Director on 16 May 2011. He is a director of Creative Master Bermuda Limited, a company listed on the Main Board of The Singapore Exchange Securities Trading Limited. Mr. Tong was the deputy chairman (from April 2009 to August 2011) and an independent non-executive director (from September 2004 to August 2011) of eSun, a company listed on the Main Board of the Stock Exchange. Mr. Tong is also the managing director of Carl Tong & Associates Management Consultancy Limited, a company that he founded in 1988. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 30 years' experience in corporate management.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 56, was appointed a Non-executive Director in December 2006. Ms. Lam graduated from the Loyola University in California, United States of America with a Bachelor of Business Administration degree. She also holds a Master's degree in Public Administration from the Pepperdine University in California. Ms. Lam had worked for Metropolitan Life Insurance Company in California, United States of America for two years and has been managing her personal investments continuously to date. She is a younger sister of Dr. Lam Kin Ming (Chairman and Chief Executive Officer of the Company), an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer of the Company).

Independent Non-executive Directors

Mr. Yeung Sui Sang, aged 73, was appointed an Independent Non-executive Director in October 2001 and is a member of the Audit Committee and the Remuneration Committee of the Company. Before joining the Lai Sun Group in March 1988, he had worked in the civil service for over 30 years. Mr. Yeung first joined LSG as administration manager and was later appointed the Lai Sun Group's administration controller. He was also appointed to the boards of LSG, Asia Television Limited and later eSun. LSG and eSun are listed on the Main Board of the Stock Exchange. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various Group companies.

Mr. Chow Bing Chiu, aged 60, was appointed an Independent Non-executive Director in September 2004 and is a member of the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of LSG, a company listed on the Main Board of the Stock Exchange. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. Mr. Chow is also a China-appointed attesting officer.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Leung Shu Yin, William, aged 62, was appointed an Independent Non-executive Director as well as the chairman of both the Audit Committee and the Remuneration Committee of the Company on 1 February 2011. Mr. Leung is also an independent non-executive director of LSG, LSD and Mainland Headwear Holdings Limited. He was an executive director of Bel Global Resources Holdings Limited from October 2007 to April 2009. All the aforesaid companies are listed on the Main Board of the Stock Exchange. Apart from the aforesaid, Mr. Leung does not hold other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. He is a certified public accountant, a member of the Hong Kong Securities Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is practising as a practising director of two certified public accountants' firms in Hong Kong.

Mr. Leung does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. He presently receives an annual director's fee of HK$60,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities and time allocated to the Company as well as prevailing market practice.

Apart from the aforesaid, Mr. Leung does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company. As at the date of this Report, he does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

Please also refer to the Note at the end of this section of "Biographical Details of Directors".

Other particulars of the above Directors are contained elsewhere in this Report.

Note:

Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Leung Shu Yin, William will retire as Directors in accordance with the Articles of Association at the forthcoming AGM and being eligible, they offer themselves for re-election thereat.

For the purpose of each of the aforesaid Directors' re-election in accordance with the Articles of Association, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 34 to the financial statements headed "Related Party Transactions", no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding company was a party during the year.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and/or up to the date of this Report, the following Directors are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Ms. Lam Wai Shan, Vanessa, Mr. Wan Yee Hwa, Edward (from 1 February 2011 as he has been re-designated as an Executive Director from an Independent Non-executive Director with effect from such date) and Mr. Tong Ka Wing, Carl (together, the "Interested Directors") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of garment manufacturing and/or sale of garments in Hong Kong, Macau and/or the Mainland, and/or property investment in Hong Kong and/or the Mainland.

However, the Board is independent from the boards of directors/governing committees of the aforesaid companies/entities and none of the Interested Directors can personally control the Board. Further, each of the Interested Directors of the Company is fully aware of, and has been discharging, his/her fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies/entities.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 22 December 2006 for the purpose of providing incentives or rewards to the Participants as defined in the Share Option Scheme.

Details of the Share Option Scheme are included in Note 29 to the financial statements.

DIRECTORS' INTERESTS

The Directors and chief executive of the Company who held office on 31 July 2011 and their respective associates (as defined in the Listing Rules) had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (the "Register"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

Report of the Directors

DIRECTORS' INTERESTS (continued)

(1) The Company

Long positions in the ordinary shares of HK$0.25 each (the "Shares")

Name of Directors	Capacity	Personal Interests	Corporate Interests	Underlying Shares (Share Option) Personal Interests	Total Interests	Approximate Percentage of Total Interests to Total Issued Shares
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	2,369,000	314,800,000 *(Note 1)*	Nil *(Note 2)*	317,169,000	50.84%
Lam Wai Shan, Vanessa	Beneficial owner	1,885,000	Nil	Nil *(Note 3)*	1,885,000	0.30%

Notes:

1. *Rich Promise Limited ("RPL") beneficially owned 314,800,000 Shares. Dr. Lam Kin Ming was deemed to be interested in 314,800,000 Shares by virtue of his 100% shareholding interest in RPL.*
2. *Dr. Lam Kin Ming exercised in full the share option granted to him in 2007 to subscribe for 617,000 Shares at HK$0.68 per Share in June 2011.*
3. *During the year under review, Ms. Lam Wai Shan, Vanessa exercised in part the share option comprising 6,170,000 underlying Shares granted to her in 2007 to subscribe for 3,085,000 Shares at HK$0.68 per Share. The remaining portion of the share option comprising 3,085,000 underlying Shares lapsed on 13 July 2011.*

(2) Associated Corporation
Rich Promise Limited ("RPL") — the parent and ultimate holding company of the Company

Long positions in the shares of US$1.00 each

Name of Director	Capacity	Personal Interests	Corporate Interests	Total Interests	Percentage of Total Interests to Total Issued Shares
Lam Kin Ming	Beneficial owner	1	Nil	1	100%

Save as disclosed above, as at 31 July 2011, none of the Directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Report of the Directors

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "Share Option Scheme" section above and in Note 29 to the financial statements, at no time during the year was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2011, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or persons (one being a Director and the chief executive of the Company) who had 5% or more interests in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "Voting Entitlements") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate Percentage of Total Interests to Total Issued Shares
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000 *(Note 1)*	50.46%
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	Personal/ Corporate	317,169,000 *(Notes 1 and 2)*	50.84%

Notes:

1. *Dr. Lam Kin Ming was deemed to be interested in 314,800,000 Shares by virtue of his 100% shareholding interest in RPL.*
2. *Dr. Lam Kin Ming was personally interested in 2,369,000 Shares.*

Save as disclosed above, the Directors are not aware of any other corporation or person who, as at 31 July 2011, had the Voting Entitlements or 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued Shares was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this Report.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 July 2011, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in Note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in Note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group and the Company during the year are set out in Note 16 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out in Note 19 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the end of reporting period are set out in Note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 31 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 July 2011, the Company had reserves available for distribution, calculated in accordance with the provision of Section 79B of the Companies Ordinance, Chapter 32 of the laws of Hong Kong.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 34.0% and 15.9%, respectively of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) has interests in any of the five largest suppliers above.

Report of the Directors

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$7,642,000 (2010: HK$180,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2007 to 2011 is set out below:

	Year ended 31 July				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**514,520**	457,608	432,080	450,007	441,155
Profit for the year	**85,179**	163,484	143,078	21,216	21,559

	As at 31 July				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,208,444**	1,075,692	910,636	761,111	725,511
Total liabilities	**213,516**	178,947	180,090	154,696	153,173
Total equity	**994,928**	896,745	730,546	606,415	572,338
	1,208,444	1,075,692	910,636	761,111	725,511

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 23 to 28 of this Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors in writing an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the Independent Non-executive Directors to be independent.

Report of the Directors

INDEPENDENT AUDITOR

The financial statements have been audited by SHINEWING (HK) CPA Limited ("ShineWing") who will retire at the forthcoming AGM.

ShineWing was appointed independent auditor of the Company (the "Independent Auditor") to fill the casual vacancy arising from the resignation of BDO Limited in May 2011 to hold office until the conclusion of the forthcoming AGM. A notice has been received from a member of the Company and a resolution for the re-appointment of ShineWing as the Independent Auditor for the ensuing year will be put to the forthcoming AGM for the shareholders' approval.

There was a change in the Independent Auditor in 2009. BDO Limited was appointed the Independent Auditor in place of Shu Lun Pan Hong Kong CPA Limited ("Shu Lun Pan") at the AGM held on 21 December 2009, as Shu Lun Pan merged their business with BDO McCabe Lo Limited on 1 May 2009, and the latter was renamed as BDO Limited.

On Behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
27 October 2011

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 July 2011 save for the following deviations from code provisions A.2.1 and A.4.1:

Code Provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

In view of the present composition of the board of directors of the Company (the "Board"), the in-depth knowledge of the Chairman and the Chief Executive Officer of the operations of the Company and of the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of the Chairman and the Chief Executive Officer.

Code Provision A.4.1

Under code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing non-executive directors (including the independent non-executive directors) of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement provisions of the Articles of Association of the Company which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting of the Company (the "AGM") and will then be eligible for re-election. Further, each of the Directors appointed to fill a casual vacancy will be subject to election by the shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiries of all the Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the year ended 31 July 2011.

Corporate Governance Report

(3) BOARD OF DIRECTORS

(3.1) The Board oversees the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely the Executive Committee, the Audit Committee and the Remuneration Committee. Specific responsibilities have been delegated to the above Committees.

(3.2) The Directors who served the Board during the year under review and up to the date of this Report are named as follows:

Executive Directors ("ED")

Lam Kin Ming *(Chairman and Chief Executive Officer)*	
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	
Lam Kin Ngok, Peter	
Lam Kin Hong, Matthew	
Wan Yee Hwa, Edward	(re-designated as an ED from an independent non-executive Director on 1 February 2011)
Tong Ka Wing, Carl	(re-designated as an ED from a non-executive Director on 16 May 2011)
Cheng Suet Fei, Sophia	(retired on 17 December 2010)

Non-executive Director ("NED")

Lam Suk Ying, Diana

Independent Non-executive Directors ("INEDs")

Yeung Sui Sang	
Chow Bing Chiu	
Leung Shu Yin, William	(appointed on 1 February 2011)

The brief biographical particulars of the existing Directors are set out in the "Biographical Details of Directors" section of the Report of the Directors on pages 11 to 16.

(3.3) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.4) Dr. Lam Kin Ming (Chairman and Chief Executive Officer) is the father of Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer) and the elder brother of Ms. Lam Suk Ying, Diana (NED), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being EDs).

Save as disclosed above and in the "Biographical Details of Directors" section of the Report of the Directors, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code provides that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

As explained in Paragraph (1) above, Dr. Lam Kin Ming assumes the roles of the Chairman and the Chief Executive Officer of the Company simultaneously.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing NEDs (including the INEDs) was appointed for a specific term.

(6) REMUNERATION COMMITTEE

(6.1) The Board established a Remuneration Committee on 18 November 2005, which currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (appointed the chairman and a member on 1 February 2011), Yeung Sui Sang and Chow Bing Chiu and two EDs, namely Mr. Wan Yee Hwa, Edward (re-designated as an ED from an INED on 1 February 2011 and accordingly ceased to be the chairman on the same date) and Mr. Tong Ka Wing, Carl (re-designated as an ED from a NED on 1 February 2011).

(6.2) The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

(6.3) The Remuneration Committee held a meeting during the year under review to discuss remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to:

(i) the appointment of Mr. Leung Shu Yin, William as an INED and the re-designation of Mr. Wan Yee Hwa, Edward and Mr. Tong Ka Wing, Carl as EDs from an INED and a NED respectively; and

(ii) remuneration-related matters to the Board on four occasions by way of circular resolutions.

Corporate Governance Report

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the EDs. The EDs followed this process in the re-designation of an INED and a NED to EDs and the appointment of an INED during the year.

(8) INDEPENDENT AUDITOR'S REMUNERATION

BDO Limited ("BDO") resigned as independent auditor of the Company (the "Independent Auditor") with effect from 16 May 2011 while SHINEWING (HK) CPA Limited ("ShineWing") was appointed the Independent Auditor on the same date to fill the casual vacancy arising from the resignation of BDO to hold office until the conclusion of the forthcoming AGM. A resolution for the reappointment of ShineWing as Independent Auditor for the ensuing year will be proposed at the forthcoming AGM.

For the year under review, the fees in respect of audit and non-audit services provided to the Company and its subsidiaries (the "Group") by ShineWing amounted to approximately HK$580,000 and HK$10,000 respectively. The non-audit services mainly related to reporting on the agreement with the preliminary announcement of results of the Group for the year ended 31 July 2011.

(9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 31 March 2000, comprising three INEDs, namely Messrs. Leung Shu Yin, William (appointed the chairman in place of Mr. Wan Yee Hwa, Edward who was re-designated as an ED from an INED and accordingly ceased to be the chairman and a member with effect from 1 February 2011 concurrently), Yeung Sui Sang and Chow Bing Chiu.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. It reviewed the final results of the Company for the year ended 31 July 2010 and the interim results of the Company for the six months ended 31 January 2011 and other matters related to the financial and accounting policies and practices of the Company.

Corporate Governance Report

(10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement made by the Independent Auditor about its responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report.

(11) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at the Board meetings, Audit Committee meetings and Remuneration Committee meetings during the year under review is set out in the following table:

Meetings held during the year ended 31 July 2011

Directors	Board	Audit Committee	Remuneration Committee
Number of Meetings held	4	2	1
	Number of meetings attended/ Number of meetings held		
EDs			
Dr. Lam Kin Ming	4/4	—	—
Ms. Lam Wai Shan, Vanessa	4/4	—	—
Dr. Lam Kin Ngok, Peter	1/4	—	—
Mr. Lam Kin Hong, Matthew	3/4	—	—
Mr. Wan Yee Hwa, Edward *(Note 1)*	4/4	1/1	1/1
Mr. Tong Ka Wing, Carl *(Note 2)*	4/4	—	1/1
Ms. Cheng Suet Fei, Sophia *(Note 3)*	1/1	—	—
NED			
Ms. Lam Suk Ying, Diana	3/4	—	—
INEDs			
Mr. Yeung Sui Sang	4/4	2/2	1/1
Mr. Chow Bing Chiu	3/4	2/2	0/1
Mr. Leung Shu Yin, William *(Note 4)*	2/2	1/1	1/1

Notes:

1. *Mr. Wan Yee Hwa, Edward was re-designated as an ED from an INED and accordingly, ceased to be the chairman and a member of the Audit Committee and the chairman of the Remuneration Committee on 1 February 2011 respectively.*

2. *Mr. Tong Ka Wing, Carl was re-designated as an ED from a NED on 16 May 2011.*

3. *Ms. Cheng Suet Fei, Sophia retired as an ED on 17 December 2010.*

4. *Mr. Leung Shu Yin, William was appointed an INED and the chairman of both the Audit Committee and the Remuneration Committee on 1 February 2011.*

Corporate Governance Report

(12) INTERNAL CONTROLS

During the year under review, the Board has reviewed the effectiveness of the internal control system of the Group. The periodic review covered all material controls, including financial, operational and compliance controls, and risk management functions of the Group and considered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

(13) COMMUNICATION WITH SHAREHOLDERS

The Company has established a number of channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.crocodile.com.hk;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars serve the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

(14) INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2785 3898 during normal business hours, by fax at (852) 2786 0190 or by e-mail at corpadmin@crocodile.com.hk.

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F.,The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CROCODILE GARMENTS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Crocodile Garments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 91, which comprise the consolidated and Company's statements of financial position as at 31 July 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2011 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

OTHER MATTERS

The financial statements of the Company and of the Group for the year ended 31 July 2010 were audited by another auditor who expressed an unqualified opinion on those statements on 4 November 2010.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
27 October 2011

Consolidated Statement of Comprehensive Income

For the Year ended 31 July 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Revenue	6	**514,520**	457,608
Cost of sales		**(177,256)**	(167,721)
Gross profit		**337,264**	289,887
Fair value gains on investment properties	16	**76,453**	146,500
Other income	6	**47,532**	44,424
Selling and distribution expenses		**(290,547)**	(279,979)
Administrative expenses		**(66,124)**	(50,215)
Other operating expenses, net	7	**(792)**	(1,193)
Finance costs	11	**(599)**	(379)
Share of profit of an associate	20	**1,443**	6,887
Profit before income tax	7	**104,630**	155,932
Income tax (expense) credit	12	**(19,451)**	7,552
Profit for the year		**85,179**	163,484
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**8,448**	2,715
Total comprehensive income for the year attributable to owners of the Company		**93,627**	166,199
Dividends	8	**—**	—
Earnings per share	14		
— Basic (HK cents)		**13.71**	26.49
— Diluted (HK cents)		**13.71**	N/A

Consolidated Statement of Financial Position

As at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**43,961**	21,492
Investment properties	16	**791,000**	700,000
Construction in progress	17	**35,586**	20,234
Land lease prepayments	18	**15,463**	15,018
Interest in an associate	20	**17,762**	15,718
Rental and utility deposits		**25,082**	20,887
Deposits for acquisition and construction of property, plant and equipment		**10,873**	2,070
Deposits for land lease prepayments	21	**34,537**	32,825
		974,264	828,244
Current assets			
Inventories	22	**73,376**	73,970
Trade and other receivables, deposits and prepayments	23	**80,610**	76,481
Amounts due from related companies	34(c)	**149**	12
Cash and cash equivalents	24	**80,045**	96,985
		234,180	247,448
Current liabilities			
Borrowings	25	**15,946**	34,616
Trade and other payables and deposits received	26	**80,432**	67,406
Amounts due to related companies	34(c)	**352**	585
Tax payable		**19,948**	15,556
		116,678	118,163
Net current assets		**117,502**	129,285
Total assets less current liabilities		**1,091,766**	957,529
Non-current liabilities			
Borrowings	25	**24,434**	—
Provision for long service payments	27	**2,854**	3,324
Deferred tax liabilities	28	**69,550**	57,460
		96,838	60,784
		994,928	896,745
Capital and reserves			
Share capital	30	**155,957**	154,282
Reserves		**838,971**	742,463
		994,928	896,745

The consolidated financial statements on pages 31 to 91 were approved and authorised for issue by the board of directors on 27 October 2011 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Statement of Financial Position

As at 31 July 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**7,808**	11,301
Interests in subsidiaries	19	**550,658**	532,604
Rental and utility deposits		**16,926**	19,005
		575,392	562,910
Current assets			
Inventories	22	**43,214**	50,007
Trade and other receivables, deposits and prepayments	23	**29,427**	23,568
Amounts due from related companies	34(c)	**—**	12
Cash and cash equivalents	24	**17,709**	18,394
		90,350	91,981
Current liabilities			
Borrowings	25	**15,033**	34,616
Trade and other payables and deposits received	26	**25,594**	23,396
Amounts due to related companies	34(c)	**100**	346
		40,727	58,358
Net current assets		**49,623**	33,623
Total assets less current liabilities		**625,015**	596,533
Non-current liability			
Provision for long service payments	27	**2,770**	3,258
		622,245	593,275
Capital and reserves			
Share capital	30	**155,957**	154,282
Reserves	31	**466,288**	438,993
		622,245	593,275

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 July 2011

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2009	154,282	164,921	1,738	16,304	109,090	284,211	730,546
Total comprehensive income for the year	—	—	—	2,715	—	163,484	166,199
At 31 July 2010 and 1 August 2010	154,282	164,921	1,738	19,019	109,090	447,695	896,745
Total comprehensive income for the year	—	—	—	8,448	—	85,179	93,627
Shares issued upon exercise of share options	1,675	3,807	(926)	—	—	—	4,556
Transfer upon lapse of share options	—	—	(812)	—	—	812	—
At 31 July 2011	**155,957**	**168,728**	**—**	**27,467**	**109,090**	**533,686**	**994,928**

Note:

The capital reserve comprises the fair value of the number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3. No share option was outstanding as at 31 July 2011 and the capital reserve became nil.

Consolidated Statement of Cash Flows

For the Year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**104,630**	155,932
Adjustments for:		
Finance costs	**599**	379
Bank interest income	**(572)**	(377)
Interest income from an associate	**(601)**	—
Share of profit of an associate	**(1,443)**	(6,887)
Depreciation of property, plant and equipment	**12,930**	14,089
Amortisation of land lease prepayments	**329**	316
Loss on disposal/write-off of property, plant and equipment	**769**	1,294
Provision for (write-back of) bad and doubtful debts	**102**	(590)
Bad debts write-off (write-back)	**94**	(142)
Other receivables write-off	**1,253**	—
Write-back of provision for slow-moving inventories	**(2,016)**	(4,015)
Reversal of long outstanding trade payables	**(831)**	(353)
Fair value gains on investment properties	**(76,453)**	(146,500)
Operating cash flows before movements in working capital	**38,790**	13,146
Decrease in inventories	**2,610**	15,842
Increase in trade and other receivables, deposits and prepayments	**(9,700)**	(12,315)
Increase in trade and other payables and deposits received	**13,857**	6,906
Increase in amounts due from related companies	**(137)**	(12)
Decrease in amounts due to related companies	**(233)**	(1,327)
Increase in balance with an associate	**—**	(331)
(Decrease) increase in provision for long service payments	**(470)**	39
Exchange differences on working capital	**1,249**	649
Cash generated from operations	**45,966**	22,597
Income taxes paid	**(3,827)**	—
Interest paid	**(599)**	(379)
NET CASH FROM OPERATING ACTIVITIES	**41,540**	22,218

Consolidated Statement of Cash Flows

For the Year ended 31 July 2011

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Interest received	**572**	377
Purchase of property, plant and equipment	**(16,147)**	(12,126)
Proceeds from disposal of property, plant and equipment	**193**	30
Payments for deposits for acquisition and construction of property, plant and equipment	**(8,695)**	(2,070)
Purchase of investment property	**(14,547)**	—
Payments for construction in progress	**(33,428)**	(6,710)
NET CASH USED IN INVESTING ACTIVITIES	**(72,052)**	(20,499)
FINANCING ACTIVITIES		
New bank loans raised	**25,347**	5,000
Repayments of bank loans	**(22,000)**	—
Proceeds from exercise of share options	**4,556**	—
Increase (decrease) in trust receipt loans	**2,417**	(6,474)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**10,320**	(1,474)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(20,192)**	245
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**96,985**	95,482
Effect of foreign exchange rate changes	**3,252**	1,258
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**80,045**	96,985
Represented by		
Cash and bank balances	**65,431**	94,695
Non-pledged time deposits with original maturity of less than 3 months when acquired	**14,614**	2,290
	80,045	96,985

Notes to the Financial Statements

For the Year ended 31 July 2011

1. CORPORATE INFORMATION

Crocodile Garments Limited (the "Company") is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company are located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of garments and property investment and letting.

The financial statements are presented in Hong Kong dollars ("HK$"). Other than the Group's subsidiaries established in the People's Republic of China (the "PRC") whose functional currencies are Renminbi ("RMB"), the functional currencies of the Company and its subsidiaries are HK$.

In the opinion of the directors of the Company (the "Directors"), Rich Promise Limited, a company incorporated in the British Virgin Islands, is considered as the parent and ultimate parent company of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010, as appropriate
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
Hong Kong Accounting Standard ("HKAS") 32 (Amendments)	Classification of Right Issues
Hong Kong – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretation Committee) ("HK (IFRIC)") – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

Notes to the Financial Statements

For the Year ended 31 July 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRS issued in 2010 [1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [2]
HKFRS 9	Financial Instruments [5]
HKFRS 10	Consolidated Financial Statements [5]
HKFRS 11	Joint Arrangements [5]
HKFRS 12	Disclosure of Interests in Other Entities [5]
HKFRS 13	Fair Value Measurement [5]
HKAS 1 (Revised)	Presentation of Financial Statements [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [3]
HKAS 19 (Revised)	Employee Benefits [5]
HKAS 24 (Revised)	Related Party Disclosures [1]
HKAS 27 (Revised)	Separate Financial Statements [5]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures [5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [1]

1 Effective for annual periods beginning on or after 1 January 2011
2 Effective for annual periods beginning on or after 1 July 2011
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 July 2012
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

Notes to the Financial Statements

For the Year ended 31 July 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the financial statements for the annual period beginning 1 August 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the financial assets and financial liabilities of the Group and the Company. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures — Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of financial assets previously effected, if any. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

Notes to the Financial Statements

For the Year ended 31 July 2011

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors anticipate that the application of the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 Fair Value Measurement was issued in June 2011 replaces the fair value measurement guidance contained in individual HKFRSs by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied when its use is already required or permitted by other standards within HKFRSs. The Directors consider that had the amendment been adopted during the year, the disclosure of three-level fair value hierarchy would be applied to the investment properties of the Group.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss. The application of the amendment to HKAS 1 might result in changes in presentation of the Group's statement of comprehensive income.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the standard is applied in future accounting periods. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and the financial positions of the Group and the Company.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised 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.

Rental income from operating leases is recognised in the profit or loss on a straight-line basis over the terms of the relevant leases.

Royalty income is recognised when the right to receive the income has been established and on a straight-line basis over the terms of the relevant agreements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Construction in progress includes property, plant and equipment in the course of construction for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Upon a transfer of an asset to investment properties that are carried at fair value, a valuation is performed to determine the fair value of the asset to be transferred. Any revaluation surplus/deficit so arising, being the difference between the valuation and the net carrying value of the asset at the date of transfer, is credited/charged to the asset revaluation reserve of the related asset. The remaining asset revaluation reserve attached to that asset, if any, is frozen and remains as an asset revaluation reserve until that asset is sold.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Costs incurred as an incentive to enter into an operating lease are recognised as an reduction of rental income over the lease term on a straight-line basis.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating lease, in which case the entire lease is classified as an operating lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at the end of the reporting period is permitted to be carried forward and utlilised by the respective employees in the following year. An accrual is made at the end of the reporting period 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 Hong Kong 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 end of the reporting period.

Retirement benefits costs

Payments to central pension scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (capital reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to capital reserve.

At the time when the share options are exercised, the amount previously recognised in capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in capital reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, including term deposits, which have original maturity within three months and are not restricted as to use. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, cash and cash equivalents and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contract, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables and amounts due from related companies, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amounts due from related companies where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and amounts due from related companies are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities including trade and other payables and deposits received, amounts due to related companies and short-term and long-term borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Financial Statements

For the Year ended 31 July 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the entity's accounting policies

Ownership of buildings

Despite the Group has paid the full consideration for the leasehold buildings stated in Note 15, the building ownership certificates and the formal titles of the buildings were not yet granted to the Group by the relevant government authorities. The Directors determine to recognise these leasehold buildings on the grounds that they expect there to be no major difficulties in obtaining the legal titles in future and the Group is in substance controlling the usage of these leasehold buildings. The absence of formal title to these leasehold builidings does not impair the value of the relevant properties to the Group.

Notes to the Financial Statements

For the Year ended 31 July 2011

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. The Directors consider information from current prices in an active market for similar properties and use assumptions that are mainly based on market conditions existing at the end of each reporting period. This conclusion is supported by an independent professional valuer who was engaged by the Group to perform a valuation on the Group's investment properties. The fair values of investment properties were approximately HK$791,000,000 as at 31 July 2011 (2010: HK$700,000,000).

Provision for obsolete and slow-moving inventories

The Group's and the Company's inventories are stated at the lower of cost and net realisable value. The Group and the Company make provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2011, both the Group and the Company had written back provision for slow moving inventories amounting to approximately HK$2,016,000 (2010: HK$4,015,000).

Impairment of trade and other receivables

The Group and the Company make impairment based on assessment of the recoverability of trade and other receivables. The Group and the Company make estimates based on the aging of its trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was deteriorated and resulted in an impairment of their ability to make payments, impairment loss may be required. As at 31 July 2011, the carrying amounts of trade receivables of the Group and the Company were approximately HK$12,976,000 (2010: HK$15,363,000) and HK$478,000 (2010: HK$469,000), respectively, net of allowance for doubtful debts approximately HK$1,641,000 (2010: HK$15,352,000) and approximately HK$156,000 (2010: HK$14,081,000), respectively.

The carrying amounts of other receivables of the Group and the Company were approximately HK$36,185,000 (2010: HK$21,193,000) and HK$15,018,000 (2010: HK$8,373,000), respectively, and no allowance for doubtful debts was recognised in respect of other receivables for both years. During the year ended 31 July 2011, the Group had written off other receivables of approximately HK$1,253,000 (2010: nil) and such amount was recognised in the consolidated statement of comprehensive income.

Notes to the Financial Statements

For the Year ended 31 July 2011

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Income tax

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors is also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as existence of taxable temporary differences, group relief, tax planning strategies and the periods in which the estimated tax losses can be utilised.

As at 31 July 2011, the Group had recognised the deferred tax assets of approximately HK$6,922,000 (2010: HK$3,261,000) in relation to unused tax losses in the consolidated statement of financial position.

Impairment loss of amounts due from subsidiaries

For the amounts due from subsidiaries, the Company makes impairment based on the assessment of the recoverability of these amounts. Impairment loss is applied to amounts due from subsidiaries where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the amounts is less than their respective carrying amounts. The identification of impairment loss requires the use of judgement and estimates where the expectation on the recoverability of the amounts due from subsidiaries has been changes. As at 31 July 2011, the carrying amount of amounts due from subsidiaries was approximately HK$559,808,000 (2010: HK$541,652,000), net of allowance for amounts due from subsidiaries of approximately HK$34,772,000 (2010: HK$29,988,000).

5. SEGMENT INFORMATION

The Group determines its operating segments based on information reported to the Directors, being the chief operating decision maker, for the purposes of resources allocation and performance assessment.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- **Garment and related accessories business; and**
- **Property investment and letting business.**

Notes to the Financial Statements

For the Year ended 31 July 2011

5. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**492,444**	455,289	**22,076**	2,319	**514,520**	457,608
Other revenue from external customers	**46,359**	42,624	**601**	1,423	**46,960**	44,047
Group's revenue	**538,803**	497,913	**22,677**	3,742	**561,480**	501,655
Reportable segment profit	**11,243**	4,643	**93,458**	151,305	**104,701**	155,948
Unallocated corporate income					**572**	377
Unallocated corporate expenses					**(44)**	(14)
Finance costs					**(599)**	(379)
Profit before income tax					**104,630**	155,932

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of bank interest income, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Notes to the Financial Statements

For the Year ended 31 July 2011

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 July

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment assets	**310,835**	258,034	**817,564**	720,673	**1,128,399**	978,707
Unallocated corporate assets					**80,045**	96,985
Total consolidated assets					**1,208,444**	1,075,692
LIABILITIES						
Segment liabilities	**74,159**	64,735	**9,479**	6,580	**83,638**	71,315
Unallocated corporate liabilities					**129,878**	107,632
Total consolidated liabilities					**213,516**	178,947

For the purpose of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments, other than cash and cash equivalents.

— all liabilities are allocated to reportable segments, other than short-term and long-term borrowings, tax payable and deferred tax liabilities.

Notes to the Financial Statements

For the Year ended 31 July 2011

5. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	**45,451**	23,531	**18,671**	2,576	**64,122**	26,107
Additions to deposits for acquisition and construction of property, plant and equipment	**8,695**	2,070	**—**	—	**8,695**	2,070
Interest in an associate	**—**	—	**17,762**	15,718	**17,762**	15,718
Depreciation and amortisation	**12,117**	14,335	**1,142**	70	**13,259**	14,405
Write back of provision for slow-moving inventories	**(2,016)**	(4,015)	**—**	—	**(2,016)**	(4,015)
Write-off (Write-back) of provision for bad and doubtful debts	**102**	(590)	**—**	—	**102**	(590)
Bad debts write-off (write-back)	**94**	(142)	**—**	—	**94**	(142)
Loss on disposal/write-off of property, plant and equipment	**769**	1,294	**—**	—	**769**	1,294
Reversal of long outstanding trade payables	**(831)**	(353)	**—**	—	**(831)**	(353)
Other receivables write-off	**1,253**	—	**—**	—	**1,253**	—
Fair value gains on investment properties	**—**	—	**(76,453)**	(146,500)	**(76,453)**	(146,500)
Share of profit of an associate	**—**	—	**(1,443)**	(6,887)	**(1,443)**	(6,887)
Interest income from an associate	**—**	—	**(601)**	—	**(601)**	—
Amounts regularly provided to the chief operation decision maker but not included in measure of segment profit or loss or segment assets:						
Bank interest income	**(572)**	(377)	**—**	—	**(572)**	(377)
Interest expense	**439**	379	**160**	—	**599**	379
Income tax expense (credit)	**8,105**	4,907	**11,346**	(12,459)	**19,451**	(7,552)

Note: Non-current assets include property, plant and equipment, investment properties, construction in progress and land lease prepayments.

Notes to the Financial Statements

For the Year ended 31 July 2011

5. SEGMENT INFORMATION (continued)

Geographical information

The following table provides an analysis of the Group's revenue from external customers and information about its non-current assets by geographical location of the assets:

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**381,465**	319,603	**851,537**	750,873
The PRC	**180,015**	182,052	**122,727**	77,371
	561,480	501,655	**974,264**	828,244

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the two years ended 31 July 2011 and 2010.

6. REVENUE AND OTHER INCOME

Revenue represents revenue arising on the sales of garments and related accessories and rental income.

An analysis of revenue and other income is as follows:

	2011	2010
	HK$'000	HK$'000
Revenue		
Sale of goods	**492,444**	455,289
Gross rental income	**22,076**	2,319
	514,520	457,608
Other income		
Royalty income	**44,115**	40,409
Bank interest income	**572**	377
Interest income from an associate	**601**	—
Sale of miscellaneous materials	**—**	271
Income from a related company for contributing an investment property as a security (Note 34(a)(vi))	**—**	1,420
Others	**2,244**	1,947
	47,532	44,424

Notes to the Financial Statements

For the Year ended 31 July 2011

7. PROFIT BEFORE INCOME TAX/OTHER OPERATING EXPENSES, NET

The Group's profit before income tax has been arrived at after charging/(crediting):

	2011 HK$'000	2010 HK$'000
Staff costs, including directors' remuneration (Note 9):		
Wages and salaries	82,080	78,824
Pension scheme contributions	2,543	2,537
Severance payments	—	308
(Reversal of) provision for long service payments	(193)	203
	84,430	81,872
Cost of inventories sold	176,454	167,721
Depreciation of property, plant and equipment	12,930	14,089
Amortisation of land lease prepayments (included in administrative expenses)	329	316
Auditors' remuneration	580	800
Operating lease payments in respect of rented land and buildings:		
Minimum lease payments under operating leases	115,034	105,270
Contingent rents	14,510	12,910
	129,544	118,180
Gross rental income	22,076	2,319
Less: outgoings	(802)	—
	21,274	2,319
Write-back of provision for slow-moving inventories (included in cost of sales)	(2,016)	(4,015)
Other operating expenses, net:		
(Reversal of) provision for long service payments	(193)	203
Severance payments	—	308
Provision for (write-back of) bad and doubtful debts	102	(590)
Bad debts write-off (write-back)	94	(142)
Loss on disposal/write-off of property, plant and equipment	769	1,294
Other receivables write-off	1,253	—
Reversal of long outstanding trade payables	(831)	(353)
Exchange (gain) loss, net	(402)	473
	792	1,193

Notes to the Financial Statements

For the Year ended 31 July 2011

8. DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2011 (2010: nil) nor has any dividend been proposed by the Company since the end of the reporting period (2010: nil).

9. DIRECTORS' REMUNERATION

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

	Executive directors		Non-executive directors	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
			(Note)	(Note)
Fees	**51**	50	**430**	480
Other emoluments:				
Salaries, allowances and benefits in kind	**10,951**	9,279	**—**	—
Pension schemes contributions	**21**	24	**—**	—
	10,972	9,303	**—**	—
	11,023	9,353	**430**	480

Note: Amount includes the remuneration paid to independent non-executive directors during the year of HK$180,000 (2010: HK$180,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2011 and 2010.

During the years ended 31 July 2011 and 2010, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

The remuneration of Directors is determined by the Remuneration Committee of the Company having regard to the performance of individuals and market trends.

Notes to the Financial Statements

For the Year ended 31 July 2011

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2011			
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Lam Kin Ming	10	6,646	—	6,656
Lam Wai Shan, Vanessa	10	3,114	12	3,136
Lam Kin Ngok, Peter	10	—	—	10
Lam Kin Hong, Matthew	10	—	—	10
Wan Yee Hwa, Edward (redesignated on 1 February 2011 from being an independent non-executive director)	5	368	—	373
Tong Ka Wing, Carl (redesignated on 16 May 2011 from being an non-executive director)	2	101	3	106
Cheng Suet Fei, Sophia (retired on 17 December 2010)	4	722	6	732
Non-executive directors				
Tong Ka Wing, Carl (redesignated on 16 May 2011 as executive director)	190	—	—	190
Lam Suk Ying, Diana	60	—	—	60
Independent non-executive directors				
Yeung Sui Sang	60	—	—	60
Wan Yee Hwa, Edward (redesignated on 1 February 2011 as executive director)	30	—	—	30
Chow Bing Chiu	60	—	—	60
Leung Shu Yin, William (appointed on 1 February 2011)	30	—	—	30
	481	10,951	21	11,453

Notes to the Financial Statements

For the Year ended 31 July 2011

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2010			
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Lam Kin Ming	10	5,263	—	5,273
Lam Wai Shan, Vanessa	10	2,516	12	2,538
Lam Kin Ngok, Peter	10	—	—	10
Lam Kin Hong, Matthew	10	—	—	10
Cheng Suet Fei, Sophia	10	1,500	12	1,522
Non-executive directors				
Tong Ka Wing, Carl	240	—	—	240
Lam Suk Ying, Diana	60	—	—	60
Independent non-executive directors				
Yeung Sui Sang	60	—	—	60
Wan Yee Hwa, Edward	60	—	—	60
Chow Bing Chiu	60	—	—	60
	530	9,279	24	9,833

Notes to the Financial Statements

For the Year ended 31 July 2011

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2010: three) directors, details of whose remuneration are set out in Note 9 above. The remuneration of the remaining three (2010: two) highest paid employees is set out below:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**2,675**	1,676
Pension scheme contributions	**36**	24
	2,711	1,700

The remuneration is within the following band:

	Number of employees 2011	2010
Nil to HK$1,000,000	**3**	2

During the years ended 31 July 2011 and 2010, no remuneration was paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings		
— wholly repayable within five year	**510**	379
— not wholly repayable within five years	**89**	—
	599	379

Notes to the Financial Statements

For the Year ended 31 July 2011

12. INCOME TAX EXPENSE (CREDIT)

	2011 HK$'000	2010 HK$'000
Current tax		
— PRC Enterprise Income Tax	7,361	4,907
Deferred tax (Note 28)	12,090	(12,459)
Income tax expense (credit)	19,451	(7,552)

No current Hong Kong Profit Tax has been provided as the Group has unused tax loss available to offset against assessable profits for the year ended 31 July 2011 (2010: nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

A reconciliation of the tax (credit) expense applicable to profit before income tax using the statutory tax rates for the places in which the Group is domiciled to the tax provision at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

For the year ended 31 July 2011

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before income tax	92,632		11,998		104,630	
Tax at the statutory tax rate	15,284	16.5	3,000	25.0	18,284	17.5
Income not subject to tax	(443)	(0.5)	—	—	(443)	(0.4)
Expenses not deductible for tax purposes	1,863	2	2,509	20.9	4,372	4.1
Share of result of an associate	(238)	(0.3)	—	—	(238)	(0.2)
Tax losses not recognised	549	0.6	1,852	15.4	2,401	2.3
Utilisation of tax losses previously not recognised	(4,925)	(5.3)	—	—	(4,925)	(4.7)
	12,090	13.0	7,361	61.3	19,451	18.6

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For the Year ended 31 July 2011

12. INCOME TAX EXPENSE (CREDIT) (continued)

For the year ended 31 July 2010

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before income tax	139,347		16,585		155,932	
Tax at the statutory tax rate	22,992	16.5	4,146	25.0	27,138	17.4
Income not subject to tax	(442)	(0.3)	(247)	(1.5)	(689)	(0.4)
Expenses not deductible for tax purpose	391	0.3	792	4.8	1,183	0.8
Share of result of an associate	(1,136)	(0.8)	—	—	(1,136)	(0.8)
Tax losses not recognised	2,366	1.7	216	1.3	2,582	1.7
Utilisation of tax losses previously not recognised	(1,615)	(1.2)	—	—	(1,615)	(1.0)
Decrease in deferred tax liabilities in respect of reversal of temporary differences	(35,015)	(25.1)	—	—	(35,015)	(22.5)
	(12,459)	(8.9)	4,907	29.6	(7,552)	(4.8)

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit includes a profit of approximately HK$24,414,000 (2010: HK$126,065,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2011	2010
	HK$'000	HK$'000
Amounts of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**24,414**	10,110
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**—**	115,955
Company's profit for the year (Note 31)	**24,414**	126,065

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For the Year ended 31 July 2011

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the year ended 31 July 2011 is based on the consolidated profit attributable to owners of the Company of approximately HK$85,179,000 (2010: HK$163,484,000) and the weighted average number of ordinary shares of 621,127,407 (2010: 617,127,130), calculated as follows:

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 August	**617,127,130**	617,127,130
Effect of share options exercised (Note 29)	**4,000,277**	—
Weighted average number of ordinary shares for the year ended 31 July	**621,127,407**	617,127,130

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 July 2011 is based on the consolidated profit attributable to owners of the Company of approximately HK$85,179,000, and the weighted average number of ordinary shares (diluted) of 621,476,601, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011
Weighted average number of ordinary shares for the year ended 31 July	**621,127,407**
Effect of deemed exercise of outstanding share options under the Company's share option scheme (Note 29)	**349,194**
Weighted average number of ordinary shares (diluted) for the year ended 31 July	**621,476,601**

No diluted earnings per share for the year ended 31 July 2010 has been presented as there is no diluting event existed during that year.

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For the Year ended 31 July 2011

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 August 2009	—	4,200	57,047	11,204	9,482	81,933
Additions	—	34	8,797	1,747	1,548	12,126
Disposals/write-off	—	—	(3,961)	(15)	—	(3,976)
Exchange realignment	—	65	238	90	34	427
At 31 July 2010 and 1 August 2010	—	4,299	62,121	13,026	11,064	90,510
Additions	—	17	13,943	848	1,339	16,147
Disposals/write-off	—	—	(3,422)	(88)	(2,089)	(5,599)
Transfer from construction in progress	19,486	—	—	—	—	19,486
Exchange realignment	496	192	713	304	102	1,807
At 31 July 2011	**19,982**	**4,508**	**73,355**	**14,090**	**10,416**	**122,351**
ACCUMULATED DEPRECIATION						
At 1 August 2009	—	3,731	38,662	8,236	6,632	57,261
Provided for the year	—	140	11,406	1,306	1,237	14,089
Eliminated on disposals/write-off	—	—	(2,639)	(13)	—	(2,652)
Exchange realignment	—	58	166	70	26	320
At 31 July 2010 and 1 August 2010	—	3,929	47,595	9,599	7,895	69,018
Provided for the year	—	128	10,174	1,409	1,219	12,930
Eliminated on disposals/write-off	—	—	(2,549)	(84)	(2,004)	(4,637)
Exchange realignment	—	178	580	237	84	1,079
At 31 July 2011	**—**	**4,235**	**55,800**	**11,161**	**7,194**	**78,390**
CARRYING VALUES						
At 31 July 2011	**19,982**	**273**	**17,555**	**2,929**	**3,222**	**43,961**
At 31 July 2010	—	370	14,526	3,427	3,169	21,492

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 August 2009	44,891	6,132	6,372	57,395
Additions	2,996	1,012	1,548	5,556
Disposals/write-off	(3,204)	—	—	(3,204)
At 31 July 2010 and 1 August 2010	44,683	7,144	7,920	59,747
Additions	2,612	306	—	2,918
Disposals/write-off	(1,342)	—	(1,508)	(2,850)
At 31 July 2011	**45,953**	**7,450**	**6,412**	**59,815**
ACCUMULATED DEPRECIATION				
At 1 August 2009	31,804	5,119	4,471	41,394
Provided for the year	8,049	377	831	9,257
Eliminated on disposals/write-off	(2,205)	—	—	(2,205)
At 31 July 2010 and 1 August 2010	37,648	5,496	5,302	48,446
Provided for the year	4,862	524	884	6,270
Eliminated on disposals/write-off	(1,201)	—	(1,508)	(2,709)
At 31 July 2011	**41,309**	**6,020**	**4,678**	**52,007**
CARRYING VALUES				
At 31 July 2011	**4,644**	**1,430**	**1,734**	**7,808**
At 31 July 2010	7,035	1,648	2,618	11,301

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

Leasehold buildings	2% to 4.5%
Plant and machinery	10%
Furniture and fixtures, including leasehold improvements	10% to 20% or over the lease terms
Computer equipment	20%
Motor vehicles	20%

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For the Year ended 31 July 2011

15. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 July 2011, the Group has not obtained the building ownership certificates for buildings with carrying value of approximately HK$19,982,000 (2010: nil). The buildings are situated on the land under medium-term land lease prepayments in the PRC (Note 18). In the opinion of the Directors, the absence of building ownership certificates to these buildings does not impair the value of the buildings to the Group.

16. INVESTMENT PROPERTIES

	The Group	
	2011	2010
FAIR VALUE	**HK$'000**	HK$'000
At the beginning of the year	**700,000**	562,000
Additions	**14,547**	—
Transfer to an associate	—	(8,500)
Fair value gains	**76,453**	146,500
At the end of the year	**791,000**	700,000

On 28 February 2006, the Company, Lai Sun Garment (International) Limited ("LSG") and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG entered into a conditional development agreement (the "Development Agreement") in connection with the redevelopment of an investment property situated at 79 Hoi Yuen Road, Kwun tong, Kowloon (the "KT Property"). Further details of the redevelopment were included in the Company's circular dated 29 April 2006.

Unipress started in 2007 to redevelop the KT Property and the redevelopment was completed in September 2009. The KT Property was renamed as Crocodile Center upon the completion of the redevelopment. Pursuant to the Development Agreement, upon the completion of the redevelopment, the Group assigned the retail and restaurant portions of the Crocodile Center to Unipress and all the car parking space to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 20).

At 31 July 2011, all of the Group's investment properties were pledged to banks to secure the bank loans granted to the Group, details of which are set out in Note 25.

The Group's investment properties were revalued on 31 July 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers not connected to the Group, at approximately HK$791,000,000 (2010: HK$700,000,000) on an open market basis, which has taken into account the market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 July 2011 and 2010, the investment properties are situated on the land under medium-term land lease prepayments in Hong Kong. Further details of the Group's investment properties are disclosed on page 92 of this report.

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For the Year ended 31 July 2011

17. CONSTRUCTION IN PROGRESS

	The Group	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**20,234**	6,145
Additions	**33,428**	13,981
Transfer to property, plant and equipment	**(19,486)**	—
Exchange realignment	**1,410**	108
At the end of the year	**35,586**	20,234

The amount represents construction in progress of a staff quarter and warehouse located in the PRC.

18. LAND LEASE PREPAYMENTS

	The Group	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**15,339**	15,393
Amortisation	**(329)**	(316)
Exchange realignment	**791**	262
At the end of the year	**15,801**	15,339

	The Group	
	2011	2010
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset, included in trade and other receivables, deposits and prepayments	**338**	321
Non-current asset	**15,463**	15,018
	15,801	15,339

Land lease prepayments represent prepaid operating lease payments in the PRC with medium-term lease and are amortised over the lease terms.

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For the Year ended 31 July 2011

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amount due from subsidiaries	**594,580**	571,640
Amount due to subsidiaries	**(13,200)**	(13,098)
	585,430	562,592
Less: Provision for impairment	**(34,772)**	(29,988)
	550,658	532,604

The amounts due from and to subsidiaries are unsecured and not repayable within 12 months.

Except for amounts due from certain subsidiaries, amounted to approximately HK$358,203,000 (2010: HK$360,821,000), which bear interest at Hong Kong dollar prime rate per annum (2010: Hong Kong dollar prime rate less 2.5%), the remaining balances with subsidiaries are interest-free.

Notes to the Financial Statements

For the Year ended 31 July 2011

19. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2011	2010	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited ("Crocodile KT")	Hong Kong	HK$1	**100**	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Crocodile Garments (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	Garment trading
Zhong Shan Crocodile Garments Limited*	The PRC	HK$8,000,000	**100**	100	Property investment
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	**100**	100	Garment trading
Crocodile Garments (Zhong Shan) Limited* ("Crocodile Zhong Shan")	The PRC	HK$17,200,000	**100**	100	Garment manufacturing and trading

* *These subsidiaries are wholly foreign-owned enterprises established in the PRC.*

Except for Crocodile Zhong Shan, Crocodile KT, Zhong Shan Crocodile Garments Limited, Guangzhou Crocodile Garments Commercial Limited and Crocodile Garments (Hong Kong) Limited, all other principal subsidiaries are directly held by the Company.

The above summary lists the principal 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 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 the Financial Statements

For the Year ended 31 July 2011

20. INTEREST IN AN ASSOCIATE

	The Group	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**—**	—
Share of post acquisition profits	**8,330**	6,887
	8,330	6,887
Amount due from an associate	**9,432**	8,831
	17,762	15,718

The amount due from an associate is unsecured, interest bearing at 5% per annum and not repayable within 12 months.

Name	**Form of business structure**	**Place of incorporation/ operation**	**Principal activity**	**Percentage of ownership interests/ voting rights/ profit share**
Mass Energy Limited	Corporation	Hong Kong	Investment holding	50 (Note)

Note:

The Group holds 50% of the issued share capital of Mass Energy Limited, however, the Group does not jointly control or control the composition of the board of directors of Mass Energy Limited. The Directors consider that the Group does exercise significantly influence over Mass Energy Limited and it is therefore classified as an associate of the Group.

According to the Development Agreement as disclosed in Note 16, all car parking spaces of Crocodile Center were assigned to Mass Energy Limited, which is owned equally by LSG and the Group.

Notes to the Financial Statements

For the Year ended 31 July 2011

20. INTEREST IN AN ASSOCIATE (continued)

The summarised unaudited financial information in respect of the Group's associate is set out below:

	2011 HK$'000	2010 HK$'000
Total assets	39,360	34,871
Total liabilities	(22,700)	(21,097)
Net assets	16,660	13,774
Group's share of net assets of an associate	8,330	6,887
Total revenue	1,491	960
Total profit for the year	2,886	13,774
Group's share of profit of associate for the year	1,443	6,887

21. DEPOSITS FOR LAND LEASE PREPAYMENTS

Deposits for land lease prepayments were paid for the purchase of land use rights in the PRC. The Group is in the process of obtaining the land use right certificates from the relevant authority. In October 2010, April 2011 and October 2011, various letters have been issued by such relevant authority which acknowledged (i) the receipt of the deposits; (ii) the application of the issuance of the land use right certificates; and (iii) if the land use right certificates cannot be obtained, all money paid to the relevant authority shall be returned to the Group with interest. Details of the capital commitments in relation to the acquisition of the land lease are set out in Note 33 to the financial statements.

22. INVENTORIES

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Raw materials	1,209	1,211	816	753
Finished goods	72,167	72,759	42,398	49,254
	73,376	73,970	43,214	50,007

During the year, write-back of provision for slow-moving inventories of approximately HK$2,016,000 (2010: HK$4,015,000) has been recognised and included in the cost of sales upon the sales of the relevant inventories.

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23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**14,617**	30,715	**634**	14,550
Less: Allowance for bad and doubtful debts	**(1,641)**	(15,352)	**(156)**	(14,081)
	12,976	15,363	**478**	469
Other receivables	**36,185**	21,193	**15,018**	8,373
Deposits and prepayments	**31,449**	39,925	**13,931**	14,726
	80,610	76,481	**29,427**	23,568

(i) 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 term is extended to 90 days. Each customer has been set with a maximum credit limit.

The Group and the Company seek to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

(ii) An aging analysis of the trade receivables as at the end of the reporting period, net of allowance, based on the invoice date is as follows.

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
0 to 90 days	**9,571**	14,011	**423**	379
91 to 180 days	**2,681**	697	**14**	57
181 to 365 days	**724**	655	**41**	33
	12,976	15,363	**478**	469

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23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iii) The movements in the allowance for bad and doubtful debts for trade receivables during the year, including both specific and collective loss components, are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**15,352**	15,938	**14,081**	14,137
Allowance provided (reversed)	**102**	(590)	**(41)**	(58)
Write-off as uncollectable	**(13,884)**	—	**(13,884)**	—
Exchange realignment	**71**	4	**—**	2
At the end of the year	**1,641**	15,352	**156**	14,081

Included in allowance for bad and doubtful debts of the Group and the Company are individually impaired trade receivables with an aggregate balance of approximately HK$1,641,000 (2010: HK$15,352,000) and approximately HK$156,000 (2010: HK$14,081,000) respectively. The impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group and the Company do not hold any collateral over these balances.

(iv) An aging analysis of trade receivables that are neither individually nor collectively considered to be impaired as at the end of the reporting period is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**3,909**	4,437	**148**	217
Past due				
Within 60 days	**5,662**	9,574	**275**	162
61 days to 150 days	**2,681**	697	**14**	57
Over 150 days	**724**	655	**41**	33
	9,067	10,926	**330**	252
	12,976	15,363	**478**	469

Trade receivables that were neither past due nor impaired related to a wide range of customers that have no recent history of default payment.

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For the Year ended 31 July 2011

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iv) (continued)

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group and the Company. Based on past experience, the Directors believe that no allowance for bad and doubtful debts is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

The Group and the Company do not hold any collateral over the trade receivables.

24. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**65,431**	94,695	**15,209**	18,394
Time deposits	**14,614**	2,290	**2,500**	—
Cash and cash equivalents	**80,045**	96,985	**17,709**	18,394

At the end of the reporting period, cash and bank balances of the Group and the Company denominated in Renminbi ("RMB") amounted to approximately HK$56,070,000 (2010: HK$73,707,000) and HK$1,000,000 (2010: HK$1,386,000), respectively. The 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 to other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits were made for varying periods between one week and three months depending on the immediate cash requirements of the Group, and earned interest at the respective short-term time deposit rates.

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25. BORROWINGS

	Effective interest rates (%) p.a.	The Group 2011 HK$'000	The Group 2010 HK$'000
Bank loans, secured	1.29-1.71	**25,347**	—
Bank loans, unsecured	1.74-2.54	**—**	22,000
Trust receipt loans, unsecured	1.44-5.75	**15,033**	12,616
		40,380	34,616

	Effective interest rates (%) p.a.	The Company 2011 HK$'000	The Company 2010 HK$'000
Bank loans, unsecured	1.74-2.54	**—**	22,000
Trust receipt loans, unsecured	1.44-5.75	**15,033**	12,616
		15,033	34,616

	The Group 2011 HK$'000	The Group 2010 HK$'000
Carrying amount repayable:		
On demand or within one year	**15,946**	34,616
More than one year, but not exceeding two years	**930**	—
More than two years but not exceeding five years	**18,886**	—
More than five years	**4,618**	—
	40,380	34,616
Less: Amounts shown under current liabilities	**(15,946)**	(34,616)
Amounts shown under non-current liabilities	**24,434**	—

	The Company 2011 HK$'000	The Company 2010 HK$'000
Carrying amount repayable:		
On demand or within one year	**15,033**	34,616

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25. BORROWINGS (continued)

The borrowings of the Group and the Company bore interest at floating interest rates and were denominated in Hong Kong dollars.

As at 31 July 2011, all of the Group's investment properties with a carrying value of approximately HK$791,000,000 (Note 16) were pledged to secure bank loans of approximately HK$25,347,000 (2010: nil).

As at 31 July 2011, the Company had provided guarantee to the borrowings of its subsidiary companies for an aggregate amount of HK$25,347,000 (2010: nil).

26. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

An aging analysis of the trade payables as at the end of the reporting period, based on the date of receipt of the goods, and the balances of deposits received and accruals and other payables is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
0 to 90 days	**16,544**	11,090	**12,581**	9,725
91 to 180 days	**2,717**	798	**516**	601
181 to 365 days	**1,589**	115	**522**	131
Over 365 days	**1,148**	1,998	**250**	795
	21,998	14,001	**13,869**	11,252
Advance from customers	**16,862**	15,665	**—**	—
Deposits received	**7,127**	5,059	**40**	133
Other payables and accruals	**34,445**	32,681	**11,685**	12,011
	80,432	67,406	**25,594**	23,396

The trade payables are normally settled between 30 and 90 days. The Group and the Company have financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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27. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**3,324**	3,285	**3,258**	3,285
Amounts (reversed) provided during the year	**(193)**	203	**(211)**	137
Amounts utilised during the year	**(277)**	(164)	**(277)**	(164)
At the end of the year	**2,854**	3,324	**2,770**	3,258

The Group and the Company make provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance, as further explained in Note 3 to the financial statements. The provision made is based on the best estimate of the probable future payments to be made to the employees based on their services rendered up to the end of the reporting period.

28. DEFERRED TAX LIABILITIES

The movements in the net deferred tax liabilities during the year were as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**57,460**	69,919
Deferred tax charged (credited) during the year (Note 12)	**12,090**	(12,459)
At the end of the year	**69,550**	57,460

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) of the Group during the year were as follows:

Deferred tax asset

The Group	Losses available for offsetting against future taxable profits	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**3,261**	170
Deferred tax credited during the year	**3,661**	3,091
At the end of the year	**6,922**	3,261

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28. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities

The Group	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 August 2009	(252)	(69,837)	(70,089)
Decrease in deferred tax liabilities in respect of reversal of temporary difference credited during the year	219	34,796	35,015
Deferred tax charged during the year	(1,474)	(24,173)	(25,647)
At 31 July 2010 and 1 August 2010	(1,507)	(59,214)	(60,721)
Deferred tax charged during the year	(3,159)	(12,592)	(15,751)
At 31 July 2011	**(4,666)**	**(71,806)**	**(76,472)**

As at 31 July 2011, the Group has unutilised Hong Kong and PRC tax losses of approximately HK$211,510,000 (2010: HK$170,208,000). Tax losses in Hong Kong are available for offsetting against future taxable profits of the companies in which the losses arose for an indefinite period. The PRC tax loss unutilised as at 31 July 2011 will expire in the years between 2013 and 2015.

Deferred tax asset has been recognised in respect of approximately HK$41,952,000 (2010: HK$19,763,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses and the PRC tax losses of approximately HK$169,558,000 (2010: HK$150,445,000) in aggregate due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the consolidated financial statements in respect of the temporary difference attributable to retained profits of the PRC subsidiaries amounting to approximately HK$10,513,000 (2010: nil) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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29. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 22 December 2006 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any subsidiary in the Group at a consideration of HK$1 to take up options to subscribe for shares of the Company. On and subject to the terms of the Share Option Scheme and the requirement of the Listing Rules, the Directors shall be entitled, at any time and from time to time within ten years commencing on the Commencement Date (as defined in the Share Option Scheme) and subject to such conditions as the Directors may think fit, to grant options to subscribe at the Subscription Price (as defined in the Share Option Scheme) for such number of shares in the Company as the Directors may determine.

a) The following options were outstanding under the Share Option Scheme as at 31 July 2011 and 2010:

	Number of options					
Name of category of Participants	At 1 August 2009, 31 July 2010 and 1 August 2010	Granted during the year	Exercised during the year	Expired during the year	At 31 July 2011	Exercise price of options[1] per share (HK$)
Directors	6,787,000[2]	—	(3,702,000)	(3,085,000)	—	0.68
Employees	5,800,000[2]	—	(3,000,000)	(2,800,000)	—	0.68
Total	12,587,000	—	(6,702,000)	(5,885,000)	—	

1 The exercise price of the options is subject to adjustment in the event of rights or bonus issues or similar changes in the Company's share capital.

2 Share options were granted on 13 July 2007 and the vesting period of the options was two years commencing from the date of grant. The exercise period of the share options was from 13 July 2009 to 12 July 2011.

b) No share option was granted during the year ended 31 July 2011 (2010: nil).

c) The share options exercised during the year were exercised at the price of HK$0.68 and the weighted average share price at the dates of exercise is HK$0.91. No share option was exercised for the year ended 31 July 2010.

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30. SHARE CAPITAL

	The Company			
	2011		2010	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
800,000,000 ordinary shares of HK$0.25 each	**800,000,000**	**200,000**	800,000,000	200,000
Issued and fully paid:				
At 1 August	**617,127,130**	**154,282**	617,127,130	154,282
Shares issued under share option scheme (Note 29)	**6,702,000**	**1,675**	—	—
At 31 July	**623,829,130**	**155,957**	617,127,130	154,282

During the year ended 31 July 2011, the Company issued 6,702,000 shares at the subscription price of HK$0.68 each for a total consideration of approximately HK$4,556,000 upon the exercise of the share options previously granted. These shares issued rank pari passu in all respects with the existing ordinary shares in issue.

31. RESERVES

The Company

	Share premium account HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2009	164,921	1,738	146,269	312,928
Profit and comprehensive income for the year (Note 13)	—	—	126,065	126,065
At 31 July 2010 and 1 August 2010	164,921	1,738	272,334	438,993
Profit and comprehensive income for the year (Note 13)	—	—	24,414	24,414
Shares issued upon exercise of share options	3,807	(926)	—	2,881
Transfer upon lapse of share options	—	(812)	812	—
At 31 July 2011	**168,728**	**—**	**297,560**	**466,288**

Notes to the Financial Statements

For the Year ended 31 July 2011

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Gross property rental income earned during the year was approximately HK$22,076,000 (2010: HK$2,319,000). The Group leases its investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from three to four years. The terms of the leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had future minimum lease receivables under non-cancellable operating leases contracted with tenants as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**24,672**	13,151
In the second to fifth years, inclusive	**27,192**	28,865
	51,864	42,016

(b) As lessee

The Group and the Company lease their office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**107,269**	99,149	**68,902**	75,793
In the second to fifth years, inclusive	**85,362**	99,295	**42,286**	63,863
	192,631	198,444	**111,188**	139,656

The operating lease rentals of certain retails shops are charged on the higher of fixed rental or contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales in these retail shops could not be accurately determined, the relevant contingent rent has not been included in the analysis above which only included the minimum lease commitments.

Notes to the Financial Statements

For the Year ended 31 July 2011

33. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in Note 32 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
Land lease payments in the PRC	**4,181**	3,974	—	—
Acquisition and construction of property, plant and equipment in the PRC	**4,473**	15,491	—	—
Expenditure on shop decorations in Hong Kong and the PRC	—	37	—	29
	8,654	19,502	—	29

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group and/or the Company had the following material transactions with related parties during the year:

	Notes	**2011** **HK$'000**	2010 HK$'000
Rental expenses and building management fees paid and payable to:			
— Lai Sun Textiles Company Limited	(i)	**2,704**	2,576
— Lai Sun Development Company Limited	(ii)	**2,703**	2,968
Royalty income from a related company	(iii)	**588**	566
Rental income from a related company	(iv)	**1,061**	244
Interest income from an associate	(v)	**601**	—
Income from a related company for contributing an investment property as security	(vi)	—	1,420

Notes to the Financial Statements

For the Year ended 31 July 2011

34. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes:

(i) Lai Sun Textiles Company Limited is a company of which certain executive directors of the Company are the beneficial shareholders. The rental expenses and building management fee were paid to this related company pursuant to the terms of respective lease agreements.

(ii) Lai Sun Development Company Limited is a company of which certain executive directors of the Company are also its directors. The rental expenses and building management fee were paid to this related company pursuant to the terms of the respective lease agreements.

(iii) The royalty income was received from a related company of which an executive director of the Company is also its director.

(iv) The rental income was received from a related company of which an executive director of the Company is also its director.

(v) The interest income received from an associate was charged based on an interest rate of 5% per annum.

(vi) In consideration of the Company's contribution of the KT Property as security for the construction finance, in accordance with the Development Agreements, Unipress would make quarterly payments of HK$2,130,000 to the Company during the period from the delivery of vacant possession of the KT Property to the completion of construction of Crocodile Center. The construction was completed in September 2009 and the charges on the KT Property were released in March 2010. As such, only payments in respect of August and September 2009 were received by the Company for the year ended 31 July 2010. Further details of this transaction are set out in Notes 16 and 34(b)(i) to the financial statements and the Company's circular dated 29 April 2006. This transaction was ceased in 2010 and was not a continuing transaction since then.

The Directors consider that the above transactions are conducted in the ordinary and usual course of the Group's business.

Notes to the Financial Statements

For the Year ended 31 July 2011

34. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

(i) The Company, LSG and Unipress, executed the Development Agreement in connection with the redevelopment of the KT Property. Details of the arrangement are set out in Note 16 to the financial statements and the Company's circular dated 29 April 2006.

The Company, Crocodile KT, a wholly-owned subsidiary of the Company and the owner of the KT Property, Unipress and LSG entered into a deed of undertaking, guarantee and indemnity (the "Deed") whereby (a) Unipress (i) acted as covenantor and primary obligor in relation to a facility agreement entered into between a bank as the lender, and Crocodile KT, as the borrower (the "Facility Agreement"); and (ii) had at its own expense, arranged the construction and completion of the redevelopment of the KT Property under such construction contracts as Unipress considered necessary; (b) LSG guaranteed the performance by Unipress of its obligations thereunder. Pursuant to the Deed, Crocodile KT was a party to the Facility Agreement and some or all of the construction or consultancy contracts entered into from time to time, and Unipress and LSG were responsible for the completion of the redevelopment of the KT Property and the funding obligations in respect thereof. Accordingly, the KT Property was pledged to the bank as security for a bank loan granted to Unipress for the development and construction cost of the KT Property.

On 22 March 2010, all the bank term loans in relation to the Facility Agreement were fully settled and the charges on the KT Property were released in March 2010 as further detailed in Note 34(a)(vi).

This transaction was ceased in 2010 and was not a continuing transaction since then.

(ii) As at 31 July 2011, the Company has provided guarantee to the borrowings of approximately HK$25,347,000 (2010: nil) of its subsidiary companies.

(c) Outstanding balances with related parties:

The balances were derived from normal business activities and are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	2011 **HK$'000**	2010 HK$'000
Short-term employee benefits	**11,002**	9,329
Post-employment benefits	**21**	24
	11,023	9,353

Further details of directors' remuneration are included in Note 9 to the financial statements.

Notes to the Financial Statements

For the Year ended 31 July 2011

35. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the scheme, to which the same amount of contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement fund in accordance with the rule and regulations in the PRC.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the year ended 31 July 2011, the total retirement benefits scheme contributions charged to the consolidated income statement amounted to approximately HK$2,543,000 (2011: HK$2,537,000).

36. CAPITAL RISK MANAGEMENT

The Group and the Company manage the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group and the Company remained unchanged from prior year.

The capital structure of the Group and the Company consists of borrowings disclosed in Notes 25, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group and the Company expect to maintain a stable gearing ratio through the issue of new shares as well as the undertaking of new debts or the redemption of existing debts.

Notes to the Financial Statements

For the Year ended 31 July 2011

36. CAPITAL RISK MANAGEMENT (continued)

The gearing ratio at the end of the reporting period was as follows:

The Group

	2011	2010
	HK$'000	HK$'000
Debts (i)	**40,380**	34,616
Equity (ii)	**994,928**	896,745
Debt to equity ratio	**4.1%**	3.9%

The Company

	2011	2010
	HK$'000	HK$'000
Debts (i)	**15,033**	34,616
Equity (ii)	**622,245**	593,275
Debt to equity ratio	**2.4%**	5.8%

(i) Debt is defined as long-term and short-term borrowings, as detailed in Note 25.

(ii) Equity includes all capital and reserves of the Group and the Company.

37. FINANCIAL RISK MANAGEMENT

a. Categories of financial instruments

The carrying amounts of the Group's and the Company's financial assets and financial liabilities as recognised at 31 July 2011 and 2010 are categorised as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**180,988**	186,747
Financial liabilities measured at amortised cost	**104,302**	86,942

	The Company	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**61,396**	55,717
Financial liabilities measured at amortised cost	**40,727**	58,358

Notes to the Financial Statements

For the Year ended 31 July 2011

37. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies

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

Market risk

Foreign currency risk

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Interest rate risk

The Group and the Company were exposed to cash flow interest rate risk in relation to variable-rate borrowings and cash and cash equivalents. Details of the bank balances and time deposits and borrowings are disclosed in Note 24 and 25, respectively. It is the Group's policy to keep its bank balances and time deposits and borrowings at floating rate of interests so as to minimise the fair value interest rate risk. As at 31 July 2011, the fair value interest rate risk associated with the Group's borrowings and cash and cash equivalents was insignificant.

The Group's and the Company's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this Note. The Group's and the Company's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

At 31 July 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profit by HK$111,000 (2010: HK$183,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for the year ended 31 July 2010.

Notes to the Financial Statements

For the Year ended 31 July 2011

37. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's and the Company's maximum exposure to credit risk is primarily attributable to its trade receivables and is arising from the carrying amount of such financial asset. There are policies in place to ensure that goods are sold to customers with appropriate credit history and the Group and the Company perform credit evaluation of its customers. The Group and the Company is also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in Note 34. The Group also has policies that limit the amount of credit exposure to any financial institution.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 84.1% (2010: 89.7%) of the total trade receivables as at 31 July 2011. The Company does not have significant concentration of credit risk as at 31 July 2011 and 2010.

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group and the Company aim to maintain flexibility in funding by keeping committed credit lines available.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority.

Notes to the Financial Statements

For the Year ended 31 July 2011

37. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities and based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The Group	**Less than 1 year HK$'000**	**Between 1 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 July HK$'000**
At 31 July 2011					
Non-derivative financial liabilities					
Borrowings	**16,325**	**20,526**	**4,803**	**41,654**	**40,380**
Trade and other payables and deposits received	**63,570**	**—**	**—**	**63,570**	**63,570**
Amounts due to related companies	**352**	**—**	**—**	**352**	**352**
	80,247	**20,526**	**4,803**	**105,576**	**104,302**

The Group	Less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July HK$'000
At 31 July 2010			
Non-derivative financial liabilities			
Borrowings	35,214	35,214	34,616
Trade and other payables and deposits received	51,741	51,741	51,741
Amounts due to related companies	585	585	585
	87,540	87,540	86,942

Notes to the Financial Statements

For the Year ended 31 July 2011

37. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

The Company	**Less than 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying Amount at 31 July HK$'000**
At 31 Jul 2011			
Non-derivative financial liabilities			
Borrowings	**15,042**	**15,042**	**15,033**
Trade and other payables and deposits received	**25,594**	**25,594**	**25,594**
Amounts due to related companies	**100**	**100**	**100**
	40,736	**40,736**	**40,727**

The Company	Less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July HK$'000
At 31 July 2010			
Non-derivative financial liabilities			
Borrowings	35,214	35,214	34,616
Trade and other payables and deposits received	23,396	23,396	23,396
Amounts due to related companies	346	346	346
	58,956	58,956	58,358

c. Fair values

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values due to their immediate or short-term maturities. The Directors consider the fair values of other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

Particulars of Investment Properties

At 31 July 2011

Details of the Group's investment properties are disclosed as follows:

Location	Use	Lease term	Attributable interest of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the "AGM") of the members (the "Members") of Crocodile Garments Limited (the "Company") will be held at Crystal Rooms 1 and 2, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 19 December 2011 at 10:00 a.m. for the following purposes:

1. To consider and receive the audited financial statements of the Company and the reports of the directors and of the independent auditor for the year ended 31 July 2011;

2. To re-elect the retiring directors of the Company (the "Directors") and to authorise the board of Directors (the "Board") to fix the Directors' remuneration;

3. To re-appoint SHINEWING (HK) CPA Limited as the independent auditor of the Company and to authorise the Board to fix its remuneration, a notice having been received from a member of the Company of the intention to propose the following resolution as an Ordinary Resolution of the Company:

   "**THAT** SHINEWING (HK) CPA Limited be and is hereby re-appointed the independent auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at a fee to be agreed with the board of directors of the Company."

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

   (A) "**THAT**:

   (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares in the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:

   (i) a Rights Issue (as hereinafter defined); or

Notice of Annual General Meeting

(ii) an issue of shares in the Company upon the exercise of rights of subscription, exchange or conversion under the terms of any of the options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are exchangeable or convertible into shares in the Company); or

(iii) an issue of shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or

(iv) an issue of shares in the Company under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of shares in the Company or rights to acquire shares in the Company,

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the Members of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held; and

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to the holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

Notice of Annual General Meeting

(B) "**THAT** the authorised share capital of the Company be and is hereby increased from HK$200,000,000.00 divided into 800,000,000 shares with a par value of HK$0.25 each (the "Shares") to HK$300,000,000.00 divided into 1,200,000,000 Shares by the creation of an additional 400,000,000 Shares, each ranking pari passu in all respects with the existing Shares of the Company and **THAT** any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts, deeds or things deemed by the Director to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the increase of the authorised share capital of the Company.".

By Order of the Board
Crocodile Garments Limited

Kwok Siu Man
Company Secretary

Hong Kong, 17 November 2011

Notes:

1. *A Member entitled to attend and vote at the AGM convened by the above notice (the "Notice") is entitled to appoint one (or, if he holds two or more shares, more than one) proxy to attend and, on a poll, vote on his behalf in accordance with the Articles of Association of the Company (the "Articles of Association"). A proxy need not be a Member of the Company.*

2. *A form of proxy for use at the AGM is enclosed with the Notice.*

3. *To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's share registrars (the "Registrars"), Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or its adjourned meeting (as the case may be) and in default, the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the AGM or at its adjourned meeting should they so wish.*

4. *To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars not later than 4:30 p.m. on Wednesday, 14 December 2011 for registration.*

5. *Where there are joint registered holders of any share in the Company, any one of such joint holders may attend and vote at the AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such shares as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the AGM or its adjourned meeting, personally or by proxy, that one of such holders so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.*

Notice of Annual General Meeting

6. *Concerning agenda item 2 of this Notice,*

   (i) *in accordance with Article 94 of the Articles of Association, Mr. Leung Shu Yin, William (appointed by the Board as an independent non-executive Director on 1 February 2011) will retire at the AGM and, being eligible, offers himself for re-election;*

   (ii) *in accordance with Article 100 of the Articles of Association, Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew will retire from office as directors by rotation at the AGM and, being eligible, offer themselves for re-election; and*

   (iii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the aforesaid Directors are set out in the "Biographical Details of Directors" section of the Report of the Directors of the 2010-2011 Annual Report of the Company.*

7. *Concerning agenda item 3 of this Notice, SHINEWING (HK) CPA Limited ("ShineWing") was appointed the independent auditor of the Company to fill the casual vacancy arising from the resignation of BDO Limited in May 2011 to hold office until the conclusion of the forthcoming AGM. A resolution to re-appoint ShineWing will be proposed at the AGM. Subject to the approval of the Members at the AGM, ShineWing will be re-appointed independent auditor of the Company for 2011-2012. Members should note that in practice, independent auditor's remuneration for 2011-2012 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor is being called upon to undertake in any given year. To enable the Company to charge the amount of such auditor's remuneration as operating expenses for the year ending 31 July 2012, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for financial year 2011-2012 is required, and is hereby sought, at the AGM.*

8. *The proposed Ordinary Resolution under agenda item 4(A) of this Notice relates to the granting of a general mandate to the Directors to issue new shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the said Resolution. The Company has no immediate plan to issue any new shares under the general mandate.*

9. *Concerning agenda item 4(B) of this Notice, as at the date of this Notice, the authorised share capital of the Company was HK$200,000,000.00 divided into 800,000,000 Shares. To provide for greater flexibility and accommodate future expansion and growth of the Company, a resolution will be proposed at the AGM to consider and, if thought fit, approve the increase in the authorised share capital of the Company from HK$200,000,000.00 to HK$300,000,000.00 by the creation of additional 400,000,000 Shares. The additional new Shares will rank pari passu in all respects with the existing Shares. The Directors have no present intention to allot and issue such new Shares.*

10. *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice shall be decided by way of a poll.*

CROCODILE