CROCODILE

2012-2013

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
(Incorporated in Hong Kong with limited liability)

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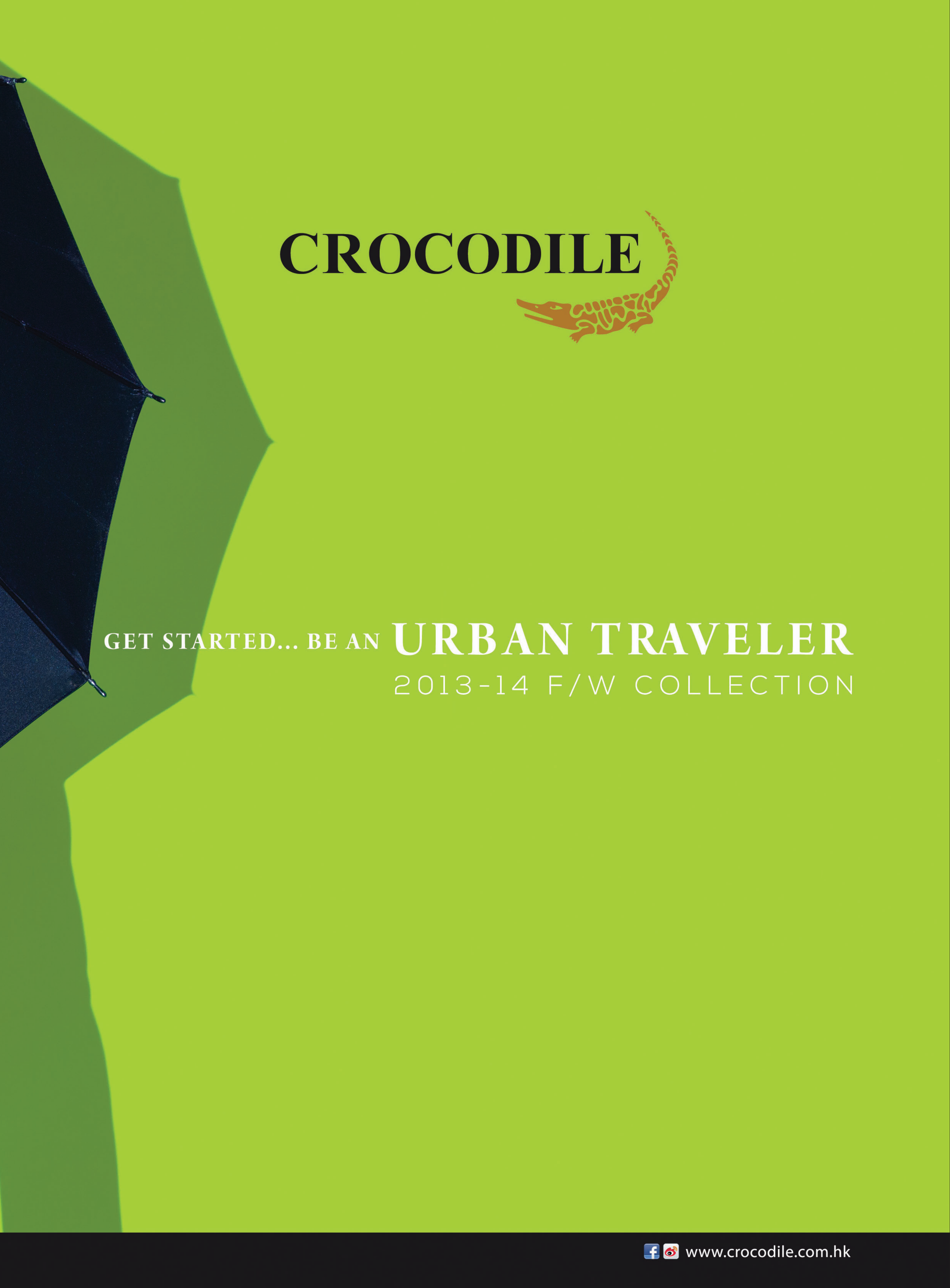
Stock Code on the Hong Kong Stock Exchange: ***122***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Corporate Profile

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 fashions 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


2013-14 F/W
COLLECTION
SMART CROCO

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

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

Company Secretary
Ko Ming Kin

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

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

Stock Code
122

Board Lot
1,000 shares

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
China CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited

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

Principal Place of Business
12th Floor, Wing Tai Centre
12 Hing Yip Street
Kwun Tong
Kowloon, Hong Kong

Website
www.crocodile.com.hk


LACOSTE
L!VE


CELEBRATING EIGHTY

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

The revenue of the Group for the year ended 31 July 2013 was HK$499,451,000 (2012: HK$505,640,000), a drop of 1.2%; and the gross profit of the Group decreased by 7.4% to HK$303,039,000 (2012: HK$327,199,000).

The "Garment and Related Accessories Business" segment experienced an extremely strong head-wind in the year ended 31 July 2013. Under the weakening economic conditions, the short chilly weather in the winter of 2012 and the rainy weather in April 2013 caused the sale of the seasonal high-end merchandises even more sluggish. Competitors having excessive inventory levels on hand offered very deep discounts for clearance and dragged down the gross profit margins of the apparel retail business as a whole. On the other hand, the landlords still raised the already high rental charges significantly upon lease renewals of shops. To weather these tough circumstances, the Group has continued to restructure its sales network to improve the shop operational efficiency and elevate the product design and quality for offering premier merchandises to the market.

The "Property Investment and Letting Business" segment delivered very satisfactory results. It generated a rental income of HK$28,198,000 for the year ended 31 July 2013 (2012: HK$24,299,000) and, benefited from the robust property market in Hong Kong, contributed the fair value gains on investment properties of HK$319,429,000 as at 31 July 2013 (2012: HK$77,127,000).

Combing the results of the two business segments above with the share of profit of an associated company of HK$5,308,000 (2012: HK$2,740,000 as restated) and the exchange differences arising from the translation of foreign operations of HK$7,353,000 (2012: HK$1,359,000), the total comprehensive income attributable to the owners of the Company was HK$244,835,000 for the year ended 31 July 2013 (2012: HK$86,033,000 as restated).

Chairman's Statement

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 July 2013 (2012: Nil).

OPERATIONS IN HONG KONG AND MACAU

Though the economic outlook was bleak, the shop rental expenses remained exorbitant and it aggravated the operating environment of the "Garment and Related Accessories Business" segment. To tackle this issue, the Group has refined its shop portfolio by repositioning and closing down certain under-performing shops. However, it takes time for the advantages of this shop improvement program to be realised. Moreover, the short chilly weather in the winter of 2012 and the rainy weather in April 2013 suppressed the sales of high-end merchandises. The revenue increased merely by 1.4% in the year ended 31 July 2013. As at 31 July 2013, the Group operated 24 shops for Crocodile line (2012: 25) and 8 shops for Lacoste line (2012: 8).

The Hong Kong SAR Government has implemented various stringent measures to cool down the property market; its effect on leasing aspect is yet to be crystallised. The "Property Investment and Letting Business" segment kept on providing a stable income stream to the Group and the rental revenue was HK$28,198,000 for the year ended 31 July 2013 (2012: HK$24,299,000). The fair value gains on investment properties as at 31 July 2013 were HK$319,429,000.

OPERATIONS IN THE MAINLAND OF CHINA ("MAINLAND")

The decelerating economic momentum in the Mainland and poor consumer confidence posed a hurdle to the retail industry in general including the apparel sector. As a result, the revenue of the "Garment and Related Accessories Business" segment dropped materially. Furthermore, the gross profit margin was eroded by the steep discounting campaigns launched by the competitors for clearance of the backlog of inventories. Burden also came from the shopping malls at which the shops of the Group were operating. These shopping malls transferred their costs of promotional activities for increasing the retail traffic to their tenants and exerted a heavy pressure on the selling expenses of the "Garment and Related Accessories Business" segment of the Group. In response to these difficulties, the Group has consolidated its sales network and strengthened the sales channel management to reduce the susceptibilities to changes in retail environment and the risk of stock obsolescence.

As at 31 July 2013, there were a total of 173 shops in the Mainland (2012: 296), including self-operated shops of 81 (2012: 95) and those operated by the Group's franchisees of 92 (2012: 201).

The royalty income from licensees for the year ended 31 July 2013 was HK$51,642,000. It continued to be the Group's steady income stream and the major component of the other income.

Chairman's Statement

With reference to Note 21 - "Deposits for Land Lease Prepayments" to the financial statements of the Group for the year ended 31 July 2013, the valid time bar to recover the whole amount of the land lease prepayments i.e. the Government Deposit together with the Vendor Deposit, from the Local Government was expired in February 2013. After that, whilst the Group had the right to recover the Government Deposit of approximately RMB13,822,000 (equivalent to HK$17,416,000) with interest from the Local Government, the Vendor Deposit of approximately RMB14,721,000 (equivalent to HK$18,548,000) with interest could be recovered only from the Vendor. Having assessed the recoverabilities of these two deposits, it was uncertain that the Vendor Deposit could be recovered from the Vendor in full. Accordingly, a full provision for impairment loss of the Vendor Deposit of approximately RMB14,721,000 (equivalent to HK$18,548,000) was made and, the management opined that the impairment loss was definitely incurred in the year ended 31 July 2013, in which the Group's option to recover the Vendor Deposit from the Local Government was legally expired at the end of February 2013, contrary to any opinion of the uncertainty as to whether the impairment loss, or any portion thereof, was incurred in the year ended 31 July 2012 or 2013.

PROSPECTS

The slowdown of the GDP growth and the recent tightening of liquidity in the money market in the Mainland have exacerbated the sluggish retail market and the gloomy customer sentiment. Moreover, the Central Government's measures of curtailing extravagance have hampered the sales of high-end merchandise which take toll on the gross profit margins of the Group in the Mainland market.

The United States is expected to taper the quantitative easing off in the near future. Combining with the uncertainty on raising the national debt ceiling, the interest rate of US Dollar will go up. As Hong Kong has pegged its currency with the US Dollar, the higher the interest rates of the US Dollar will raise the borrowing costs in Hong Kong and will further dampen the consumption power in the retail sector and adversely affect the "Garment and Related Accessories Business" segment. More directly, it will exert a downside pressure on the property market and as a consequence, jeopardise the performance of the "Property Investment and Letting Business" segment which has been the significant profit contributor to the Group for the past few years.

On the other hand, the responding monetary policies to be adopted by other major economic entities, Europe, the Mainland and Japan will definitely divert the flow of global funds and intensify the volatility of the financial markets. The values of the financial assets held by the Group can possibly be fluctuated beyond expectation.

Facing the tremendous challenges ahead, the Group will pursue its strategy of building the brand image and unique brand identity of "Crocodile" for business sustainability in the long run. Optimisation of sales channels is equally important. The Group will continue to restructure its sales network in the Mainland and Hong Kong. In addition, the Group will manage its liquidity vigilantly to maintain the cash flexibility in the prevailing unpredictable financial atmosphere and grasp any new business and development opportunities.

Chairman's Statement

CONTINGENT LIABILITIES

As at 31 July 2013, 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 utilise 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 financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2013.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi and United States dollars. 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.

Cash and cash equivalents held by the Group amounted to HK$57,569,000 as at 31 July 2013 (2012: HK$49,651,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$4,344,000 (2012: HK$42,493,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2013 were equivalent to HK$22,288,000 (2012: HK$24,778,000) 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 authorised to conduct foreign exchange business.

As at 31 July 2013, the total outstanding borrowings including margin loans of the Group amounted to HK$460,199,000. The total outstanding borrowings comprised unsecured short-term bank trust receipt loans of HK$8,859,000, secured short-term bank trust receipt loans of HK$13,794,000, secured bank mortgage loan of HK$33,537,000, secured margin loans of HK$12,009,000, secured term bank loan of HK$297,000,000 and secured short-term bank revolving loans of HK$95,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loan above was repayable by instalments with its current portion of HK$2,446,000 repayable within one year and long-term portion of HK$31,091,000 repayable in the second to fifteen years.

Chairman's Statement

Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars and Japanese yens. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2013.

As at 31 July 2013, the Group had mortgaged certain of its investment properties with carrying values of HK$1,261,300,000 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 2013 was 32.5%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets.

As at 31 July 2013, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,354,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,372,000 and acquisition of available-for-sale financial asset of HK$8,266,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Except for the respective acquisitions of properties as disclosed in the Company's announcements dated 15 November 2012 and 16 April 2013, the Group had no significant investments, material acquisitions or disposals during the year ended 31 July 2013.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 778 as at 31 July 2013 (2012: 843). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include 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.

APPRECIATION

On behalf of the Board, I would like to thank all members of staff and management for their dedication and continuous support and look forward to sharing the prosperous future of Crocodile with them and all the shareholders and customers.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
25 October 2013

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2013 ("**Year**" and "**Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included the manufacture and sale of garments in Hong Kong, Macau and the Mainland of China ("**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 is set out in Note 5 to the Financial Statements.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the state of affairs of the Company and the Group as at 31 July 2013 are set out in the Financial Statements and their accompanying notes on pages 46 to 124.

The board of Directors ("**Board**") does not recommend the payment of a final dividend for the Year (2012: Nil). No interim dividend was paid or declared in respect of the Year (2012: 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 32 to the Financial Statements.

DIRECTORS

The Directors who were in office during the Year and 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

Non-executive Director
Lam Suk Ying, Diana

Report of the Directors

DIRECTORS (continued)

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

In accordance with Article 100 of the Articles of Association of the Company ("**Articles of Association**"), Mr. Wan Yee Hwa, Edward (an Executive Director), Ms. Lam Suk Ying, Diana (a Non-executive Director), Mr. Yeung Sui Sang and Mr. Chow Bing Chiu (both INEDs) will retire from office by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and being eligible, offer themselves for re-election.

Details of the aforesaid Directors proposed for re-election at the AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) are set out in the sections respectively headed "*Biographical Details of Directors*" and "*Directors' Interests*" of this Report below.

All aforesaid Directors have confirmed that there is no other information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company ("**Shareholders**").

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out below:

Executive Directors

Each of the current Executive Directors named below (except Mr. Wan Yee Hwa, Edward) holds directorships in a number or certain of the subsidiaries of the Company.

Dr. Lam Kin Ming, Chairman, Executive Director and Chief Executive Officer, aged 76, was appointed an Executive Director in December 1993 and is currently a member of the Executive Committee of the Company. He is also the Chairman and an Executive Director of Lai Sun Garment (International) Limited ("**LSG**"), a Non-executive Director of Lai Sun Development Company Limited ("**LSD**") as well as the Deputy Chairman and an Executive Director of Lai Fung Holdings Limited ("**Lai Fung**"). The issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. 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 the United States of America in 2009. Dr. Lam has been involved in day-to-day management in the garment business since 1958.

Dr. Lam is the elder brother of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both Executive Directors) and Ms. Lam Suk Ying, Diana (Non-executive Director). He is also the father of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 42, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee of the Company. She holds a Bachelor of Arts degree from Scripps College in California, United States of America and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 15 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, namely Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work.

Ms. Lam is a daughter of Dr. Lam Kin Ming (Chairman, Executive Director 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 Executive Directors).

Dr. Lam Kin Ngok, Peter, aged 56, was appointed an Executive Director in October 1987. Dr. Lam is the deputy chairman and an Executive Director of LSG, the chairman and an Executive Director of LSD and Media Asia Group Holdings Limited ("**MAGHL**") as well as an Executive Director of eSun Holdings Limited ("**eSun**"). Dr. Lam was the Chairman and an Executive Director of Lai Fung from 25 November 1993 to 31 October 2012. The issued shares of LSG, LSD, Lai Fung and eSun are listed and traded on the Main Board of the Stock Exchange while MAGHL's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam is the 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, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited and a member of Aviation Development Advisory Committee. On 7 October 2013, Dr. Lam was appointed a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland for a term of two years from 7 October 2013 to 6 October 2015.

Dr. Lam is a younger brother of Dr. Lam Kin Ming (Chairman, Executive Director 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 (Executive Director and Deputy Chief Executive Officer of the Company).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Lam Kin Hong, Matthew, aged 45, 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 Lai Fung. He graduated from University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent his training as a solicitor with an international law firm, Messrs. Reed Smith Richards Butler. Mr. Lam is a founding partner of a Hong Kong law firm, CWL Partners and a member of The Law Society of Hong Kong and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and the Mainland. He is the chairman of the Yangtze River Delta Region of the Hong Kong Real Estate Association, a standing committee member of the Chinese People's Political Consultative Conference in Shanghai and in Shantou, Guangdong Province.

Mr. Lam also serves as the honorary consul of the Republic of Estonia in Hong Kong and a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong. He was appointed a Council Member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) on 15 February 2013.

Mr. Lam is the younger brother of Dr. Lam Kin Ming (Chairman, Executive Director 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 (Executive Director and Deputy Chief Executive Officer of the Company).

Mr. Wan Yee Hwa, Edward, aged 77, is an Executive Director and a member of both of the Company's Executive Committee and the Remuneration Committee. Mr. Wan first joined the Board as an INED in December 1993 and was re-designated as an Executive Director 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 a Non-executive Director of each of LSG and LSD from 1 February 2011 to 18 December 2012. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and has been a certified public accountant in Hong Kong since 1961.

The Company and Mr. Wan have entered into a service contract with no fixed term. In accordance with the provisions of the Articles of Association, he will be subject to retirement as a 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. Mr. Wan presently receives an annual salary of HK$600,000 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 the prevailing market conditions.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Wan does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. On 21 August 2013, the Company granted a share option comprising 2,500,000 underlying shares of the Company to Mr. Wan at the exercise price of HK$0.4675 per share of the Company (subject to adjustments) with an exercise period from 21 August 2013 to 20 August 2016 under its share option scheme.

Save as aforesaid, as at the date of this report, Mr. Wan does not have any interest or short position 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 Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**").

For the purpose of Mr. Wan's re-election as a Director at the forthcoming AGM in accordance with the Articles of Association, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information which is discloseable pursuant to the requirements under Rule 13.51(2) of the Listing Rules in connection with the said re-election.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 58, 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, Executive Director and Chief Executive Officer of the Company), an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Ms. Lam does not have a service contract with the Company. In accordance with the provision of the Articles of Association, she will be subject to retirement as a 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. Ms. Lam presently receives an annual director's fee of HK$96,000 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, her duties and responsibilities and time allocated to the Company as well as the prevailing market conditions.

Apart from the aforesaid, Ms. Lam does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this report, Ms. Lam does not have any interest or short position 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

For the purpose of Ms. Lam's re-election as a Director at the forthcoming AGM in accordance with the Articles of Association, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information which is discloseable pursuant to the requirements under Rule 13.51(2) of the Listing Rules in connection with the said re-election.

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 62, was appointed an INED in September 2004 and is currently a member of the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of LSG. Mr. Chow obtained his Bachelor of Laws degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed attesting officer.

Mr. Chow does not have a service contract with the Company. In accordance with the provision of the Articles of Association, he will be subject to retirement as a 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. Mr. Chow presently receives an annual director's fee of HK$96,000 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 the prevailing market conditions.

Mr. Chow has served on the Board as an INED for over 9 years since September 2004. Being a long-serving Director, he has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and give independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Chow would impair his independent judgement. The Board is satisfied that Mr. Chow will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Chow as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

Mr. Chow does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this report, Mr. Chow does not have any interest or short position 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.

For the purpose of Mr. Chow's re-election as a Director at the forthcoming AGM in accordance with the Articles of Association, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information which is discloseable pursuant to the requirements under Rule 13.51(2) of the Listing Rules in connection with the said re-election.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Leung Shu Yin, William, aged 64, was appointed an INED 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. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Mr. Yeung Sui Sang, aged 75, was appointed an INED 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 Hong Kong civil service for over 30 years. Mr. Yeung first joined LSG as administration manager and was later appointed administration controller of the Lai Sun Group. He was also appointed to the boards of LSG, Asia Television Limited and later eSun. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various members of such Group.

Mr. Yeung does not have a service contract with the Company. In accordance with the provision of the Articles of Association, he will be subject to retirement as a 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. Mr. Yeung presently receives an annual director's fee of HK$96,000 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 the prevailing market conditions.

Mr. Yeung has served on the Board as an INED for over 12 years since October 2001. Being a long-serving Director, he has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and give independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Yeung would impair his independent judgement. The Board is satisfied that Mr. Yeung will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Yeung as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

Mr. Yeung does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

As at the date of this report, Mr. Yeung does not have any interest or short position 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.

For the purpose of Mr. Yeung's re-election as a Director at the forthcoming AGM in accordance with the Articles of Association, there are no other matters which need to be brought to the attention of the Shareholders, and there is no information which is discloseable pursuant to the requirements under Rule 13.51(2) of the Listing Rules in connection with the said re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired 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 SIGNIFICANT CONTRACTS

Save as disclosed in Note 38 to the Financial Statements headed "*Related Party Transactions*" and the section headed "*Continuing Connected Transactions*" of this Report below, 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 or any of its subsidiaries was a party during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 38 to the Financial Statements headed "*Related Party Transactions*" and the section headed "*Continuing Connected Transactions*" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) 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 up to the date of this Report, the following Directors (together, "**Interested 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:

Executive Directors including Dr. Lam Kin Ming, Ms. Lam Wai Shan, Vanessa, Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Wan Yee Hwa, Edward (until he retired as a non-executive director of both LSG and LSD on 18 December 2012) held shareholding interests and/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 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 independent of, and at arm's length from, the businesses of such companies/entities.

Report of the Directors

SHARE OPTION SCHEME

The Company adopted a share option scheme ("**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.

Directors are authorised, at their discretion, to invite employees of the Group, including directors of any subsidiary company 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.

No share option was granted during the Year (2012: nil). As at 31 July 2013, the Company has no outstanding share options under the Share Option Scheme (2012: nil).

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2013 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 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 Part XV of the SFO ("**Register of Directors and Chief Executive**"); 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 ("**Securities Code**"):

(1) The Company

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

Name of Directors	Capacity	Personal Interests	Corporate Interests	Total Interests	Approximate Percentage of Total Interests to Total Issued Shares
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	2,874,000	472,200,000 *(Note)*	475,074,000	50.77%
Lam Wai Shan, Vanessa	Beneficial owner	2,827,500	Nil	2,827,500	0.30%

Note:

*Rich Promise Limited ("**RPL**") beneficially owned 472,200,000 Shares, representing approximately 50.46% of the issued share capital of the Company. Dr. Lam Kin Ming was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.*

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) **Associated Corporation**
RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of US$1.00 each of RPL

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 2013, none of the Directors or the chief executive of the Company and their respective associates 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 of Directors and Chief Executive, or notified under the Securities Code.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2013, 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 Officer of the Company) who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares

Name	Capacity	Nature of Interests	Number of Shares Held	Approximate Percentage of Total Interests to Total Issued Shares
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 *(Note 1)*	50.46%
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	Personal/ Corporate	475,074,000 *(Notes 1 and 2)*	50.77%

Notes:

1. *Dr. Lam Kin Ming was deemed to be interested in the 472,200,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL.*

2. *Dr. Lam Kin Ming was personally interested in 2,874,000 Shares.*

Save as disclosed above, the Directors are not aware of any other corporation or person who, as at 31 July 2013, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

The Company had certain continuing connected transactions ("**CCTs**") (as defined by the Listing Rules) during the Year, brief particulars of which are as follows:

1. **Guangzhou Office Leases**

The Company announced on 1 November 2011 that on 31 October 2011, each of 鱷魚恤(中山)有限公司廣州分公司 (Crocodile Garments (Zhong Shan) Limited Guangzhou Branch*) ("**CG (Zhong Shan) Branch**"), a branch of an indirect wholly-owned subsidiary of the Company and 廣州鱷魚恤商業有限公司 (Guangzhou Crocodile Garments Commercial Limited*) ("**GZ Crocodile**"), an indirect wholly-owned subsidiary of the Company as tenant entered into the following lease agreements (in Chinese) respectively with 廣州市百淘房地產開發有限公司 (Guangzhou Besto Real Estate Development Co. Ltd.*) ("**Landlord**") in respect of the lease of two premises in Guangzhou, Guangdong Province, the Mainland:

(i) the lease agreement (廣州市房屋租賃合同) and its supplemental agreement (房屋租賃合同補充協議書) entered into between CG (Zhong Shan) Branch and the Landlord, pursuant to which the Landlord agreed to lease Room 2201, The Plaza Eastern Tower, No. 625 Tianhe Road to CG (Zhong Shan) Branch ("**Lease A**"); and

(ii) the lease agreement (廣州市房屋租賃合同) and its supplemental agreement (房屋租賃合同補充協議書) entered into between GZ Crocodile and the Landlord, pursuant to which the Landlord agreed to lease Room 2301, The Plaza Eastern Tower, No. 625 Tianhe Road to GZ Crocodile ("**Lease B**").

** Denotes an English translation of a Chinese name for identification purposes only.*

Each of Lease A and Lease B (together "**Leases**") was for a term of 36 months from 1 November 2011 to 31 October 2014 (both days inclusive) (with November and December 2011 and October 2014 as rent-free periods) at the following monthly rental, exclusive of management fee and air-conditioning charges, car-parking fee, utilities and other outgoings:

(a) RMB69,882 from 1 January 2012 to 31 October 2013; and
(b) RMB75,472 from 1 November 2013 to 30 September 2014.

Dr. Lam Kin Ming ("**Dr. Lam**") (an Executive Director, the Chairman and the Chief Executive Officer of the Company who had approximately 50.94% shareholding interest in the Company as at the date of signing of the Leases) has been a director and the legal representative of the Landlord and is able to control the composition of a majority of its board of directors. In addition, both Dr. Lam and Ms. Lam Wai Shan, Vanessa (an Executive Director and the Deputy Chief Executive Officer of the Company) have been directors of Besto Investments Limited (the holding company of the Landlord). As at the date of signing of the Leases, the Landlord was accordingly an associate of Dr. Lam and a connected person of the Company, rendering the entering into of the Leases CCTs for the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Crocodile Centre Office Lease

The Company announced on 27 March 2013 that Crocodile KT Investment Limited ("**Crocodile KT**", a wholly-owned subsidiary of the Company), as landlord entered into a tenancy agreement with Big Honor Asia Limited ("**Big Honor**") as tenant, pursuant to which Crocodile KT agreed to lease office unit 2501 of Crocodile Center at No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong to Big Honor for a term of 36 months from 1 April 2013 to 31 March 2016 at a monthly rental and management fee of HK$153,720 and HK$20,862, respectively ("**Tenancy Agreement**").

Dr. Lam (an Executive Director, the Chairman and the Chief Executive Officer of the Company who had approximately 50.77% shareholding interest in the Company as at the date of entering into the Tenancy Agreement) has been a director and a controlling shareholder of Big Honor. Accordingly, Big Honor was an associate of Dr. Lam and a connected person of the Company, rendering the entering into of the Tenancy Agreement a CCT for the Company under the Listing Rules.

The CCTs listed above have been reviewed by all the INEDs who have confirmed that the transactions had been entered into:

(a) in the ordinary and usual course of business of the Company and its subsidiaries;
(b) on normal commercial terms after arm's length negotiations between the parties; and
(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHINEWING (HK) CPA Limited, Certified Public Accountants of Hong Kong ("**SHINEWING**"), the Company's independent auditor, was engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the HKICPA. SHINEWING has issued a letter containing its findings and conclusions in respect of the CCTs disclosed above by the Group to the Board in accordance with relevant clauses of Rule 14A.38 of the Listing Rules and confirming that the CCTs:

(i) have received the approval of the Company's Board;
(ii) have been entered into in accordance with the relevant agreement governing the transactions; and
(iii) have not exceeded the maximum aggregate annual value disclosed in previous announcements.

Report of the Directors

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.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Year, 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 of 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 the 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 the movements in the investment properties of the Group and the Company during the Year are set out in Note 16 to the Financial Statements.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 July 2013 are set out in Note 19 to the Financial Statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company as at 31 July 2013 are set out in Note 27 to the Financial Statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 50 and Note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2013, the Company had reserves available for distribution in accordance with the provision of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

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 36.1% and 15.7%, respectively of the Group's total purchases for the Year.

None of the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers for the Year.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$2,148,000 (2012: HK$721,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2009 to 2013 is set out below:

	Year ended 31 July				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**499,651**	505,640	514,520	457,608	432,080
Profit for the year attributable to owners of the Company	**236,883**	84,674	98,070	154,128	178,119

	As at 31 July				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**2,021,113**	1,532,507	1,212,266	1,078,713	910,774
Total liabilities	**606,945**	378,174	143,966	121,487	110,391
Total equity	**1,414,168**	1,154,333	1,068,300	957,226	800,383
	2,021,113	1,532,507	1,212,266	1,078,713	910,774

Report of the Directors

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 29 to 43 of this Annual Report.

INDEPENDENCE OF INEDs

The Company has received from each of its INEDs in writing an annual confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the INEDs to be independent.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, namely Messrs. Leung Shu Yin, William (Chairman), Yeung Sui Sang and Chow Bing Chiu, all INEDs. The Audit Committee has reviewed with the management the Financial Statements for the Year.

INDEPENDENT AUDITOR

The Financial Statements for the Year have been audited by SHINEWING which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of SHINEWING as the independent auditor of the Company for the ensuing year will be put to the forthcoming AGM for Shareholders' approval.

On Behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
25 October 2013

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively).

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code for the year ended 31 July 2013 ("**Year**") save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

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

In view of the present composition of the board of directors of the Company ("**Directors**" and "**Board**", respectively), the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company's operations and 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 both the Chairman and the Chief Executive Officer.

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

None of the existing non-executive Directors ("**NEDs**") (including the independent non-executive Directors ("**INEDs**")) of the Company is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), 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 of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. 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.

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES (continued)

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**EDs**"). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

The Board oversees the overall management of the Company's business and affairs. The Board's primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of its 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.

The Board has delegated the day-to-day management of the Company's business to the management and the Executive Committee, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the Group's overall business and commercial strategy as well as overall policies and guidelines.

Decisions relating to the aforesaid matters and any acquisitions or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceed the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and management.

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.1) Responsibilities and Delegation (continued)

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

(2.2) Composition of the Board

The Board currently comprises nine members, of whom five are EDs, one is NED and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A of the Listing Rules with INEDs representing at least one-third of the Board. The Directors who served the Board during the Year and up to the date of this Report are named as follows:

Executive Directors ("EDs")
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

Non-executive Director ("NED")
Lam Suk Ying, Diana

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

The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors*" of the Report of the Directors on pages 14 to 19.

Dr. Lam Kin Ming (ED, Chairman and Chief Executive Officer) is the father of Ms. Lam Wai Shan, Vanessa (ED and 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 aforesaid and as disclosed 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.

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.3) INEDs

The Company has complied with the requirements under Rules 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 also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

Mr. Chow Bing Chiu and Mr. Yeung Sui Sang will retire at the forthcoming AGM and, being eligible, offers themselves for re-election. Mr. Chow has served on the Board for over 9 years since September 2004 while Mr. Yeung has served on the Board for over 12 years since October 2001. Being long-serving Directors, each of Mr. Chow and Mr. Yeung has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long service of Mr. Chow and Mr. Yeung would impair their independent judgment. The Board is satisfied that Mr. Chow and Mr. Yeung will continue to have the required character and experience to fulfill the role of an INED and considers that their re-election the INEDs at the forthcoming AGM is in the best interest of the Company and its Shareholders as a whole.

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or law firms in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (continued)

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; seminars on the latest development of applicable laws, rules and regulations are also organised and arranged from time to time for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives an in-house workshop on the Listing Rules conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies.

According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code's requirement on continuous professional development during the Year:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Dr. Lam Kin Ming	✓	✓	✓	—
Ms. Lam Wai Shan, Vanessa	✓	✓	✓	—
Dr. Lam Kin Ngok, Peter	✓	✓	✓	—
Mr. Lam Kin Hong, Matthew	✓	✓	✓	✓
Mr. Wan Yee Hwa, Edward	✓	✓	✓	✓
Non-executive Director				
Ms. Lam Suk Ying, Diana	✓	✓	✓	✓
Independent Non-executive Directors				
Mr. Yeung Sui Sang	✓	✓	✓	—
Mr. Chow Bing Chiu	✓	✓	✓	✓
Mr. Leung Shu Yin, William	✓	✓	✓	✓

Corporate Governance Report

(4) BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the EDs was established on 18 November 2005 with written terms of reference to assist the Board in monitoring the ongoing management of the Company's business and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board. The Board has also delegated its authority to the following Committees to assist it in the implementation of its functions:

(4.1) Remuneration Committee

On 18 November 2005, the Board established a Remuneration Committee which currently comprises four members, including three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Yeung Sui Sang and Chow Bing Chiu and an ED, Mr. Wan Yee Hwa, Edward.

On 27 March 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the CG Code's new requirements effective from 1 April 2012. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management. The revised terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

(a) Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board, 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.

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held a meeting during the Year to discuss remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the payment of bonus for senior management by way of circular resolutions.

(4) **BOARD COMMITTEES** (continued)

(4.2) Audit Committee

On 31 March 2000, the Board established an Audit Committee which currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Yeung Sui Sang and Chow Bing Chiu.

The Company has complied with Rule 3.21 of the Listing Rules, which requires 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 expertise.

(a) Duties of the Audit Committee (including corporate governance functions)

While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

On 27 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). On the same date, the terms of reference of the Audit Committee were revised in line with the CG Policy and had incorporated the new corporate governance related functions required under the CG Code effective from 1 April 2012. Such functions include the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of, the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on the websites of the Company and the Stock Exchange.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments 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.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(b) Work Performed by the Audit Committee

The Audit Committee held two meetings during the Year. It has reviewed the audited final results of the Group for the year ended 31 July 2012, the unaudited interim results of the Group for the six months ended 31 January 2013 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year.

On 25 October 2013, the Audit Committee reviewed the draft audited consolidated financial statements of the Group as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the independent auditor of the Company ("**Independent Auditor**"). It also reviewed this Corporate Governance Report and an internal control review report on the Company prepared by an independent advisor.

(5) CHAIRMAN AND CHIEF EXECUTIVE

The CG Code provides that the roles of the chairman and the chief executive should be separate and performed by different individuals.

During the Year and up to the date of this Report, as explained in Paragraph (1) above, Dr. Lam Kin Ming assumed the roles of the Chairman and the Chief Executive Officer of the Company simultaneously.

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The policies and procedures for the selection and nomination of Directors, and arrangements for the performance of other duties of the nomination committee have also been disclosed therein. No candidate has been proposed for appointment as a Director during the Year.

Corporate Governance Report

(8) BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy ("**Policy**") in July 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the EDs, the Board has set measurable objectives (in terms of gender, skills and experience) to implement the Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The EDs will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

A copy of the Policy has been published on the Company's website for public information.

The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, professional background and skills.

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**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 ("**Model Code**"). The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the Year save for the following transactions entered into by Dr. Lam Kin Ming ("**Dr. Lam**").

Corporate Governance Report

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES (continued)

As already disclosed in the Company's 2011-2012 Annual Report and 2012-2013 Interim Report, in about late September 2012, due to his wrong impression of the commencement of the black out period of the Company, Dr. Lam had disposed of during the black out period an aggregate of 1,000,000 shares of HK$0.25 each in the share capital of the Company ("**Shares**") without having first notified in writing and received a dated written acknowledgement from the designated Director (who was out of town) in accordance with the Securities Code. Dr. Lam had notified the Stock Exchange in writing in early October 2012 of his inadvertent and unintentional non-compliance with the dealing and notification provisions of the Securities Code, and confirmed that he had not possessed or made use of any unpublished price-sensitive information of the Company and had no intention of not complying with the relevant provisions of the Model Code. With a view to avoiding such recurrence, the Audit Committee and the Board had reminded him of his obligations under the Securities Code and the Model Code. The Stock Exchange concluded in November 2012 that he had not complied with Rules A.3(a)(i) and B.8 of the Model Code but it would not take formal disciplinary action in respect of the case after consideration.

(10) INDEPENDENT AUDITOR' S REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, SHINEWING (HK) CPA Limited ("**SHINEWING**"), Certified Public Accountants of Hong Kong for the Year amounted to approximately HK$720,000 and HK$10,000, respectively. The non-audit services mainly consisted of the reporting on the agreement with the preliminary announcement of results of the Group for the Year and the issue of a comfort letter on continuing connected transactions of the Group for the Year.

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs and results of the Group. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

More detailed descriptions of the changes in accounting policies and the related financial impacts are included in the audited consolidated financial statements of the Group for the Year.

Corporate Governance Report

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

(13) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meeting and the AGM of the Company held during the Year is set out in the following table:

Meetings held during the Year

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Annual General Meeting
Number of Meetings held	4	3	1	1
	Number of Meetings Attended/ Number of Meetings Held			
Executive Directors				
Dr. Lam Kin Ming	4/4	—	—	1/1
Ms. Lam Wai Shan, Vanessa	4/4	—	—	1/1
Dr. Lam Kin Ngok, Peter	4/4	—	—	0/1
Mr. Lam Kin Hong, Matthew	3/4	—	—	0/1
Mr. Wan Yee Hwa, Edward	4/4	—	1/1	1/1
Non-executive Director				
Ms. Lam Suk Ying, Diana	3/4	—	—	0/1
Independent Non-executive Directors				
Mr. Yeung Sui Sang	4/4	3/3	1/1	1/1
Mr. Chow Bing Chiu	3/4	2/3	1/1	1/1
Mr. Leung Shu Yin, William	4/4	3/3	1/1	1/1

Corporate Governance Report

(14) INTERNAL CONTROLS

The Board acknowledges that it is responsible for the internal control system of the Group, and an effective internal control system enhances the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contributes to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system. The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group.

During the Year, Annie Chiu & Co., Certified Public Accountants (Practising), has been engaged to assist the Board in evaluating (i) the various components of the internal control system of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring; and (ii) the expenditure and property, plant and equipment cycles of the Company and Crocodile Garments (Hong Kong) Limited.

(15) COMPANY SECRETARY

The Company Secretary is an employee of the Company appointed by the Board. During the Year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

On 27 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its 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;

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.1) Shareholders' Communication Policy (continued)

(iii) corporate information is made available on the Company's website and the Memorandum and Articles of Association of the Company is made available on the respective websites of the Stock Exchange and the Company;

(iv) AGMs and extraordinary general meetings ("**EGMs**") 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 ("**Share Registrars**") serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

(16.2) Details of the Last General Meeting

The last general meeting of the Company, being the AGM for 2012 ("**2012 AGM**"), was held at 10:00 a.m. on 17 December 2012 at Holiday Inn Golden Mile Hong Kong, Tsimshatsui, Kowloon, Hong Kong. At the 2012 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2012 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Ms. Lam Wai Shan, Vanessa as an ED; (iii) to authorise the Board to fix the Directors' remuneration; (iv) the re-appointment of SHINEWING as the Independent Auditor for the ensuing year and to authorise the Board to fix its remuneration; (v) the granting to the Directors a general mandate to issue, allot and deal with additional Shares not exceeding 20% of the issued share capital of the Company; and (vi) the increase in authorised share capital of the Company from HK$300 million divided into 1,200,000,000 Shares to HK$425 million divided into 1,700,000,000 Shares by the creation of an additional 500,000,000 Shares and the matters contemplated thereby.

The 2012 AGM notice and the relevant poll results announcement were published on both the websites of the Company and the Stock Exchange on 16 November 2012 and 17 December 2012, respectively.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Convene an EGM

Pursuant to the Articles of Association and the Companies Ordinance, Chapter 32 of the laws of Hong Kong ("**Companies Ordinance**"), registered Shareholders holding not less than one-twentieth (5%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**EGM Requisitionists**") can deposit a written request to convene an EGM at the registered office of the Company ("**Registered Office**"), which is presently situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Share Registrars will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the Company Secretary will arrange with the Board to convene an EGM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if within twenty-one (21) days of the deposit of the EGM Requisitionists' request, the Board does not proceed duly to convene an EGM provided that any EGM so convened is held within three (3) months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the Board's failure to duly convene an EGM shall be repaid to the EGM Requisitionists by the Company.

(17.2) Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, either any number of the registered Shareholders holding not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("**Requisitionists**"), or not less than 50 of such registered Shareholders holding Shares on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the Shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

(17.2) Procedures for Putting Forward Proposals at a General Meeting (continued)

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (17.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six (6) weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six (6) weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(17.3) Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Information section (Corporate Governance sub-section) of the Company's website at www.crocodile.com.hk.

(17.4) Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong
Fax: (852) 2743 8459
E-mail: corpadmin@crocodile.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

(18) INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the 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 46 to 124, which comprise the consolidated and Company's statements of financial position as at 31 July 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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. Except as described in the basis for qualified opinion paragraph, 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 judgment, 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

BASIS FOR QUALIFIED OPINION

As further detailed in Note 21 to the financial statements, a full provision for impairment of the deposit for land lease prepayments of approximately RMB14,721,000 (equivalent to HK$18,548,000) was made during the year ended 31 July 2013. Our report on the financial statements of the Group for the year ended 31 July 2012 was qualified in view of the limitations on the scope on such deposit for land lease prepayments.

Any adjustments found to be necessary to the opening balances as at 1 August 2012 in respect to the deposit for land lease prepayments of approximately RMB14,721,000 (equivalent to HK$17,960,000) may affect the results and the related disclosures in the notes to the financial statements of the Group for the year ended 31 July 2013. Also, the comparative figures in respect of the net assets of the Group as at 31 July 2012 and the results and the related disclosures in the notes to the financial statements of the Group for the year ended 31 July 2012 may not be comparable with the figures for the current year. Nevertheless, the consolidated statement of financial position of the Group as at 31 July 2013 remains unaffected.

QUALIFIED OPINION

In our opinion, except for the effects of such adjustments on the opening balances that might have been found to be necessary had we been able to satisfy ourselves as to the matter described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 July 2013 and of the Group's profit and cash flows 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.

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

Hong Kong
25 October 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2013

	Notes	**2013** **HK$'000**	2012 HK$'000 (Restated)
Revenue	6	**499,451**	505,640
Cost of sales		**(196,412)**	(178,441)
Gross profit		**303,039**	327,199
Fair value gains on investment properties	16	**319,429**	77,127
Other income	6	**56,780**	55,077
Selling and distribution expenses		**(342,937)**	(307,602)
Administrative expenses		**(65,484)**	(62,424)
Other operating expenses, net	7	**(29,555)**	(1,273)
Finance costs	11	**(6,253)**	(1,847)
Share of profit of an associate	20	**5,308**	2,740
Profit before income tax	7	**240,327**	88,997
Income tax expense	12	**(3,444)**	(4,323)
Profit for the year attributable to owners of the Company		**236,883**	84,674
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss:			
Gain arising on transfer of property, plant and equipment to investment properties at fair value		**599**	—
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,353**	1,359
Total comprehensive income for the year attributable to owners of the Company		**244,835**	86,033
Dividends	8	**—**	—
		HK Cents	HK Cents (Restated)
Earnings per share	14		
— Basic		**25.31**	9.05
— Diluted		**25.31**	9.05

Consolidated Statement of Financial Position

As at 31 July 2013

	Notes	**31 July 2013 HK$'000**	31 July 2012 HK$'000 (Restated)	1 August 2011 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	15	**90,340**	63,588	43,961
Investment properties	16	**1,294,484**	930,700	791,000
Construction in progress	17	**29,421**	43,197	35,586
Land lease prepayments	18	**56,429**	19,199	15,463
Interest in an associate	20	**28,342**	22,540	19,328
Rental and utility deposits	24	**22,780**	22,407	25,082
Deposits for acquisition and construction of property, plant and equipment and investment properties		**19,761**	2,196	10,873
Deposits for land lease prepayments	21	**17,416**	34,823	34,537
Available-for-sale financial asset	22	**22,934**	20,045	—
Deferred tax assets	31	**219**	1,862	2,256
		1,582,126	1,160,557	978,086
Current assets				
Inventories	23	**161,534**	99,708	73,376
Trade and other receivables, deposits and prepayments	24	**97,179**	103,964	80,610
Amounts due from related companies	38(c)	**178**	177	149
Financial assets at fair value through profit or loss	25	**118,183**	75,957	—
Pledged bank deposits	26	**4,344**	42,493	—
Cash and cash equivalents	26	**57,569**	49,651	80,045
		438,987	371,950	234,180
Current liabilities				
Borrowings	27	**132,099**	1,648	15,946
Margin loans payable	28	**12,009**	34,301	—
Trade and other payables and deposits received	29	**93,630**	83,584	80,432
Amounts due to related companies	38(c)	**26,850**	801	352
Tax payable		**23,478**	21,361	19,948
		288,066	141,695	116,678
Net current assets		**150,921**	230,255	117,502
Total assets less current liabilities		**1,733,047**	1,390,812	1,095,588

Consolidated Statement of Financial Position

As at 31 July 2013

	Notes	**31 July 2013 HK$'000**	31 July 2012 HK$'000 (Restated)	1 August 2011 HK$'000 (Restated)
Non-current liabilities				
Borrowings	27	**316,091**	233,510	24,434
Provision for long service payments	30	**2,732**	2,952	2,854
Deferred tax liabilities	31	**56**	17	—
		318,879	236,479	27,288
Net assets		**1,414,168**	1,154,333	1,068,300
Capital and reserves				
Share capital	32(a)	**233,936**	233,936	155,957
Reserves		**1,180,232**	920,397	912,343
Total equity		**1,414,168**	1,154,333	1,068,300

The consolidated financial statements on pages 46 to 124 were approved and authorised for issue by the board of directors of the Company on 25 October 2013 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Statement of Financial Position

As at 31 July 2013

	Notes	31 July 2013 HK$'000	31 July 2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**10,161**	9,132
Interests in subsidiaries	19	**736,922**	445,189
Rental and utility deposits	24	**22,564**	17,200
		769,647	471,521
Current assets			
Inventories	23	**97,649**	58,981
Trade and other receivables, deposits and prepayments	24	**19,971**	33,434
Amounts due from related companies	38(c)	**—**	64
Amount due from a subsidiary	19	**27,853**	—
Financial assets at fair value through profit or loss	25	**118,183**	75,957
Pledged bank deposits	26	**4,344**	42,493
Cash and cash equivalents	26	**29,876**	20,951
		297,876	231,880
Current liabilities			
Borrowings	27	**129,653**	721
Margin loans payable	28	**12,009**	34,301
Trade and other payables and deposits received	29	**45,899**	33,453
Amounts due to related companies	38(c)	**148**	496
		187,709	68,971
Net current assets		**110,167**	162,909
Total assets less current liabilities		**879,814**	634,430
Non-current liabilities			
Borrowings	27	**285,000**	—
Provision for long service payments	30	**2,655**	2,812
		287,655	2,812
Net assets		**592,159**	631,618
Capital and reserves			
Share capital	32(a)	**233,936**	233,936
Reserves	33	**358,223**	397,682
Total equity		**592,159**	631,618

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2013

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Perpetual loan HK$'000 Note 32(b)	Total equity HK$'000
At 1 August 2011 (as originally stated)	155,957	168,728	27,467	109,090	533,686	994,928	—	994,928
Effect of change in accounting policy — Application of amendments to HKAS 12 (Note 2)	—	—	—	—	73,372	73,372	—	73,372
At 1 August 2011 (as restated)	155,957	168,728	27,467	109,090	607,058	1,068,300	—	1,068,300
Profit for the year (as restated)	—	—	—	—	84,674	84,674	—	84,674
Other comprehensive income:								
Exchange differences arising on translation of foreign operations	—	—	1,359	—	—	1,359	—	1,359
Total comprehensive income for the year (as restated)	—	—	1,359	—	84,674	86,033	—	86,033
Bonus shares issued	77,979	(77,979)	—	—	—	—	—	—
At 31 July 2012 and 1 August 2012 (as restated)	233,936	90,749	28,826	109,090	691,732	1,154,333	—	1,154,333
Profit for the year	—	—	—	—	236,883	236,883	—	236,883
Other comprehensive income:								
Gain arising on transfer of property, plant and equipment to investment properties at fair value	—	—	—	599	—	599	—	599
Exchange differences arising on translation of foreign operations	—	—	7,353	—	—	7,353	—	7,353
Total comprehensive income for the year	—	—	7,353	599	236,883	244,835	—	244,835
Perpetual loan raised	—	—	—	—	—	—	15,000	15,000
At 31 July 2013	233,936	90,749	36,179	109,689	928,615	1,399,168	15,000	1,414,168

Consolidated Statement of Cash Flows

For the year ended 31 July 2013

	2013 HK$'000	2012 HK$'000 (Restated)
OPERATING ACTIVITIES		
Profit before income tax	**240,327**	88,997
Adjustments for:		
Finance costs	**6,253**	1,847
Bank interest income	**(565)**	(295)
Interest income from an associate	**(494)**	(472)
Share of profit of an associate	**(5,308)**	(2,740)
Depreciation of property, plant and equipment	**17,310**	16,105
Amortisation of land lease prepayments	**1,010**	341
Loss on disposal/write-off of property, plant and equipment	**369**	675
Provision for (write-back of) bad and doubtful debts of trade receivables	**1,145**	(505)
Provision for bad and doubtful debts of other receivables	**6,344**	—
Bad debts write-off	**856**	—
Other receivables write-off	**13**	966
Provision for slow-moving inventories	**4,160**	172
Provision for deposits for acquisition and construction of property, plant and equipment	**2,232**	—
Provision for deposits for acquisition of land lease prepayments	**18,254**	—
Write-back of long outstanding trade payables	**(78)**	(1,032)
Net gain on financial assets at fair value through profit or loss	**(1,692)**	(3,631)
Fair value gains on investment properties	**(319,429)**	(77,127)
Operating cash flows before movements in working capital	**(29,293)**	23,301
Increase in inventories	**(65,986)**	(26,504)
Increase in trade and other receivables, deposits and prepayments	**(689)**	(21,135)
Increase in financial assets at fair value through profit or loss	**(40,534)**	(72,326)
Increase in trade and other payables and deposits received	**10,124**	4,184
Increase in amounts due from related companies	**(1)**	(28)
(Decrease) increase in amounts due to related companies	**(338)**	449
(Decrease) increase in provision for long service payments	**(220)**	98
Exchange differences on working capital	**2,845**	168
Cash used in operations	**(124,092)**	(91,793)
Income taxes paid	**(370)**	(2,705)
Interest paid	**(5,085)**	(1,847)
NET CASH USED IN OPERATING ACTIVITIES	**(129,547)**	(96,345)

Consolidated Statement of Cash Flows

For the year ended 31 July 2013

	2013 HK$'000	2012 HK$'000 (Restated)
INVESTING ACTIVITIES		
Interest received	**565**	295
Purchase of property, plant and equipment	**(19,448)**	(17,654)
Proceeds from disposal of property, plant and equipment	**104**	309
Payments for deposits for acquisition and construction of property, plant and equipment	**(4,768)**	—
Payments for deposits for acquisition of investment properties	**(14,680)**	—
Purchase of investment properties	**(84,143)**	(62,573)
Payments for construction in progress	**(6,735)**	(21,380)
Purchase of available-for-sale financial asset	**(2,889)**	(20,045)
Withdrawal (placement) of pledged bank deposits	**38,149**	(42,493)
NET CASH USED IN INVESTING ACTIVITIES	**(93,845)**	(163,541)
FINANCING ACTIVITIES		
New bank loans raised	**495,400**	222,000
Repayments of bank loans	**(304,300)**	(12,910)
(Decrease) increase in margin loans payable	**(22,292)**	34,301
Advance from a related company	**24,800**	—
Proceeds from perpetual loan	**15,000**	—
Increase (decrease) in trust receipt loans	**21,932**	(14,312)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**230,540**	229,079
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,148**	(30,807)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**49,651**	80,045
Effect of foreign exchange rate changes	**770**	413
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**57,569**	49,651
Represented by		
Cash and bank balances	**56,968**	49,051
Non-pledged time deposits with original maturity of less than 3 months when acquired	**601**	600
	57,569	49,651

Notes to the Financial Statements

For the year ended 31 July 2013

1. CORPORATE INFORMATION

Crocodile Garments Limited ("**Company**") is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The address of the registered office of the Company is 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong and principal place of business of the Company is located at 12th Floor, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, 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$**"). Other than the Group's subsidiaries established in the People's Republic of China ("**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and its subsidiaries are HK$.

In the opinion of the directors of the Company ("**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 HKFRSs that issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Asset
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Financial Statements

For the year ended 31 July 2013

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios in Hong Kong and the PRC and concluded that except one investment property as mentioned in Note 32(b) and an investment property in the PRC, none of the Group's other investment properties in Hong Kong are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, except the investment properties specified above, the Directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group and the Group's associate not recognising any deferred taxes on changes in fair value of the investment properties except the investment properties specified above, as the Group and the Group's associate are not subject to any income taxes on disposal of their investment properties. Previously, the Group and the Group's associate recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities and interest in an associate being decreased by approximately HK$71,806,000 and increased by approximately HK$1,566,000 respectively as at 1 August 2011, with the corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities and interest in an associate have been decreased by approximately HK$84,642,000 and increased by approximately HK$1,979,000 respectively as at 31 July 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's and its associate's investment properties. The change in accounting policy has resulted in the Group's income tax expense and share of profit of an associate for the years ended 31 July 2013 and 31 July 2012 being reduced by approximately HK$52,660,000 and HK$13,249,000 respectively and hence resulted in profit for the years ended 31 July 2013 and 31 July 2012 being increased by approximately HK$52,660,000 and HK$13,249,000 respectively.

Notes to the Financial Statements

For the year ended 31 July 2013

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

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)
Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009-2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 August 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 August 2011 without the related notes.

Summary of the effects of the above changes in accounting policies
The effects of change in accounting policies described above on the results for the current and prior years by line items are as follows:

	Year ended 31 July 2013 HK$'000	Year ended 31 July 2012 HK$'000
Increase in share of profit of an associate	**825**	413
Decrease in income tax expense	**51,835**	12,836
Increase in profit for the year	**52,660**	13,249

Notes to the Financial Statements

For the year ended 31 July 2013

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

The effects of the above changes in accounting policies on the consolidated financial positions of the Group as at 1 August 2011 and 31 July 2012 is as follows:

	As at 1 August 2011			As at 31 July 2012		
	(Originally stated) HK$'000	Adjustments HK$'000	(Restated) HK$'000	(Originally stated) HK$'000	Adjustments HK$'000	(Restated) HK$'000
Interest in an associate	17,762	1,566	19,328	20,561	1,979	22,540
Deferred tax liabilities	76,472	(71,806)	4,666	90,081	(84,642)	5,439
Total effects on net assets	994,928	73,372	1,068,300	1,067,712	86,621	1,154,333
Retained profits	533,686	73,372	607,058	605,111	86,621	691,732
Total effects on equity	994,928	73,372	1,068,300	1,067,712	86,621	1,154,333

The effects of the above changes in accounting policies on the consolidated financial positions of the Group as at 31 July 2013 is as follows:

	As at 31 July 2013 HK$'000
Increase in interest in an associate	**2,804**
Decrease in deferred tax assets	**(477)**
Decrease in deferred tax liabilities	**136,954**
Total effects on net assets	**139,281**
Increase in retained earnings	**139,281**
Total effects on equity	**139,281**

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

	Year ended 31 July 2013 HK cents	Year ended 31 July 2012 HK cents
Basic and diluted earnings per share before adjustment	**19.68**	7.63
Adjustment arising from changes in the Group's accounting policies in relation to the application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**5.63**	1.42
Basic and diluted earnings per share after adjustment	**25.31**	9.05

Notes to the Financial Statements

For the year ended 31 July 2013

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 1	First-time Adoption of HKFRSs — Government Loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting[2]
HK(International Financial Reporting Interpretation Committee) — ("**IFRIC**") Interpretation ("**Int**") 20	Stripping Costs in the Production Phase of a Surface Mine[1]
HK(IFRIC) — Int 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015

Notes to the Financial Statements

For the year ended 31 July 2013

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

Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Notes to the Financial Statements

For the year ended 31 July 2013

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

— All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

— With regard to the measurement of financial liabilities designed as at fair value through profit or loss ("**FVTPL**"), HKFRS 9 requires that the amount of change in 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. Regarding the Group's and the Company's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Financial Statements

For the year ended 31 July 2013

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. 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) the 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.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 August 2013. The application of these five standards may have a significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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

Amendments to HKFRS10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at FVTPL.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 August 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Other than as disclosed above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and financial position of the Group and the Company.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, 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 and services.

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 ("**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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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 Group 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. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 exceeds the Group's 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES (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 interests 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 goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 income can be measured reliably. Interest income 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.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as described below, are stated in the statement of financial position 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, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values 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.

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.

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.

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

If a property (including the related land lease prepayments) becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis

Leasehold land and building
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, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. 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.

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. 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.

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.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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$) using exchange rates prevailing at the end of each reporting period. Income and expenses items 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 their 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.

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 which are 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 by applying the discount rate 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 defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 before income tax" as reported in the consolidated statement of profit or loss and other 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.

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.

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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposit as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in statement 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 (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, available-for-sale financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL of the Group are financial assets held for trading.

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term; or

— it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income" line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 41(c).

Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated or not classified as financial asset at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 rental and utility deposits, trade and other receivables and deposits, amounts due from related companies, amount due from an associate, amounts due from subsidiaries, pledged bank deposits and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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 other 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 and principal payments; or

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

— 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, in addition, 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, the amount of the impairment loss recognised is difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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

Notes to the Financial Statements

For the year ended 31 July 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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.

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, 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 the 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 leasehold buildings and land lease prepayments

Despite the Group has paid the full consideration for the leasehold buildings and land lease prepayments stated in Notes 15 and 18 respectively, the ownership certificates and the formal titles of the leasehold buildings and certain land lease prepayments amounted to approximately HK$54,762,000 (2012: HK$38,359,000) and Nil (2012: HK$3,948,000) respectively, were not yet granted to the Group by the relevant government authorities. The Directors determine to recognise these leasehold buildings and land lease prepayments on the grounds that they expect there will be no major difficulties in obtaining the legal titles in future and the Group is in substance controlling the usage of these leasehold buildings and land lease prepayments. The absence of formal title to these leasehold buildings and land lease prepayments does not impair the value of the relevant properties to the Group.

Notes to the Financial Statements

For the year ended 31 July 2013

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

Deferred taxation on investment properties in Hong Kong

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that except one investment property as mentioned in Note 32(b) that no disposal plan in the foreseeable future with no significant fair changes during the year was noted, the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, except the one specified above, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends in the future. The management exercise full control over the dividend policy of the Group. The Directors considered it is probable that the temporary differences attributable to retained profits of the PRC subsidiaries will not reverse in the foreseeable future, neither dividend is declared by the PRC subsidiaries nor withholding tax has been recognised for the years ended 31 July 2012 and 2013.

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 a valuation performed by an independent professional valuer on the Group's investment properties. As at 31 July 2013, the fair values of investment properties were approximately HK$1,294,484,000 (2012: HK$930,700,000).

Notes to the Financial Statements

For the year ended 31 July 2013

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

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 2013, the carrying amounts of inventories of the Group and the Company were approximately HK$161,534,000 (2012: HK$99,708,000) and approximately HK$97,649,000 (2012: HK$58,981,000) respectively, net of allowance for inventories of approximately HK$19,950,000 (2012: HK$15,420,000) and approximately HK$6,871,000 (2012: HK$4,599,000), respectively.

Provision for 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 Group's provision for long service payment is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of the Group. For the year ended 31 July 2013, the carrying amounts of provisions for long service payments of the Group and the Company were approximately HK$2,732,000 (2012: HK$2,952,000) and approximately HK$2,655,000 (2012: HK$2,812,000), respectively.

Impairment loss on property, plant and equipment, construction in progress and land lease prepayments

The impairment loss on property, plant and equipment, construction in progress and land lease prepayments are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment, construction in progress and land lease prepayments have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment loss was provided for both years.

Notes to the Financial Statements

For the year ended 31 July 2013

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

Impairment loss on deposits for land lease prepayments

Deposits for land lease prepayments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined depending on (i) the probability of the Group to obtain the land use right certificate and (ii) the ability of the Group to collect the refund as detailed in Note 21 to the financial statements.

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business. As at 31 July 2013, the carrying amount of deposits for land lease prepayments was approximately HK$17,416,000 (2012: HK$34,823,000), net of impairment of approximately HK$18,254,000 (2012: Nil).

Estimated impairment loss on available-for-sale financial asset

For the available-for-sale financial asset not quoted in an active market and measured at cost, the management uses their judgement in selecting an appropriate valuation technique. Valuation techniques commonly used by the market practitioners are applied. For the year ended 31 July 2013, the Group's unlisted equity investment with carrying amount of approximately HK$22,934,000 (2012: HK$20,045,000) was valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates. The estimation also includes some assumptions not supported by observable market prices or rates.

Estimated 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 trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of debtors was deteriorated, and resulted in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 July 2013, the carrying amounts of trade receivables of the Group and the Company were approximately HK$18,991,000 (2012: HK$23,740,000) and approximately HK$1,532,000 (2012: HK$1,491,000), respectively, net of allowance for bad and doubtful debts of approximately HK$2,329,000 (2012: HK$1,141,000) and approximately HK$265,000 (2012: HK$148,000), respectively.

As at 31 July 2013, the carrying amounts of other receivables of the Group and the Company were approximately HK$46,122,000 (2012: HK$43,618,000) and approximately HK$5,948,000 (2012: HK$18,951,000), respectively, net of allowance for bad and doubtful debts of the Group of approximately HK$6,344,000 (2012: Nil). During the year ended 31 July 2013, the Group had written off the other receivables of approximately HK$13,000 (2012: HK$966,000) and such amount was recognised in the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 2013, the Group had recognised the deferred tax assets of approximately HK$6,625,000 (2012: HK$7,284,000) in relation to unused tax losses in the consolidated statement of financial position.

Impairment loss of amounts due from subsidiaries

The Company makes impairment based on the assessment of the recoverability of the amounts due from subsidiaries. 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 changed. As at 31 July 2013, the carrying amount of amounts due from subsidiaries was approximately HK$775,909,000 (2012: HK$455,102,000), net of allowance for amounts due from subsidiaries of approximately HK$73,094,000 (2012: HK$44,437,000).

5. SEGMENT INFORMATION

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

The Group has three reportable and operating 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 and operating segments:

- Garment and related accessories business;
- Property investment and letting business; and
- Others

Notes to the Financial Statements

For the year ended 31 July 2013

5. SEGMENT INFORMATION (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)
Revenue from external customers	**471,253**	481,341	**28,198**	24,299	**—**	—	**499,451**	505,640
Other revenue from external customers	**52,759**	49,136	**1,764**	2,015	**1,692**	3,631	**56,215**	54,782
Group's total revenue	**524,012**	530,477	**29,962**	26,314	**1,692**	3,631	**555,666**	560,422
Reportable segment (loss) profit	**(102,806)**	(11,968)	**347,134**	98,935	**1,692**	3,631	**246,020**	90,598
Unallocated corporate income							**565**	295
Unallocated corporate expenses							**(5)**	(49)
Finance costs							**(6,253)**	(1,847)
Profit before income tax							**240,327**	88,997

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss from) 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 assessment of segment performance.

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)
ASSETS								
Segment assets	**500,917**	382,651	**1,316,947**	959,848	**118,183**	75,957	**1,936,047**	1,418,456
Unallocated corporate assets							**85,066**	114,051
Total consolidated assets							**2,021,113**	1,532,507
LIABILITIES								
Segment liabilities	**112,099**	78,052	**11,113**	9,285	**12,009**	34,301	**135,221**	121,638
Unallocated corporate liabilities							**471,724**	256,536
Total consolidated liabilities							**606,945**	378,174

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

— all assets are allocated to reportable and operating segments, other than available-for-sale financial asset, deferred tax assets, pledged bank deposits and cash and cash equivalents.

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

5. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)
Amounts included in the measure of segment profit or loss or segment assets:								
Additions and transfer to non-current assets *(Note)*	**26,163**	47,803	**84,163**	62,583	**—**	—	**110,326**	110,386
Additions to deposits for acquisition and construction of property, plant and equipment	**4,768**	—	**—**	—	**—**	—	**4,768**	—
Additions to deposits for acquisitions of investment properties	**—**	—	**14,680**	—	**—**	—	**14,680**	—
Interest in an associate	**—**	—	**28,342**	22,540	**—**	—	**28,342**	22,540
Depreciation and amortisation	**16,606**	14,695	**1,714**	1,751	**—**	—	**18,320**	16,446
Provision for slow-moving inventories	**4,160**	172	**—**	—	**—**	—	**4,160**	172
Provision for (write-back of) bad and doubtful debts of trade receivables	**1,145**	(531)	**—**	26	**—**	—	**1,145**	(505)
Provision for bad and doubtful debts of other receivables	**6,344**	—	**—**	—	**—**	—	**6,344**	—
Bad debts write-off	**856**	—	**—**	—	**—**	—	**856**	—
Loss on disposal/write-off of property, plant and equipment	**369**	675	**—**	—	**—**	—	**369**	675
Write-back of long outstanding trade payables	**(78)**	(1,032)	**—**	—	**—**	—	**(78)**	(1,032)
Other receivables write-off	**13**	966	**—**	—	**—**	—	**13**	966
Provision for deposit for acquisition and construction of property, plant and equipment	**2,232**	—	**—**	—	**—**	—	**2,232**	—
Provision for deposit for acquisition of land lease prepayments	**18,254**	—	**—**	—	**—**	—	**18,254**	—
Fair value gains on investment properties	**—**	—	**(319,429)**	(77,127)	**—**	—	**(319,429)**	(77,127)
Net gain on financial assets at FVTPL	**—**	—	**—**	—	**(1,692)**	(3,631)	**(1,692)**	(3,631)
Share of profit of an associate	**—**	—	**(5,308)**	(2,740)	**—**	—	**(5,308)**	(2,740)
Interest income from an associate	**—**	—	**(494)**	(472)	**—**	—	**(494)**	(472)

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

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For the year ended 31 July 2013

5. SEGMENT INFORMATION (continued)

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
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	**(565)**	(295)	**—**	—	**—**	—	**(565)**	(295)
Interest expense	**3,109**	104	**3,144**	1,743	**—**	—	**6,253**	1,847
Income tax expense	**1,763**	3,912	**1,681**	411	**—**	—	**3,444**	4,323

Geographical information

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

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)
Hong Kong (place of domicile)	**389,218**	394,552	**1,370,272**	959,659
The PRC	**166,448**	165,870	**155,523**	146,680
	555,666	560,422	**1,525,795**	1,106,339

Note: Non-current assets exclude financial instruments and deferred tax assets.

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 2013 and 2012.

Notes to the Financial Statements

For the year ended 31 July 2013

6. REVENUE AND OTHER INCOME

Revenue represents sales of garments and related accessories and rental income.

An analysis of revenue and other income is as follows:

	2013 HK$'000	2012 HK$'000
Revenue		
Sales of goods	**471,253**	481,341
Gross rental income	**28,198**	24,299
	499,451	505,640
Other income		
Royalty income	**51,642**	47,073
Bank interest income	**565**	295
Interest income from an associate	**494**	472
Net gain on financial assets at FVTPL	**1,692**	3,631
Others	**2,387**	3,606
	56,780	55,077

Notes to the Financial Statements

For the year ended 31 July 2013

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

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

	2013 HK$'000	2012 HK$'000
Staff costs, including directors' remuneration (Note 9):		
Wages and salaries	90,659	86,495
Retirement benefits schemes (Note 39)	2,756	2,544
Others	824	1,074
	94,239	90,113
Cost of inventories recognised as an expense	191,953	178,009
Depreciation of property, plant and equipment	17,310	16,105
Amortisation of land lease prepayments (included in administrative expenses)	1,010	341
Auditor's remuneration	730	730
Operating lease payments in respect of rented land and buildings:		
Minimum lease payments under operating leases	124,092	113,821
Contingent rents	7,909	6,600
	132,001	120,421
Gross rental income	(28,198)	(24,299)
Less: outgoings	299	260
	(27,899)	(24,039)
Provision for slow-moving inventories (included in cost of sales)	4,160	172
Other operating expenses, net:		
Other staff costs	824	1,074
Provision for (write-back of) bad and doubtful debts of trade receivables	1,145	(505)
Provision for bad and doubtful debts of other receivables	6,344	—
Bad debts write-off	856	—
Loss on disposal/write-off of property, plant and equipment	369	675
Other receivables write-off	13	966
Write-back of long outstanding trade payables	(78)	(1,032)
Exchange (gain) loss, net	(404)	95
Provision for deposits for acquisition and construction of property, plant and equipment	2,232	—
Provision for deposits for acquisition of land lease prepayments	18,254	—
	29,555	1,273

Notes to the Financial Statements

For the year ended 31 July 2013

8. DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2013 (2012: Nil) nor has any dividend been proposed by the Company since the end of the reporting period (2012: 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
			(Note)	*(Note)*
Fees	**50**	56	**384**	288
Other emoluments:				
Salaries, allowances and benefits in kind	**10,828**	11,105	**—**	—
Retirement benefits schemes	**15**	20	**—**	—
	10,843	11,125	**—**	—
	10,893	11,181	**384**	288

Note: Amount includes the remuneration paid to independent non-executive Directors during the year of HK$288,000 (2012: HK$216,000).

There was no arrangement under which a Director waived or agreed to waive any remuneration during the years ended 31 July 2013 and 2012.

During the years ended 31 July 2013 and 2012, 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.

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For the year ended 31 July 2013

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each Director for the year ended 31 July 2013 is set out below:

	2013			
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits schemes HK$'000	Total HK$'000
Executive Directors				
Lam Kin Ming	10	6,924	—	6,934
Lam Wai Shan, Vanessa	10	3,304	15	3,329
Lam Kin Ngok, Peter	10	—	—	10
Lam Kin Hong, Matthew	10	—	—	10
Wan Yee Hwa, Edward	10	600	—	610
Non-executive Director				
Lam Suk Ying, Diana	96	—	—	96
Independent Non-executive Directors				
Yeung Sui Sang	96	—	—	96
Chow Bing Chiu	96	—	—	96
Leung Shu Yin, William	96	—	—	96
	434	10,828	15	11,277

Notes to the Financial Statements

For the year ended 31 July 2013

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each Director for the year ended 31 July 2012 is set out below:

Name	2012 Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits schemes HK$'000	Total HK$'000
Executive Directors				
Lam Kin Ming	10	6,924	—	6,934
Lam Wai Shan, Vanessa	10	3,304	13	3,327
Lam Kin Ngok, Peter	10	—	—	10
Lam Kin Hong, Matthew	10	—	—	10
Wan Yee Hwa, Edward	10	600	—	610
Tong Ka Wing, Carl (resigned on 22 February 2012)	6	277	7	290
Non-executive Director				
Lam Suk Ying, Diana	72	—	—	72
Independent Non-executive Directors				
Yeung Sui Sang	72	—	—	72
Chow Bing Chiu	72	—	—	72
Leung Shu Yin, William	72	—	—	72
	344	11,105	20	11,469

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2012: two) Directors, details of whose remuneration are set out in Note 9 above. The remuneration of the remaining three (2012: three) highest paid employees is set out below:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**3,543**	3,282
Retirement benefits schemes	**45**	38
	3,588	3,320

Notes to the Financial Statements

For the year ended 31 July 2013

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

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

	Number of employees	
	2013	2012
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
	3	3

During the years ended 31 July 2013 and 2012, 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

	2013	2012
	HK$'000	HK$'000
Interest on borrowings		
— wholly repayable within five years	**5,938**	1,689
— not wholly repayable within five years	**315**	158
	6,253	1,847

12. INCOME TAX EXPENSE

	2013	2012
	HK$'000	HK$'000
		(Restated)
Current tax		
— PRC Enterprise Income Tax	**1,762**	3,912
Deferred tax (Note 31)	**1,682**	411
Income tax expense	**3,444**	4,323

No current Hong Kong Profits Tax has been provided for the year ended 31 July 2013 (2012: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

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 Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

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For the year ended 31 July 2013

12. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before income tax using the statutory tax rates for the places in which the companies comprising the Group are domiciled to the tax provision at the effective tax rates is as follows:

For the year ended 31 July 2013

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before income tax	**285,992**		**(45,665)**		**240,327**	
Tax at the statutory tax rate	**47,189**	**16.5**	**(11,416)**	**25.0**	**35,773**	**14.9**
Income not subject to tax	**(53,542)**	**(18.7)**	**(53)**	**0.1**	**(53,595)**	**(22.3)**
Expenses not deductible for tax purposes	**1,355**	**0.5**	**10,383**	**(22.7)**	**11,738**	**4.9**
Tax effect of share of result of an associate	**(876)**	**(0.3)**	**—**	**—**	**(876)**	**(0.4)**
Tax effect of tax losses not recognised	**7,556**	**2.6**	**2,848**	**(6.2)**	**10,404**	**4.3**
	1,682	**0.6**	**1,762**	**(3.8)**	**3,444**	**1.4**

For the year ended 31 July 2012

	Hong Kong		The PRC		Total	
	HK$'000 (Restated)	% (Restated)	HK$'000	%	HK$'000 (Restated)	% (Restated)
Profit (loss) before income tax	92,008		(3,011)		88,997	
Tax at the statutory tax rate	15,181	16.5	(753)	25.0	14,428	16.2
Income not subject to tax	(13,546)	(14.7)	(48)	1.6	(13,594)	(15.3)
Expenses not deductible for tax purposes	1,321	1.4	1,186	(39.4)	2,507	2.8
Tax effect of share of result of an associate	(452)	(0.5)	—	—	(452)	(0.5)
Tax effect of tax losses not recognised	1,404	1.5	3,527	(117.1)	4,931	5.6
Utilisation of tax losses previously not recognised	(3,497)	(3.8)	—	—	(3,497)	(3.9)
	411	0.4	3,912	(129.9)	4,323	4.9

Notes to the Financial Statements

For the year ended 31 July 2013

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

The consolidated profit includes a loss of approximately HK$54,459,000 (2012: profit of approximately HK$9,373,000) which has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the year ended 31 July 2013 is based on the consolidated profit attributable to owners of the Company of approximately HK$236,883,000 (2012: HK$84,674,000 (restated)) and the number of ordinary shares in issue of 935,743,695 (2012: 935,743,695), and is calculated as follows:

Number of ordinary shares

	2013	2012
Issued ordinary shares at 1 August	**935,743,695**	623,829,130
Effect of bonus share issued	—	311,914,565
Number of ordinary shares in issue for the year ended 31 July	**935,743,695**	935,743,695

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the years ended 31 July 2013 and 2012, as the Company had no dilutive potential ordinary shares in issue during the years ended 31 July 2013 and 2012.

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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 2011	19,982	4,508	73,355	14,090	10,416	122,351
Additions	267	50	15,614	1,618	105	17,654
Disposals/write-off	—	—	(3,183)	(80)	(478)	(3,741)
Transfer from deposits	4,826	—	—	—	—	4,826
Transfer from construction in progress	14,053	—	—	—	—	14,053
Exchange realignment	139	32	124	52	20	367
At 31 July 2012 and 1 August 2012	39,267	4,590	85,910	15,680	10,063	155,510
Additions	357	6	16,735	1,680	670	19,448
Disposals/write-off	—	(6)	(18,829)	(116)	(237)	(19,188)
Transfer from construction in progress	22,001	—	—	—	—	22,001
Transfer from investment properties	7,100	—	—	—	—	7,100
Transfer to investment properties	(6,072)	—	—	—	—	(6,072)
Surplus on revaluation	546	—	—	—	—	546
Exchange realignment	1,239	131	749	268	78	2,465
At 31 July 2013	**64,438**	**4,721**	**84,565**	**17,512**	**10,574**	**181,810**
ACCUMULATED DEPRECIATION						
At 1 August 2011	—	4,235	55,800	11,161	7,194	78,390
Provided for the year	908	110	12,866	1,199	1,022	16,105
Eliminated on disposals/write-off	—	—	(2,507)	(74)	(176)	(2,757)
Exchange realignment	—	31	97	42	14	184
At 31 July 2012 and 1 August 2012	908	4,376	66,256	12,328	8,054	91,922
Provided for the year	1,768	41	13,268	1,263	970	17,310
Eliminated on disposals/write-off	—	(5)	(18,392)	(111)	(207)	(18,715)
Eliminated on revaluation	(53)	—	—	—	—	(53)
Exchange realignment	56	125	568	196	61	1,006
At 31 July 2013	**2,679**	**4,537**	**61,700**	**13,676**	**8,878**	**91,470**
CARRYING VALUES						
At 31 July 2013	**61,759**	**184**	**22,865**	**3,836**	**1,696**	**90,340**
At 31 July 2012	38,359	214	19,654	3,352	2,009	63,588

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For the year ended 31 July 2013

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 2011	45,953	7,450	6,412	59,815
Additions	5,531	520	—	6,051
Disposals/write-off	(309)	—	—	(309)
At 31 July 2012 and 1 August 2012	51,175	7,970	6,412	65,557
Additions	7,577	177	—	7,754
Disposals/write-off	(17,609)	—	—	(17,609)
At 31 July 2013	**41,143**	**8,147**	**6,412**	**55,702**
ACCUMULATED DEPRECIATION				
At 1 August 2011	41,309	6,020	4,678	52,007
Provided for the year	3,365	550	633	4,548
Eliminated on disposals/write-off	(130)	—	—	(130)
At 31 July 2012 and 1 August 2012	44,544	6,570	5,311	56,425
Provided for the year	5,356	516	633	6,505
Eliminated on disposals/write-off	(17,389)	—	—	(17,389)
At 31 July 2013	**32,511**	**7,086**	**5,944**	**45,541**
CARRYING VALUES				
At 31 July 2013	**8,632**	**1,061**	**468**	**10,161**
At 31 July 2012	6,631	1,400	1,101	9,132

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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15. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of leasehold buildings shown above comprises:

	2013 HK$'000	2012 HK$'000
Situated in Hong Kong		
Medium-term lease	**6,997**	—
Situated outside Hong Kong		
Medium-term lease	**54,762**	38,359
	61,759	38,359

The Group has pledged leasehold buildings with a net book value of approximately HK$6,997,000 (2012: Nil) to secure general banking facilities granted to the Group (Note 34).

As at 31 July 2013, the Group has not yet obtained the building ownership certificates for buildings with carrying value of approximately HK$54,762,000 (2012: HK$38,359,000). 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.

During the year ended 31 July 2013, the building with fair value of approximately HK$7,100,000 was transferred from investment property to leasehold building at date of transfer due to the change of usage as evidenced by commencement of owner-occupation and the leasehold building with fair value of approximately HK$6,072,000 was transferred to investment property at date of transfer due to the change of usage as evidenced by end of owner-occupation. No such change was noted during the year ended 31 July 2012.

16. INVESTMENT PROPERTIES

	The Group	
FAIR VALUE	**2013 HK$'000**	2012 HK$'000
At the beginning of the year	**930,700**	791,000
Additions	**84,143**	62,573
Transfer from property, plant and equipment and land lease prepayments	**10,044**	—
Transfer to property, plant and equipment and land lease prepayments	**(50,000)**	—
Fair value gains	**319,429**	77,127
Exchange realignment	**168**	—
At the end of the year	**1,294,484**	930,700

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16. INVESTMENT PROPERTIES (continued)

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 spaces to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 20).

As at 31 July 2013 and 2012, certain investment properties of approximately HK$1,261,300,000 (2012: HK$868,000,000) of the Group were pledged to the banks to secure the bank loans granted to the Group, details of which are set out in Note 34.

The Group's investment properties were revalued on 31 July 2013 and 2012 by Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group, at HK$1,294,484,000 (2012: HK$930,700,000) on an open market basis, which has taken into account the sales evidence as available in the market and on the basis of capitalisation of the net income with allowance for outgoings and reversionary income potential.

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.

The carrying amounts of investment properties shown above comprise:

	The Group	
	2013	2012
	HK$'000	HK$'000
Situated in Hong Kong		
Long-term lease	**20,300**	18,000
Medium-term lease	**1,263,600**	912,700
Situated outside Hong Kong		
Medium-term lease	**10,584**	—
	1,294,484	930,700

Notes to the Financial Statements

For the year ended 31 July 2013

17. CONSTRUCTION IN PROGRESS

	The Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**43,197**	35,586
Additions	**6,735**	21,380
Transfer to property, plant and equipment	**(22,001)**	(14,053)
Exchange realignment	**1,490**	284
At the end of the year	**29,421**	43,197

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

18. LAND LEASE PREPAYMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**19,540**	15,801
Transfer from deposits	**—**	3,953
Transfer from investment properties	**42,900**	—
Transfer to investment properties	**(3,972)**	—
Amortisation	**(1,010)**	(341)
Exchange realignment	**569**	127
At the end of the year	**58,027**	19,540

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18. LAND LEASE PREPAYMENTS (continued)

	The Group	
	2013	2012
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset, included in trade and other receivables, deposits and prepayments	**1,598**	341
Non-current asset	**56,429**	19,199
	58,027	19,540
The prepaid lease payments comprise the following leasehold land held under medium-term lease:		
Land in Hong Kong	**42,277**	—
Land in the PRC	**15,750**	19,540
	58,027	19,540

As at 31 July 2012, the Group has not yet obtained the land use right certificate issued by relevant local government authority with carrying value of approximately HK$3,948,000. Subsequently on 24 June 2013, the Group has obtained the aforesaid land use right certificate. There was no outstanding land use right as at 31 July 2013.

The Group has pledged land lease prepayments with a net book value of approximately HK$42,277,000 (2012: Nil) to secure general banking facilities granted to the Group (Note 34).

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**849,003**	499,539
Amounts due to subsidiaries	**(15,184)**	(13,963)
	837,869	489,626
Less: Provision for impairment	**(73,094)**	(44,437)
Total	**764,775**	445,189
Less: Amount due from a subsidiary shown under current asset	**(27,853)**	—
Interests in subsidiaries	**736,922**	445,189

Except for an amount due from a subsidiary of approximately HK$27,853,000 is unsecured and repayable on demand, the remaining balances of amounts due from and to subsidiaries are unsecured and with no fixed terms of repayment. The Directors expected the remaining balances are not repayable within 12 months from the year end date.

Except for amounts due from certain subsidiaries of approximately HK$525,008,000 (2012: HK$234,466,000) as at 31 July 2013 which bear interest at Hong Kong dollar prime rate per annum, the remaining balances with subsidiaries are interest-free.

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For the year ended 31 July 2013

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 subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2013	2012	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited	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* (中山鱷魚恤服飾有限公司)	The PRC	HK$8,000,000	**100**	100	Property investment
Crocodile Garments (Zhong Shan) Limited* (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	**100**	100	Garment manufacturing and trading
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
Stargem Limited	Hong Kong	HK$1	**100**	100	Property investment
Public Global Investments Limited	Hong Kong	HK$1	**100**	100	Property investment
Pure Goal Limited	British Virgin Islands	US dollar ("**US$**") 1	**100**	100	Investment holding
Purewell Limited	Hong Kong	HK$1	**100**	—	Property investment
Keepower Limited	Hong Kong	HK$1	**100**	—	Property investment

* *These subsidiaries are wholly foreign-owned enterprises established in the PRC. English translation is for identification purpose only.*

Except for Crocodile (China) Limited which is directly held by the Company as at 31 July 2013 and 2012 and Pure Goal Limited which is directly held by the Company as at 31 July 2013, all other principal subsidiaries are indirectly held.

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years. 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.

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20. INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Unlisted shares, at cost	**—**	—
Share of post acquisition profits	**17,944**	12,636
	17,944	12,636
Amount due from an associate	**10,398**	9,904
	28,342	22,540

The amount due from an associate is unsecured, interest bearing at 5% per annum and with no fixed terms of repayment. The Directors expected the amounts are not repayable within 12 months from the year end date.

Details of the associate as at 31 July 2013 and 2012 are as follows:

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

Note:

The Group holds 50% of the issued share capital of Mass Energy Limited, however, the Group does not have joint control or control over 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 in equal proportions by LSG and the Group.

Notes to the Financial Statements

For the year ended 31 July 2013

20. INTEREST IN AN ASSOCIATE (continued)

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

	2013 **HK$'000**	2012 HK$'000 (Restated)
Total assets	**57,557**	45,851
Total liabilities	**(21,669)**	(20,579)
Net assets	**35,888**	25,272
Group's share of net assets of an associate	**17,944**	12,636
Total revenue	**1,822**	1,668
Total profit for the year	**10,616**	5,480
Group's share of profit of an associate for the year	**5,308**	2,740

21. DEPOSITS FOR LAND LEASE PREPAYMENTS

Deposits as land lease prepayments (the "**Land Lease Prepayments**") were made for the purchase of land use rights in the PRC (the "**Land**"). In accordance with the agreement dated 22 June 2006 (the "**Agreement**") entered into by the Group and Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) (the "**Vendor**"), the Group had made payment of approximately RMB14,721,000 (equivalent to HK$18,548,000 (2012: HK$17,960,000)) to the Vendor (the "**Vendor Deposit**") and approximately RMB13,822,000 (equivalent to HK$17,416,000 (2012: HK$16,863,000)) to a company owned by Zhongshan Sanxiang Town local government (the "**Government Deposit**").

In October 2010, April 2011 and October 2011, various letters had been issued by the Zhongshan Sanxiang Town local government (the "**Local Government**") which acknowledged (i) the receipt of the deposits; (ii) the progress of the application for the issuance of the land use right certificate; and (iii) the undertaking by the Local Government to compensate and repay the deposits (including the Vendor Deposit and the Government Deposit) to the Group in case the land use right certificate cannot be obtained by the Group (the "**Undertaking**").

In October 2012, the Vendor and the Local Government respectively issued letter to the Group which acknowledged (i) their respective receipt of the deposit from the Group; (ii) their respective responsibility to assist the Group in obtaining the land use right certificate of the Land; and (iii) their respective obligation to refund the respective deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use right certificate of the Land.

Notes to the Financial Statements

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21. DEPOSITS FOR LAND LEASE PREPAYMENTS (continued)

In October 2012, the Group obtained legal opinion from an independent PRC law firm (the "**Lawyer**") and received the legal advice that whilst the other letters had not specified or confirmed the whole amount of the Land Lease Prepayments (i.e. the Government Deposit together with the Vendor Deposit) (the "**Whole Amount**") or timing of commitment by the Local Government to repay, however, based on the Undertaking, the Group would have reasonable grounds to recover the Whole Amount paid with interest from the Local Government, regardless whether the Vendor is able to repay the Vendor Deposit or not, despite the associated risk and uncertainty which may exist during the course of legal action taken. The Lawyer further advised that appropriate legal action should be taken within a valid time bar under the PRC law and regulations, which was before the end of February 2013, in order to secure and support the Group's right to recover the Whole Amount from the Local Government.

On 26 October 2012, the date on which the consolidated financial statements of the Group for the year ended 31 July 2012 were approved by the Directors, the Directors resolved not to take immediate legal action but to further negotiate with the Local Government and the Vendor with a view to obtain the land use right certificate of the Land in near future, as the Directors believed that there had been appreciation in the value of the Land, though that it may exceed the valid time bar to recover the Whole Amount with interest from the Local Government if legal action was to be taken later on. The Directors believed that the Group would either be able to recover the Whole Amount or to obtain the relevant land use right certificate in the near future. No impairment loss on the deposits paid was then considered necessary by the Directors for the year ended 31 July 2012.

During the year ended 31 July 2013 and up to the date of approval of these consolidated financial statements, no legal action was taken by the Group against the Local Government and the Vendor because the negotiation with the Local Government and the Vendor to obtain the land use right certificate of the Land was still in progress.

In September 2013, the Local Government further issued a letter to the Group which acknowledged (i) its receipt of the Government Deposit from the Group; (ii) its responsibility to assist the Group in obtaining the land use right certificate of the Land; and (iii) its obligation to refund the deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use right certificate of the Land.

Since the valid time bar under the PRC law and regulations to take legal action to recover the Vendor Deposit from the Local Government was expired, the Directors have performed a detailed assessment on the recoverability of the carrying amount of the Vendor Deposit as at 31 July 2013, which included search on the financial position of the Vendor. On the basis of the assessment, a full provision for impairment of the Vendor Deposit has been recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2013 as the management opined that the impairment loss was definitely incurred in the year ended 31 July 2013 in which the Group's option to recover the Vendor Deposit from the Local Government was legally expired at the end of February 2013 contrary to any opinion of the uncertainty as to whether the impairment loss, or any portion thereof, was incurred in the year ended 31 July 2012 or 2013.

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22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted equity investment in Hong Kong, at cost	**22,934**	20,045

The above unlisted equity investment represents investment in unlisted equity interest in a private limited partnership established in Hong Kong. The investment is measured at cost less impairment at the end of the reporting period since in the opinion of the Directors, the range of reasonable fair value estimates is so significant that fair value of the investment cannot be reliably measured. As at the reporting date, the unpaid amount under the contract of approximately HK$8,266,000 (2012: HK$11,155,000) and details of the capital commitments are set out in Note 36 to the financial statements.

23. INVENTORIES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**1,560**	2,784	**1,205**	2,371
Finished goods	**159,974**	96,924	**96,444**	56,610
	161,534	99,708	**97,649**	58,981

During the year ended 31 July 2013, provision for slow-moving inventories of approximately HK$4,160,000 (2012: HK$172,000) has been recognised and included in the cost of sale.

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24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**21,320**	24,881	**1,797**	1,639
Less: Allowance for bad and doubtful debts	**(2,329)**	(1,141)	**(265)**	(148)
Trade receivables, net	**18,991**	23,740	**1,532**	1,491
Other receivables	**52,466**	43,618	**5,948**	18,951
Less: Allowance for bad and doubtful debts	**(6,344)**	—	—	—
Other receivables, net *(Note (i))*	**46,122**	43,618	**5,948**	18,951
Deposits and prepayments *(Note (ii))*	**54,846**	59,013	**35,055**	30,192
Total	**119,959**	126,371	**42,535**	50,634
Less: Rental and utility deposits shown under non-current assets	**(22,780)**	(22,407)	**(22,564)**	(17,200)
Current portion	**97,179**	103,964	**19,971**	33,434

Notes:

(i) As at 31 July 2013, royalty receivables of the Group and the Company of approximately HK$40,768,000 (2012: HK$38,370,000) and approximately HK$3,975,000 (2012: HK$11,497,000) respectively are included in the other receivables.

(ii) As at 31 July 2013, land lease prepayments of the Group of approximately HK$1,598,000 (2012: HK$341,000) are included in the current portion of deposits and prepayments.

(a) 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 do not hold any collateral over these balances.

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.

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

(b) An aging analysis of 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
0 to 90 days	**12,580**	17,042	**1,454**	1,372
91 to 180 days	**4,406**	2,120	**78**	27
181 to 365 days	**2,005**	4,578	**—**	92
	18,991	23,740	**1,532**	1,491

(c) 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**1,141**	1,641	**148**	156
Allowance (reversed) provided	**1,145**	(505)	**117**	(8)
Exchange realignment	**43**	5	**—**	—
At the end of the year	**2,329**	1,141	**265**	148

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$2,329,000 (2012: HK$1,141,000) and approximately HK$265,000 (2012: HK$148,000) 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.

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For the year ended 31 July 2013

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

(d) An aging analysis of trade receivables based on payment due date that is past due but not impaired as at the end of the reporting period is as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
Past due but not impaired	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within 60 days	**10,448**	12,341	**890**	1,364
61 days to 150 days	**4,406**	2,120	**78**	27
Over 150 days	**2,005**	4,578	**—**	92
	16,859	19,039	**968**	1,483

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

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.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
At the beginning of the year	**—**	—
Allowance provided	**6,344**	—
At the end of the year	**6,344**	—

Included in allowance for bad and doubtful debts of the Group are individually impaired other receivables with aggregate balances of approximately HK$6,344,000 (2012: Nil). The individually impaired other receivables related to long outstanding balances and management assessed the recoverability of such balances is remote and impairment was recognised for the year ended 31 July 2013.

The Group does not hold any collateral over the other receivables.

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Listed investments		
— Equity securities listed in Hong Kong	**2,059**	1,893
— Debt securities listed in Hong Kong	**12,469**	13,953
— Debt securities listed outside Hong Kong	**42,601**	13,662
	57,129	29,508
Unlisted investments		
— Fund investments	**3,062**	—
— Debt securities	**57,992**	46,449
Total	**118,183**	75,957

Key terms of debt securities are summarised as below:

	2013	2012
Coupon interest rate	**0.83% to 10.50%**	1.00% to 9.65%
Maturity	**2013 to 2023 or perpetual**	2012 to 2021 or perpetual

The above financial assets at FVTPL are classified as held for trading. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the reporting date. The fair value of unlisted investments was based on the value quoted by the brokers or the fund administrators at the end of the reporting period.

Changes in fair value of financial assets at FVTPL are recognised in other income in the consolidated statement of profit or loss and other comprehensive income.

All the financial assets at FVTPL of the Group and the Company that are denominated in US$ which was currency other than the functional currencies of individual companies. The Directors believe that under the pegging currency mechanism between HK$ and US$, the currency risk exposure in relation to financial assets at FVTPL is minimal.

At 31 July 2013, certain financial assets at FVTPL of approximately HK$94,548,000 (2012: HK$75,957,000) of the Group and the Company were pledged to banks to secure the margin loans payable of approximately HK$12,009,000 (2012: HK$34,301,000) , details of which are set out in Note 28.

Notes to the Financial Statements

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26. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**56,968**	49,051	**29,275**	20,351
Time deposits	**601**	600	**601**	600
Cash and cash equivalents	**57,569**	49,651	**29,876**	20,951
Pledged bank deposits	**4,344**	42,493	**4,344**	42,493

Cash and bank balances and pledged bank deposits of the Group and the Company that are denominated in currencies other than the functional currencies of individual companies are set out below:

	The Group		The Company	
	2013	2012	**2013**	2012
Currency	**HK$'000**	HK$'000	**HK$'000**	HK$'000
RMB	**2,391**	26,032	**2,381**	26,020
US$	**4,588**	9,831	**4,588**	9,831

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.

As at 31 July 2012, the Group and the Company have pledged bank deposits of approximately HK$24,493,000 were carrying at fixed rate of 2.9% per annum and therefore were exposed to fair value interest rate risk which the Directors considered not significant. The remaining pledged bank deposits of the Group and the Company carry interest at market rates and are therefore exposed to cash flow interest rate risk. There was no fixed rate pledged bank deposit of the Group and the Company as at 31 July 2013.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group and the Company. Deposits amounting to approximately HK$4,344,000 (2012: HK$42,493,000) have been pledged to secure margin loans payable and undrawn facilities and are therefore classified as current assets.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits were made for varying terms 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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27. BORROWINGS

	The Group			
	2013		2012	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Bank loans, secured	**425,537**	**1.47-2.30**	234,437	1.35-1.81
Trust receipt loans, secured	**13,794**	**1.55-1.91**	—	N/A
Trust receipt loans, unsecured	**8,859**	**1.91-2.41**	721	1.90
	448,190		235,158	

	The Company			
	2013		2012	
	HK$'000	**Effective Interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Bank loans, secured	**392,000**	**1.47-1.96**	—	N/A
Trust receipt loans, secured	**13,794**	**1.55-1.91**	—	N/A
Trust receipt loans, unsecured	**8,859**	**1.91-2.41**	721	1.90
	414,653		721	

	The Group	
	2013 HK$'000	2012 HK$'000
Carrying amount repayable:		
Within one year	**132,099**	1,648
Beyond one year, but not exceeding two years	**14,498**	226,944
Beyond two years, but not exceeding five years	**280,808**	2,934
Beyond five years	**20,785**	3,632
	448,190	235,158
Less: Amounts shown under current liabilities	**(132,099)**	(1,648)
Amounts shown under non-current liabilities	**316,091**	233,510

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27. BORROWINGS (continued)

	The Company	
	2013	2012
	HK$'000	HK$'000
Carrying amount repayable:		
Within one year	**129,653**	721
Beyond one year, but not exceeding two years	**12,000**	—
Beyond two years, but not exceeding five years	**273,000**	—
	414,653	721
Less: Amounts shown under current liabilities	**(129,653)**	(721)
Amounts shown under non-current liabilities	**285,000**	—

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 2013, certain investment properties, leasehold building and land lease prepayments of the Group with carrying value of approximately HK$1,261,300,000 (2012: HK$868,000,000), HK$6,997,000 (2012: Nil) and HK$42,277,000 (2012: Nil) respectively were pledged to secure bank loans of the Group of approximately HK$439,331,000 (2012: HK$234,437,000).

As at 31 July 2013, certain investment properties, leasehold building and land lease prepayments of the subsidiaries of the Company with carrying value of approximately HK$1,187,000,000, HK$6,997,000 and HK$42,277,000 respectively were pledged to secure bank loans of the Company of approximately HK$405,794,000. No secured loan was borrowed by the Company as at 31 July 2012.

As at 31 July 2013, the Company had provided guarantee to the borrowings of its subsidiaries for an aggregate amount of approximately HK$7,508,000 (2012: HK$234,437,000).

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28. MARGIN LOANS PAYABLE

For the year ended 31 July 2013, the margin loans payable was secured by the debt and equity securities held under the margin accounts, with a total market value of approximately HK$94,548,000 (2012: HK$75,957,000) (Note 25) and pledged bank deposits of approximately HK$4,344,000 (2012: HK$42,493,000) (Note 26).

	The Group and the Company			
	2013		2012	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective Interest rates (%) p.a.
Within one year	**12,009**	**1.27-1.36**	34,301	1.24-1.37

The Group and the Company's margin loans payable that are denominated in currencies other than the functional currencies of the Group and the Company are set out below:

	The Group and the Company	
Currency	**2013 HK$'000**	2012 HK$'000
Japanese Yen	**3,960**	—
US$	—	31,925
Singapore dollars	—	1,572

29. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	The Group		**The Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade payables:				
0 to 90 days	**34,847**	17,488	**25,936**	12,164
91 to 180 days	**266**	2,722	**215**	1,767
181 to 365 days	**814**	635	**638**	123
Over 365 days	**391**	636	**239**	396
	36,318	21,481	**27,028**	14,450
Advance from customers	**8,682**	14,957	—	—
Deposits received	**10,781**	7,275	**1,296**	41
Other payables and accruals	**37,849**	39,871	**17,575**	18,962
	93,630	83,584	**45,899**	33,453

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 time frame.

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30. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**2,952**	2,854	**2,812**	2,770
Amounts (reversed) provided during the year	**(220)**	98	**(157)**	42
At the end of the year	**2,732**	2,952	**2,655**	2,812

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, taking into account their services rendered up to the end of the reporting period.

The provision represents the management's best estimate of the Group and the Company's liability at the end of the reporting period. As at 31 July 2013 and 2012, the amount is calculated based on the principal assumptions stated as below:

	2013	2012
Annual salary increment	**2.5%**	3.6%
Turnover rate	**9.7%**	5.6%
Mandatory Provident Fund return rate	**4.0%**	2.7%
Discount rate	**1.7%**	3.7%

31. DEFERRED TAX ASSETS/LIABILITIES

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

	The Group	
	2013	2012
	HK$'000	HK$'000 (Restated)
At the beginning of the year (as originally stated)		—
Effect of change in accounting policy — Application of amendments to HKAS 12 (Note 2)		2,256
At the beginning of the year (as restated)	**1,862**	2,256
Deferred tax charged during the year (Note 12)	**(1,643)**	(394)
At the end of the year	**219**	1,862

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31. DEFERRED TAX ASSETS/LIABILITIES (continued)

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

	The Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
At the beginning of the year (as originally stated)		69,550
Effect of change in accounting policy		
— Application of amendments to HKAS 12 (Note 2)		(69,550)
At the beginning of the year (as restated)	**17**	—
Deferred tax charged during the year (Note 12)	**39**	17
At the end of the year	**56**	17

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

Deferred tax asset

	Losses available for offsetting against future taxable profits	
	2013	2012
The Group	**HK$'000**	HK$'000
At the beginning of the year	**7,284**	6,922
Deferred tax (charged) credited during the year	**(659)**	362
At the end of the year	**6,625**	7,284

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For the year ended 31 July 2013

31. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax liabilities

The Group	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000 (Restated)	Total HK$'000 (Restated)
At 1 August 2011 (as originally stated)	(4,666)	(71,806)	(76,472)
Effect of change in accounting policy — Application of amendments to HKAS 12 (Note 2)	—	71,806	71,806
At 1 August 2011 (as restated)	(4,666)	—	(4,666)
Deferred tax charged during the year	(773)	—	(773)
At 31 July 2012 and 1 August 2012	(5,439)	—	(5,439)
Deferred tax charged during the year	(1,023)	—	(1,023)
At 31 July 2013	**(6,462)**	**—**	**(6,462)**

As at 31 July 2013, the Group has unutilised Hong Kong and PRC tax losses of approximately HK$230,092,000 (2012: HK$176,900,000). 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 2013 may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$40,151,000 (2012: HK$44,145,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining Hong Kong and PRC tax losses of approximately HK$189,941,000 (2012: HK$132,755,000) 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$14,773,000 (2012: HK$20,613,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. CAPITAL AND RESERVE

(a) Share capital

	The Company			
	2013		2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Ordinary share of HK$0.25 each				
Authorised:				
At 1 August	**1,200,000,000**	**300,000**	800,000,000	200,000
Increase in shares	**500,000,000**	**125,000**	400,000,000	100,000
At 31 July	**1,700,000,000**	**425,000**	1,200,000,000	300,000
Issued and fully paid:				
At 1 August	**935,743,695**	**233,936**	623,829,130	155,957
Bonus shares issued	**—**	**—**	311,914,565	77,979
At 31 July	**935,743,695**	**233,936**	935,743,695	233,936

The authorised share capital of the Company was increased from HK$200,000,000 divided into 800,000,000 shares of HK$0.25 each to HK$300,000,000 divided into 1,200,000,000 shares of HK$0.25 each during the year ended 31 July 2012, and then further increased to HK$425,000,000 divided into 1,700,000,000 shares of HK$0.25 each during the year ended 31 July 2013, by the creation of additional 400,000,000 and 500,000,000 new shares of HK$0.25 during the respective years. The new shares rank pari passu in all respects to all the issued shares.

On 27 March 2012, the Directors recommended a bonus issue of shares to the shareholders of the Company on the basis of one bonus share for every two existing shares of the Company in issue (the "**Bonus Share Issue**"). The proposed Bonus Share Issue was approved by the shareholders of the Company at the extraordinary general meeting held on 25 May 2012. Immediately after the Bonus Share Issue, the issued share capital of the Company increased to approximately HK$233,936,000 divided into 935,743,695 ordinary shares of HK$0.25 each as a result of the issuance of 311,914,565 bonus shares. The bonus shares had been credited as fully paid by way of capitalisation of an amount of approximately HK$77,979,000 in the share premium account of the Company. The related share issue expenses amounted to approximately HK$105,000. The bonus issue rank pari passu in all respects with the existing ordinary shares of the Company. Further details of the Bonus Share Issue are set out in the announcement of the Company dated 25 May 2012.

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32. CAPITAL AND RESERVE (continued)

(b) Perpetual loan

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party (the "**Investor**"). Pursuant to the agreement, the Investor agreed to lend HK$15,000,000 to the Group and the loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposed of one of its investment properties. Upon disposal of the investment property, 50% on disposal gain or loss realised will be shared with the Investor and recognised in equity, the repayment amount of the loan is subjected to the result on disposal of the investment property. In the opinion of the Directors, the Group has no plan to dispose of the investment property in the foreseeable future and the disposal of the investment property and thus the date of repayment of the loan are at the discretion of the Group. Accordingly, the loan is classified as equity instrument and recorded in equity.

33. RESERVES

The Company

	Share premium HK$'000	Retained profits HK$'000	Perpetual loan HK$'000 Note 32(b)	Total HK$'000
At 1 August 2011	168,728	297,560	—	466,288
Profit for the year (Note 13)	—	9,373	—	9,373
Bonus shares issued	(77,979)	—	—	(77,979)
At 31 July 2012 and 1 August 2012	90,749	306,933	—	397,682
Loss for the year (Note 13)	—	(54,459)	—	(54,459)
Perpetual loan raised	—	—	15,000	15,000
At 31 July 2013	**90,749**	**252,474**	**15,000**	**358,223**

34. PLEDGE OF ASSETS

The Group and the Company have pledged the following assets with carrying amounts to secure the borrowings, margin loans payable and banking facilities granted to the Group and the Company:

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Leasehold building	**6,997**	—	**—**	—
Investment properties	**1,261,300**	868,000	**—**	—
Land lease prepayments	**42,277**	—	**—**	—
Financial assets at FVTPL	**94,548**	75,957	**94,548**	75,957
Pledged bank deposits	**4,344**	42,493	**4,344**	42,493
	1,409,466	986,450	**98,892**	118,450

Notes to the Financial Statements

For the year ended 31 July 2013

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Gross property rental income earned during the year was approximately HK$28,198,000 (2012: HK$24,299,000). The Group leases out 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. The investment properties are expected to generate rental yields of 2.2% (2012: 2.6%) on an ongoing basis.

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	
	2013	2012
	HK$'000	HK$'000
Within one year	**33,860**	24,144
In the second to fifth years, inclusive	**46,113**	3,666
	79,973	27,810

(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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**114,574**	109,191	**96,188**	78,727
In the second to fifth years, inclusive	**87,534**	108,070	**86,443**	91,675
	202,108	217,261	**182,631**	170,402

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 at this stage, the relevant contingent rent has not been estimated and included in the analysis above in which only the minimum lease commitments are included.

Notes to the Financial Statements

For the year ended 31 July 2013

36. CAPITAL COMMITMENTS

In addition to the operating lease commitments disclosed in Note 35 above, the Group had the following capital commitments at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	HK$'000
Contracted, but not provided for:		
Land lease prepayments in the PRC	**4,354**	4,216
Acquisition and construction of property, plant and equipment in the PRC	**2,372**	2,476
Acquisition of available-for-sale financial asset	**8,266**	11,155
	14,992	17,847

37. EVENT AFTER THE REPORTING PERIOD

On 21 August 2013, the Company has granted 10,000,000 share options ("**Options**") in total to certain directors and senior management, under the share option scheme adopted by the Company on 22 December 2006, to subscribe for ordinary shares of HK$0.25 each in the share capital of the Company. The Options are exercisable at HK$0.4675 per share from 21 August 2013 to 20 August 2016.

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For the year ended 31 July 2013

38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	**2013** **HK$'000**	2012 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i)	**2,839**	2,704
— Lai Sun Development Company Limited	(ii)	**2,368**	3,453
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(iii)	**412**	29
— Honor Lamp Investments Limited	(iv)	**677**	677
— Guangzhou Besto Real Estate Development Company Limited	(v)	**2,080**	2,289
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(vi)	**1,168**	—
Company secretarial fee:			
— Lai Sun Development Company Limited	(vii)	**807**	776
Car-parking expense:			
— Lai Sun Development Company Limited	(viii)	**28**	37
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(ix)	**730**	682
Rental income and building management fee:			
— Big Honor Asia Limited	(x)	**1,524**	1,151
Interest income:			
— Mass Energy Limited	(xi)	**494**	472

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 charged by this related company pursuant to the terms of the 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 charged by this related company pursuant to the terms of the respective lease agreements.

Notes to the Financial Statements

For the year ended 31 July 2013

38. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

(iii) Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited of which certain executive directors of the Company are its beneficial shareholders. The rental expenses were charged by this related company pursuant to the terms of the respective lease agreements.

(iv) Honor Lamp Investments Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The rental expenses were charged by this related company pursuant to the terms of the respective lease agreements.

(v) Pursuant to the respective lease agreements, the rental expenses paid or payable by the Group to Guangzhou Besto Real Estate Development Company Limited constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of continuing connected transactions of the Report of the Directors.

(vi) Guangzhou Besto Real Estate Development Company Limited is a company of which certain executive directors of the Company are its beneficial shareholders. The building management fee and interest expense was charged by this related company pursuant to the terms of the respective lease agreement and loan agreement.

(vii) The company secretarial fee was charged by a related company of which certain executive directors of the Company are also its directors.

(viii) The car-parking expense was charged by a related company of which certain executive directors of the Company are also its directors.

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

(x) Pursuant to the respective lease agreements, the rental income and management fee received or receivable by the Group from Big Honor Asia Limited during the period from 1 April 2013 to 31 July 2013 constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of continuing connected transactions of the Report of the Directors. An executive director of the Company is also the director of Big Honor Asia Limited.

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

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

(b) Other transactions with related parties

As at 31 July 2013, the Company has provided guarantee to the borrowings of approximately HK$7,508,000 (2012: HK$234,437,000) incurred by its subsidiaries.

(c) Outstanding balances with related parties

Except the amount due to Guangzhou Besto Real Estate Development Company Limited of approximately HK$26,387,000 (2012: Nil) as at 31 July 2013 are unsecured, interest bearing at 5.6% per annum and repayable on demand, the remaining balances were derived from normal business activities and are unsecured, interest-free and repayable on demand.

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For the year ended 31 July 2013

38. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**14,421**	14,443
Post-employment benefits	**60**	58
	14,481	14,501

Further details of directors' remuneration are included in Note 9.

39. 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 and up to maximum of HK$1,250 from 1 June 2012 onwards (1 August 2011 to 31 May 2012: HK$1,000) for each employee 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 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 plans is to make the statutory specified contributions. During the year ended 31 July 2013, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,756,000 (2012: HK$2,544,000).

40. 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 the prior year.

The capital structure of the Group and the Company consists of borrowings and margin loans payable disclosed in Notes 27 and 28 respectively, amounts due to related companies, 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 the recommendations of the Directors, the Group and the Company expect to maintain a suitable gearing ratio through the issue of new shares as well as the undertaking of new debts or the redemption of existing debts.

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40. CAPITAL RISK MANAGEMENT (continued)

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

The Group	2013 HK$'000	2012 HK$'000 (Restated)
Debts (i)	**460,199**	269,459
Equity (ii)	**1,414,168**	1,154,333
Debt to equity ratio	**32.5%**	23.3%

The Company	2013 HK$'000	2012 HK$'000
Debts (i)	**426,662**	35,022
Equity (ii)	**592,159**	631,618
Debt to equity ratio	**72.1%**	5.5%

(i) Debt is defined as long-term and short-term borrowings and margin loans payable, as detailed in Notes 27 and 28 respectively.

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

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41. 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 2013 and 2012 are categorised as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets		
FVTPL		
— Held for trading	**118,183**	75,957
Available-for-sale financial asset	**22,934**	20,045
Loans and receivables		
(including pledged bank deposits and cash and cash equivalents)	**185,166**	221,384
	326,283	317,386
Financial liabilities measured at amortised cost	**571,997**	338,887

	The Company	
	2013	2012
	HK$'000	HK$'000
Financial assets		
FVTPL		
— Held for trading	**118,183**	75,957
Loans and receivables		
(including pledged bank deposits and cash and cash equivalents)	**849,493**	565,985
	967,676	641,942
Financial liabilities measured at amortised cost	**487,893**	82,934

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include financial assets at FVTPL, available-for-sale financial asset, rental and utility deposits, trade and other receivables and deposits, amounts due from related companies, amount due from an associate, amounts due from/to subsidiaries, pledged bank deposits, cash and cash equivalents, trade and other payables and deposits received, borrowings, margin loans payable 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.

Notes to the Financial Statements

For the year ended 31 July 2013

41. FINANCIAL RISK MANAGEMENT (continued)

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, margin loans payable, bank balances and pledged bank deposits. Details of bank balances and pledged bank deposits, borrowings and margin loans payable are disclosed in Notes 26, 27 and 28 respectively. It is the Group's policy to keep its bank balances and pledged bank deposits, borrowings and margin loans payable at floating rate of interests so as to minimise the fair value interest rate risk. Debt securities included in the financial assets at FVTPL, amounts due to related company and time deposits carried at fixed rates expose the Group to fair value interest rate risk.

The Group's and the Company's exposure to interest rate risk 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 the Hong Kong Inter-bank Offer Rate arising from the Group's Hong Kong dollar denominated borrowings.

Sensitivity analysis

At 31 July 2013, 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 approximately HK$3,664,000 (2012: HK$1,552,000).

The sensitivity analysis above have 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 financial year. The analysis is performed on the same basis for the year ended 31 July 2012.

Other price risk

The Group is exposed to price risk mainly through its investment in listed securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's price risk is mainly concentrated on equity securities operating in petroleum and gas industry sectors and property investment quoted in the Stock Exchange.

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41. FINANCIAL RISK MANAGEMENT (continued)

Price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at the end of the reporting period.

If the prices had been 10% higher/lower:

Post-tax profit for the year ended 31 July 2013 would increase/decrease by approximately HK$172,000 (2012: increase/decrease by HK$158,000). This is mainly due to the change in fair value of held-for-trading investments.

Credit risk

The Group's and the Company's maximum exposure to credit risk is primarily attributable to its trade receivables and other 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 Company was also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in Note 38(b). The Group also has policies that limit the amount of credit exposure to any financial institution.

In respect of trade receivables, individual credit evaluation is performed on all customers requiring credit over a certain amount. This evaluation focus on the customer's past history of making payments when due and its current ability to pay, and take into account information specific to the customer as well as the economic environment in which it operates. 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 the customer.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 76.3% (2012: 77.1%) of the total trade receivables as at 31 July 2013. The Company does not have significant concentration of credit risk as at 31 July 2013 and 2012.

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 of Directors when the borrowings exceed certain predetermined levels of authority.

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41. FINANCIAL RISK MANAGEMENT (continued)

The following table details the Group's and the Company's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities at 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$'000**	**Between 2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 July 2013 HK$'000**
Non-derivative financial liabilities					
Borrowings	**138,118**	**305,877**	**22,977**	**466,972**	**448,190**
Margin loans payable	**12,018**	**—**	**—**	**12,018**	**12,009**
Trade and other payables and deposits received	**84,948**	**—**	**—**	**84,948**	**84,948**
Amounts due to related companies	**28,261**	**—**	**—**	**28,261**	**26,850**
	263,345	**305,877**	**22,977**	**592,199**	**571,997**

The Group	Less than 1 year HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July 2012 HK$'000
Non-derivative financial liabilities					
Borrowings	5,071	230,904	3,750	239,725	235,158
Margin loans payable	34,332	—	—	34,332	34,301
Trade and other payables and deposits received	68,627	—	—	68,627	68,627
Amounts due to related companies	801	—	—	801	801
	108,831	230,904	3,750	343,485	338,887

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41. FINANCIAL RISK MANAGEMENT (continued)

The Company	**Less than 1 year HK$'000**	**Between 2 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 July 2013 HK$'000**
Non-derivative financial liabilities				
Borrowings	**134,968**	**293,276**	**428,244**	**414,653**
Margin loans payable	**12,018**	**—**	**12,018**	**12,009**
Trade and other payables and deposits received	**45,899**	**—**	**45,899**	**45,899**
Amounts due to subsidiaries	**—**	**15,184**	**15,184**	**15,184**
Amounts due to related companies	**148**	**—**	**148**	**148**
Financial guarantee contracts	**7,508**	**—**	**7,508**	**—**
	200,541	**308,460**	**509,001**	**487,893**

The Company	Less than 1 year HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July 2012 HK$'000
Non-derivative financial liabilities				
Borrowings	722	—	722	721
Margin loans payable	34,332	—	34,332	34,301
Trade and other payables and deposits received	33,453	—	33,453	33,453
Amounts due to subsidiaries	—	13,963	13,963	13,963
Amounts due to related companies	496	—	496	496
Financial guarantee contracts	234,437	—	234,437	—
	303,440	13,963	317,403	82,934

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the loan agreement for the guaranteed amount if that amount is claimed by the counterparty to the guarantee (Note 27). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Notes to the Financial Statements

For the year ended 31 July 2013

41. FINANCIAL RISK MANAGEMENT (continued)

c. Fair values

The fair values of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of other financial assets and financial liabilities (excluding those describes above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of debt securities and fund investments are calculated using quoted prices and net asset values.

The fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. The fair values of financial guarantee contracts were insignificant at the grant date.

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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

— Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 July 2013				
Financial assets at FVTPL	**57,129**	**61,054**	**—**	**118,183**
As at 31 July 2012				
Financial assets at FVTPL	29,508	46,449	—	75,957

There were no transfers among the three levels during both years.

Particulars of Investment Properties

At 31 July 2013

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

Location	Use	Lease Term	Attributable Interests of the Group
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	Long	100%
Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong	Property letting	Medium	100%
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 A, 11th Floor, Wing Tai Centre (Front Block), No. 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit E on 2nd Floor, Yip Fat Factory Building Phase 2, 75 (formerly 73 and 75) Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005, Level 20, Times 8, No.68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, The PRC	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an annual general meeting ("**AGM**") of the members ("**Members**") of Crocodile Garments Limited ("**Company**") will be held at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Thursday, 12 December 2013 at 10:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2013 and the reports of the directors and the independent auditor thereon.

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

3. To re-appoint SHINEWING (HK) CPA Limited (Certified Public Accountants of Hong Kong) as the independent auditor of the Company for the ensuing year and to authorise the Board to fix its remuneration.

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

"**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional shares of HK$0.25 each in the share capital of the Company ("**Shares**") 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) 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) 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

(ii) an issue of Shares 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); or

Notice of Annual General Meeting

(iii) an issue of Shares as scrip dividends pursuant to the Articles of Association of the Company ("**Articles of Association**") from time to time; or

(iv) an issue of Shares under any award or option scheme or similar arrangement for the grant or issue to eligible participants under such scheme or arrangement of Shares or rights to acquire Shares;

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 ("**Members**") 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 to be held; and

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to the holders of Shares whose names appear on the Register of Members 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)."

By Order of the Board
Crocodile Garments Limited
Ko Ming Kin
Chief Financial Officer and
Company Secretary

Hong Kong, 13 November 2013

Notice of Annual General Meeting

Notes:

1. *A Member entitled to attend and vote at the AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association. A proxy need not be a Member.*

2. *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 thereof), must be lodged with the share registrars of the Company ("**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 will 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 its adjourned meeting (as the case may be) should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.*

   The contact phone number of the Registrars is (852) 2980 1333.

3. *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 no later than 4:30 p.m. on Monday, 9 December 2013 for registration.*

4. *Where there are joint registered holders of any Shares, 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 were solely entitled thereto. However, should more than one of such joint holders be present at the AGM or its adjourned meeting (as the case may be), the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holder(s), and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.*

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

   (i) *in accordance with Article 100 of the Articles of Association, Mr. Wan Yee Hwa, Edward, Ms. Lam Suk Ying, Diana, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu will retire as Directors from office by rotation at the AGM and, being eligible, offer themselves for re-election; and*

   (ii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively), details of the aforesaid Directors are set out in the section headed "Biographical Details of Directors" in the Report of the Directors of the 2012-2013 Annual Report of the Company.*

6. *Concerning agenda item 3 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of the Members at the AGM, SHINEWING (HK) CPA Limited will be re-appointed independent auditor of the Company for the year ending 31 July 2014 ("**Year 2014**"). Members should note that in practice, independent auditor's remuneration for the Year 2014 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 independent auditor's remuneration as operating expenses for the Year 2014, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2014 is required, and is hereby sought, at the AGM.*

7. *The proposed Ordinary Resolution under agenda item 4 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.*

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

9. *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time after 8:00 a.m. on the date of the AGM, the AGM will be postponed and the Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company (www.crocodile.com.hk) and the Stock Exchange (www.hkex.com.hk).*

   If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled. The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

   Members should decide whether they would attend the AGM under a bad weather condition after considering their own situations and if they do so, they are advised to exercise care and caution.

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