

CROCODILE

2013-2014

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



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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

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E-mail: corpadmin@crocodile.com.hk

Stock Code on the Hong Kong Stock Exchange: 122



CROCODILE



HONG KONG

WAN CHAI
NORTH POINT
TSIM SHA TSUI
YAU MA TEI
MONG KOK
WONG TAI SIN
KOWLOON CITY
TSEUNG KWAN O
TSUEN WAN
SHEUNG SHUI
YUEN LONG
TAI PO
SHATIN
TIN SHUI WAI

MACAU

RUA PEDRO COUTINHO
NAM WAN

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 Mainland China, as well as property investment and letting in Hong Kong and Mainland China.



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

Chow Bing Chiu

Leung Shu Yin, William

Yeung Sui Sang

Audit Committee

Leung Shu Yin, William (*Chairman*)

Chow Bing Chiu

Yeung Sui Sang

Remuneration Committee

Leung Shu Yin, William (*Chairman*)

Chow Bing Chiu

Yeung Sui Sang

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 Registrar and Transfer Office

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu

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

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



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LACOSTE



Chairman's Statement



LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

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The revenue of the Group for the year ended 31 July 2014 was HK\$501,813,000 (2013: HK\$499,451,000) and the gross profit of the Group was HK\$302,910,000 (2013: HK\$303,039,000).

The “Garment and Related Accessories Business” segment operated in a fraught situation in the year ended 31 July 2014. Weakening consumer spending, abnormal weather conditions hitting the traditional peak seasons of apparel business, eye-popping sale discounts of competitors for stock clearance, soaring rental expenses, all these factors in aggregate have weighed heavily on the performance of the “Garment and Related Accessories Business” segment. The revenue dropped by 3% to HK\$454,962,000 and the segment loss was HK\$34,673,000.

The results of the “Property Investment and Letting Business” segment were satisfactory. The rental revenue was increased in the year ended 31 July 2014 upon renewals of leases to HK\$46,851,000 (2013: HK\$28,198,000). Under the measures taken by the Hong Kong SAR Government for cooling down the property market in Hong Kong, the fair value gains on investment properties of the Group was HK\$143,008,000 as at 31 July 2014 (2013: HK\$319,429,000).

Combining the results of the two business segments above with the share of profit of an associated company of HK\$2,828,000 (2013: HK\$5,308,000) and the exchange differences arising on translation of foreign operations of HK\$30,000 (2013: HK\$7,353,000), the total comprehensive income attributable to the owners of the Company was HK\$106,062,000 for the year ended 31 July 2014 (2013: HK\$244,835,000).

Chairman's Statement

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2014 (2013: Nil) to retain the sufficient liquidity of the Group under the wobbling business environment.

OPERATIONS IN HONG KONG AND MACAU

There was a sales decline in the general retail market year-on-year with a diminished growth in the apparel sector. The change in shopping preferences of customers, especially the Mainland of China (“**Mainland**”) tourists, and the adverse rainy weather in spring/summer collectively ensnared the performances of the “Garment and Related Accessories Business” segment in Christmas and Lunar New Year and the sales of spring/summer merchandises. On the other hand, the increments in shop rentals, the major operating costs, were significant upon lease renewals. To contend with the above dual negative impacts, the Group has realigned its shop portfolio by judiciously targeting appropriate shopping premises in order to improve the operating efficiency. The sales network restructuring is definitely lumbering under the prevailing bloom in property market as the shop rentals kept on rising. As at 31 July 2014, the Group operated 22 shops for Crocodile line (2013: 24) and 9 shops for Lacoste line (2013: 8).

The “Property Investment and Letting Business” segment delivered an encouraging result. Upon renewals of leases, the rental revenue was increased to HK\$46,851,000 in the year ended 31 July 2014 (2013: HK\$28,198,000). The fair value gains on investment properties were HK\$143,008,000 as at 31 July 2014.

OPERATIONS IN THE MAINLAND

The “Garment and Related Accessories Business” segment operated under the shadow of the slowdown in the growth of Gross Domestic Product (“**GDP**”) and waning market sentiment. The competitors continued to offer aggressive sales discounts to clear their piles of inventories. In addition to the high operating outlays charged, such as rents and promotional levies, the delay in sales settlements by shopping malls exerted a heavy burden not only on the profit of the Group but also cash position. To tackle the difficult business conditions, the Group has consolidated its sales network and improved the supply chain management to enhance the value-for-money of its merchandises. The Group has also closely monitored the inventory levels in its sales channels to minimize the risk of stock obsolescence. To capture the rising trend of online shopping in the Mainland, the Group has set up its online sales points in various popular malls.

As at 31 July 2014, there were a total of 118 shops in the Mainland (2013: 192), including self-operated shops of 48 (2013: 100) and those operated by the Group's franchisees of 70 (2013: 92).

The royalty income from licensees, the major component of the other income, contributed a steady income stream to the Group of HK\$52,624,000 for the year ended 31 July 2014.

Chairman's Statement

PROSPECTS

The performance of the Group's "Garment and Related Accessories Business" segment is subject to the economic conditions of Hong Kong and the Mainland. The business outlook of Hong Kong is gloomy, giving the recent downside adjustment of GDP, mainly caused by shrinking tourist spending and domestic consumption, and the deteriorating political polarization. Accordingly, the Group will take a vigilant stance in restructuring its shop portfolio in Hong Kong to magnify the operating efficiency.

In the Mainland, the currently released economic data confirmed a slowdown in growth momentum in the third quarter following a rebound in the second quarter. In short term, the apparel business in general is facing the challenges of excessive channel inventory and product homogeneity, the Group will bolster its supply chain management to strengthen the competitiveness of its merchandises. In long term, the Mainland governmental policies of fostering of the domestic demand to become the major driver of GDP growth; and urbanization will bring vast changes in spending pattern across tiers of cities. To capture these macro opportunities, the Group will reorganize its sales channels and merchandise mix.

The United States has been tapering its quantitative easing and a surprisingly strong jobs market recovery can lead it to raise interest rates earlier than it has been anticipating. Under the existing pegging arrangement, Hong Kong will follow and raise its interest rate in pace with the United States. The ending of low interest rate environment will inevitably take toll on the Group's "Property Investment and Letting Business" segment. Moreover, it will escalate the burden of borrowing costs on the Group.

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As a contrast, the prevailing economy of the Eurozone is gnawing. As a result, the financial markets will be even more volatile with turbulent flows of fund. The risk exposure of the Group's financial assets on hand will consequentially be intensified.

Capitalizing on its prestige brand image and unique brand identity, "Crocodile", the Group has pursued to deliver quality merchandises to its customers and fortified the shop operating efficiency and supply chain controls. Moreover, the Group implements pragmatic and prudent financial management approach by exploring various means of enhancing its capital base to secure the Group's responsiveness in the intricate business ambience ahead.

CONTINGENT LIABILITIES

As at 31 July 2014, the Group had no material contingent liabilities.

Chairman's Statement

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for 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 2014.

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\$57,233,000 as at 31 July 2014 (2013: HK\$57,569,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK\$730,000 (2013: HK\$4,344,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalents denominated in Renminbi as at 31 July 2014 were equivalent to HK\$21,324,000 (2013: HK\$22,288,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 July 2014, the total outstanding borrowings including margin loans of the Group amounted to HK\$487,724,000. The total outstanding borrowings comprised bank overdraft of HK\$15,263,000, unsecured short-term bank trust receipt loans of HK\$3,754,000, secured short-term bank trust receipt loans of HK\$6,540,000, secured bank mortgage loan of HK\$31,092,000, secured margin loans of HK\$26,075,000, secured long-term bank loan of HK\$285,000,000 and secured short-term bank revolving loans of HK\$120,000,000. 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\$2,498,000 repayable within one year and long-term portion of HK\$28,594,000 repayable in the second to fourteenth years.

Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2014.

As at 31 July 2014, the Group had mortgaged certain of its investment properties with carrying values of HK\$1,383,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

Chairman's Statement

The Group's gearing revealed by the interest-bearing debt to equity ratio at 31 July 2014 was 32%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the forthcoming rise in interest rates, the Group will actively consider any fund-raising means in order to keep its gearing at a reasonable level for controlling its interest expenses while further developing its business.

As at 31 July 2014, 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\$2,268,000 and acquisition of available-for-sale financial asset of HK\$6,160,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no significant investments, material acquisitions or disposals in the year ended 31 July 2014.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 600 as at 31 July 2014 (2013: 778). 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 hospitalization insurance plans, provident fund benefits, subsidized meals, staff discount on purchases, internal training for sales staff and external training programme subsidies.

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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

28 October 2014

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 2014 (“**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 6 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 2014 are set out in the Financial Statements and their accompanying notes on pages 47 to 120.

The board of Directors (“**Board**”) does not recommend the payment of a final dividend for the Year (2013: Nil) to retain sufficient liquidity of the Group under the wobbling business environment. No interim dividend was paid or declared in respect of the Year (2013: Nil).

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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 31 to the Financial Statements.

DIRECTORS

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

Executive 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 (“**NED**”)

Lam Suk Ying, Diana

Report of the Directors

DIRECTORS (continued)

Independent Non-executive Directors (“INEDs”)

Chow Bing Chiu

Leung Shu Yin, William

Yeung Sui Sang

In accordance with Article 100 of the Articles of Association of the Company (“**Articles of Association**”), Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (all Executive Directors), and Mr. Leung Shu Yin, William (an INED) 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

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Brief biographical particulars of the Directors are set out below:

Executive Directors

Each of the current Executive Directors named below 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 77, 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 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States of America in February 2014. Dr. Lam has been involved in day-to-day management in the garment business since 1958.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

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 (NED). He is also the father of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

The Company and Dr. Lam have entered into a service contract with no fixed term. However, in accordance with the provisions of the Articles of Association, Dr. Lam 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. He presently receives a monthly salary and allowance of HK\$462,080 and an annual director's fee of HK\$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities as well as the prevailing market conditions.

As at the date of this Report, Dr. Lam was interested or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”), in a total of 476,259,000 shares of the Company (“Shares”), representing approximately 50.90% of the issued share capital of the Company. Save as aforesaid, Dr. 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.

For the purpose of Dr. 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 other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 43, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee of the Company. Ms. Lam is a member of Guangdong Provincial Committee of Chinese People's Political Consultative Conference. 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 16 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 (NED), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both Executive Directors).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Dr. Lam Kin Ngok, Peter, aged 57, was appointed an Executive Director in October 1987. Dr. Lam is the deputy chairman and an executive director of LSG as well as the chairman and an executive director of LSD and Media Asia Group Holdings Limited (“**MAGHL**”). Dr. Lam was the chairman and an executive director of Lai Fung (from 25 November 1993 to 31 October 2012) as well as an executive director of eSun Holdings Limited (“**eSun**”) (from 15 October 1996 to 13 February 2014). 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, a member of Aviation Development Advisory Committee, a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and the Mainland and a non-official member of the Lantau Development Advisory Committee.

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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 (NED), 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).

Dr. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as 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. He presently receives an annual director’s fee of HK\$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities as well as the prevailing market conditions.

As at the date of this Report, Dr. 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.

For the purpose of Dr. 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 other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Lam Kin Hong, Matthew, aged 46, 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 senior partner of a Hong Kong law firm, CWL Partners Lawyers 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 vice president of The Hong Kong Real Property Federation cum chairman of its Yangtze River Delta Region, 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 Consulate of The Republic of Estonia in Hong Kong. He is a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong and a Council Member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

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 (NED) 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. Lam does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as 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. He presently receives an annual director's fee of HK\$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the performance of the Company, his duties and responsibilities as well as the prevailing market conditions.

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

For the purpose of Mr. 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 other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Wan Yee Hwa, Edward, aged 78, 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.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 59, was appointed a NED 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).

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 63, 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. Leung Shu Yin, William, aged 65, 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. Leung does not have a service contract with the Company. However, in accordance with the provisions of the Articles of Association, he will be subject to retirement as 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. He 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

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

For the purpose of Mr. Leung'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 other information that needs to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

Mr. Yeung Sui Sang, aged 76, 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.

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.

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DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 37 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 SIGNIFICANT CONTRACTS

Save as disclosed in Note 37 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.

Report of the Directors

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 and Mr. Lam Kin Hong, Matthew 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (“**Scheme**”) on 22 December 2006 for the purpose of providing incentives or rewards to the Participants as defined in the Scheme. The Scheme became effective on 29 December 2006 (“**Effective Date**”) and unless otherwise cancelled or amended, will remain in force for ten years from the Effective Date.

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\$1.00 to take up options to subscribe for Shares. On and subject to the terms of the Scheme and the requirements of the Listing Rules, the Directors shall be entitled, at any time and from time to time within ten years commencing on the Effective Date and subject to such conditions as the Directors may think fit, to grant options to subscribe at the Subscription Price (as defined in the Scheme) for such number of Shares as the Directors may determine. The initial maximum number of Shares in respect of which options may be granted under the Scheme is 61,712,713 Shares, being 10% of the total number of issued Shares as at the adoption date of the Scheme.

As at 31 July 2014 and the date of this Report, the Company might grant further options under the Scheme to subscribe for a maximum of 45,010,713 Shares (representing about 4.81% of the issued Shares as at those dates) and the Company had a total of 10,000,000 underlying Shares comprised in options outstanding under the Scheme (representing approximately 1.07% of the issued Shares as at those dates).

Report of the Directors

SHARE OPTION SCHEME (continued)

Information on the movements of share options under the Scheme during the Year is set out below:

Number of underlying Shares comprised in share options						
Category/Name of participants	Date of grant (dd/mm/yyyy) <small>(Note 1)</small>	As at 1 August 2013	Granted during the Year	As at 31 July 2014	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <small>(Note 2)</small>
Directors						
Lam Wai Shan, Vanessa	21/08/2013	-	2,500,000	2,500,000	21/08/2013- 20/08/2016	0.4675
Wan Yee Hwa, Edward	21/08/2013	-	2,500,000	2,500,000	21/08/2013- 20/08/2016	0.4675
Employees						
In aggregate	21/08/2013	-	5,000,000	5,000,000	21/08/2013- 20/08/2016	0.4675
Total		-	10,000,000	10,000,000		

Notes:

- The above share options were vested on the date of grant.*
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*
- The closing price of each Share immediately before the date on which the share options were granted (i.e. 21 August 2013) was HK\$0.425 per Share.*

Save as disclosed above, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme during the Year.

Details of the Scheme are included in Note 33 to the Financial Statements.

Report of the Directors

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2014 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long 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 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**”); or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares		Share Options	Total Interests	Approximate Percentage of Total Issued Shares <small>(Note 1)</small>
		Personal Interests	Corporate Interests	Personal Interests		
Lam Kin Ming	Beneficial owner and owner of controlled corporation	4,059,000	472,200,000 <small>(Note 2)</small>	Nil	476,259,000	50.90%
Lam Wai Shan, Vanessa	Beneficial owner	2,827,500	Nil	2,500,000 <small>(Note 3)</small>	5,327,500	0.57%
Wan Yee Hwa, Edward	Beneficial owner	Nil	Nil	2,500,000 <small>(Note 3)</small>	2,500,000	0.27%

Notes:

1. The total number of issued Shares as at 31 July 2014 (935,743,695 Shares) has been used in the calculation of the approximate percentage.
2. Rich Promise Limited (“**RPL**”) beneficially owned 472,200,000 Shares, representing approximately 50.46% of the issued Shares. 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.
3. Details of the share options granted to Ms. Lam Wai Shan, Vanessa and Mr. Wan Yee Hwa, Edward under the share option scheme of the Company are shown in the section headed “Share Option Scheme” of this Report.

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Interests in Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares 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 2014, none of the Directors or the chief executive of the Company and their respective close 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 under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

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 2014, 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 individuals (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 <small>(Note 1)</small>
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 <small>(Note 2)</small>	50.46%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and Corporate	476,259,000 <small>(Notes 2 and 3)</small>	50.90%

Notes:

1. The total number of issued Shares as at 31 July 2014 (935,743,695 Shares) has been used in the calculation of the approximate percentage.
2. 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. Please also refer to “Directors’ Interests” section above for further details.
3. Dr. Lam Kin Ming was personally interested in 4,059,000 Shares.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who, as at 31 July 2014, 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 People’s Republic of China:

- (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 Chapter 14A of the Listing Rules.

Report of the Directors

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 Chapter 14A of 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 Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong (“**Deloitte**”), the Company’s independent auditor (“**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. Deloitte has issued a letter containing their findings and conclusion in respect of the CCTs disclosed above to the Board in accordance with Rule 14A.56 of the Listing Rules confirming that nothing has come to their attention that causes them to believe the CCTs:

- (i) have not been approved by the Board;
- (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iii) have 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 and the section headed “*Particulars of Investment of Properties*” of this Annual Report.

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PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries as at 31 July 2014 are set out in Note 18 to the Financial Statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company as at 31 July 2014 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 51 and Note 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2014, the Company had reserves available for distribution in accordance with the provision of Section 297 of the Companies Ordinance, Chapter 622 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 22.6% and 8.1%, respectively of the Group's total purchases for the Year.

None of the Directors, their close 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\$739,000 (2013: HK\$2,148,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2010 to 2014 is set out below:

	Year ended 31 July				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	<u>501,813</u>	<u>499,451</u>	<u>505,640</u>	<u>514,520</u>	<u>457,608</u>
Profit for the year attributable to owners of the Company	<u>106,032</u>	<u>236,883</u>	<u>84,674</u>	<u>98,070</u>	<u>154,128</u>
	As at 31 July				
	2014 HK\$'000	2013 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000
Total assets	<u>2,146,304</u>	<u>2,021,113</u>	<u>1,532,507</u>	<u>1,212,266</u>	<u>1,078,713</u>
Total liabilities	<u>640,220</u>	<u>621,945</u>	<u>378,174</u>	<u>143,966</u>	<u>121,487</u>
Total equity	<u>1,506,084</u>	<u>1,399,168</u>	<u>1,154,333</u>	<u>1,068,300</u>	<u>957,226</u>
	<u>2,146,304</u>	<u>2,021,113</u>	<u>1,532,507</u>	<u>1,212,266</u>	<u>1,078,713</u>

Report of the Directors

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 44 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.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in Note 41 to the Financial Statements.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

Deloitte was appointed the Independent Auditor to fill the casual vacancy arising from the resignation of SHINEWING (HK) CPA Limited with effect from 17 July 2014 to hold office until the conclusion of the forthcoming AGM. The Financial Statements have been audited by Deloitte which will retire and, being eligible, offer themselves 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 Deloitte as the Independent Auditor for the ensuing year will be put to the forthcoming AGM for the Shareholders' approval.

On Behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
28 October 2014

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 throughout the year ended 31 July 2014 (“**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.

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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 overall business and commercial strategy of the Company and its subsidiaries (“Group”) as well as overall policies and guidelines.

Decisions relating to the aforesaid matters and any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds 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

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

Chow Bing Chiu

Leung Shu Yin, William

Yeung Sui Sang

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. The Company has received from each of the INEDs an annual confirmation of his independence for the Year. 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.

(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.

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 new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") conducted by a leading international solicitors' firm, and arranged for the Directors to attend seminars organised by other organisations and professional bodies.

Corporate Governance Report

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

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:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read Materials	Attend Seminars/ Briefings	Read Materials	Attend Seminars/ Briefings
Executive Directors				
Lam Kin Ming (<i>Chairman and Chief Executive Officer</i>)	✓	✓	✓	—
Lam Wai Shan, Vanessa (<i>Deputy Chief Executive Officer</i>)	✓	✓	✓	—
Lam Kin Ngok, Peter	✓	✓	✓	—
Lam Kin Hong, Matthew	✓	✓	✓	✓
Wan Yee Hwa, Edward	✓	✓	✓	✓
Non-executive Director				
Lam Suk Ying, Diana	✓	✓	✓	—
Independent Non-executive Directors				
Chow Bing Chiu	✓	✓	✓	✓
Leung Shu Yin, William	✓	✓	✓	✓
Yeung Sui Sang	✓	✓	✓	—

(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), Chow Bing Chiu and Yeung Sui Sang and an ED, Mr. Wan Yee Hwa, Edward.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.1) Remuneration Committee (continued)

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 terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both 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.

(4.2) Audit Committee

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

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.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(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.

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 judgements contained in them before submission to the Board for approval, and the review and monitoring of the auditors’ independence and objectivity as well as the effectiveness of the audit process. The terms of reference setting out the Audit Committee’s authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(b) *Work Performed by the Audit Committee*

The Audit Committee held three meetings during the Year. It has reviewed the audited final results of the Group for the year ended 31 July 2013, the unaudited interim results of the Group for the six months ended 31 January 2014, the change in the independent auditor of the Company (“**Independent Auditor**”) 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.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(b) *Work Performed by the Audit Committee* (continued)

On 28 October 2014, 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. 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.

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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. 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.

Corporate Governance Report

(10) INDEPENDENT AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited (“SHINEWING”) resigned as the Independent Auditor with effect from 17 July 2014 while Deloitte Touche Tohmatsu (“Deloitte”), Certified Public Accountants of Hong Kong was appointed the Independent Auditor on the same date to fill the casual vacancy arising from the resignation of SHINEWING to hold office until the conclusion of the forthcoming AGM. A resolution for the re-appointment of Deloitte as the Independent Auditor for the ensuing year will be proposed at the forthcoming AGM.

The fees in respect of the audit and non-audit services provided to the Group by Deloitte for the Year amounted to approximately HK\$790,000 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.

(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.

Corporate Governance 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 Meeting	Audit Committee Meeting	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 (<i>Chairman and Chief Executive Officer</i>)	4/4	—	—	1/1
Ms. Lam Wai Shan, Vanessa (<i>Deputy Chief Executive Officer</i>)	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	1/4	—	—	1/1
Independent Non-executive Directors				
Mr. Chow Bing Chiu	4/4	3/3	1/1	1/1
Mr. Leung Shu Yin, William	4/4	3/3	1/1	1/1
Mr. Yeung Sui Sang	3/4	3/3	1/1	1/1

(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.

Corporate Governance Report

(14) INTERNAL CONTROLS (continued)

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 property investment and treasury cycles of the Company.

(15) COMPANY SECRETARY

The company secretary of the Company (“**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. 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;
- (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 general meeting of the Company (“**GMs**”) provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and
- (v) the Company’s share registrar (“**Registrar**”) serve the Shareholders in respect of share registration, dividend payment, change of Shareholders’ particulars and related matters.

Corporate Governance Report

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.2) Details of the Last GM

The last GM, being the AGM for 2013 (“**2013 AGM**”), was held at 10:00 a.m. on 12 December 2013 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2013 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 2013 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Mr. Wan Yee Hwa, Edward as an ED, Ms. Lam Suk Ying, Diana as a NED and Mr. Yeung Sui Sang and Mr. Chow Bing Chiu as INEDs; (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 of the Company (“**Shares**”) not exceeding 20% of the issued Shares and the matters contemplated thereby.

The 2013 AGM notice and the relevant poll results announcement were published on both the websites of the Company and the Stock Exchange on 13 November 2013 and 12 December 2013, respectively.

(17) SHAREHOLDERS’ RIGHTS

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(17.1) Procedures for Shareholders to Call a GM

Pursuant to the Articles of Association and the Companies Ordinance, registered Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at GMs (“**GM Requisitionists**”) can deposit a written request to call a GM 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 GM Requisitionists must state in their request(s) the general nature of the business to be dealt with at the GM and such request(s) must be authenticated by all the GM Requisitionists and may consist of several documents in like form.

The Registrar will verify the GM Requisitionists’ particulars in the GM Requisitionists’ request. Promptly after confirmation from the Registrar that the GM Requisitionists’ request is in order, the Company Secretary will arrange with the Board to call a GM by serving sufficient notice to all the registered Shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the GM Requisitionists’ request is verified not in order, the GM Requisitionists will be advised of the outcome and accordingly, a GM will not be called as requested.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

(17.1) Procedures for Shareholders to Call a GM (continued)

The GM Requisitionists, or any of them representing more than one-half (50%) of the total voting rights of all of them, may themselves call a GM if within twenty-one (21) days of the deposit of the GM Requisitionists' request, the Board does not proceed duly to call a GM for a day not more than twenty-eight (28) days after the date on which the notice calling the GM is given, provided that any GM so called is held within three (3) months from the date of the original GM Requisitionists' request. Any reasonable expenses incurred by the GM Requisitionists by reason of the Board's failure to duly call a GM shall be repaid to the GM Requisitionists by the Company.

(17.2) Procedures for Putting Forward Proposals at GMs

Pursuant to Sections 615 and 580 of the Companies Ordinance, either any number of the registered Shareholders representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the AGM or at least 50 registered Shareholders who have a right to vote on the resolution at the AGM ("**Requisitionists**") can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) circulate to the Shareholders entitled to receive notice of any GM 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.

The requisition duly signed by the Requisitionists must be authenticated by the person or persons making it and sent to the Company at its Registered Office stated in paragraph (17.1) above no later than six (6) weeks before the AGM in case of a requisition requiring notice of a resolution or not less than one (1) week before the GM in case of a requisition requiring circulation of statement.

Pursuant to the Companies Ordinance, the Company that is required under Sections 615 and 580 of the Companies Ordinance to give notice of a resolution/circulate a statement (as the case may be) must send a copy of it at the Company's own expense to each Shareholder entitled to receive notice of the AGM in the same manner as the notice of the meeting; and at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

(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.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

(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 GM.

(18) MEMORANDUM AND ARTICLES OF ASSOCIATION

No changes have been made to the Company's Memorandum and Articles of Association ("**Memorandum and Articles of Association**") during the Year. Amendments to the Memorandum and Articles of Association aligning with the new Companies Ordinance which commenced operation on 3 March 2014 will be proposed for Shareholders' approval by way of special resolution at the forthcoming AGM. Details are set out in a circular for the Shareholders' information to be despatched together with this Annual Report to the Shareholders.

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(19) 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

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

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

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Crocodile Garments Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 47 to 120, which comprise the consolidated and company statements of financial position as at 31 July 2014, 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 Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated 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 (Cap. 622) (the “**Hong Kong Companies Ordinance**”) and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Independent Auditor's Report

Basis for Qualified Opinion

As detailed in note 20 to the consolidated financial statements, an impairment loss on the deposit paid to the vendor for land lease prepayments, included in other operating expenses, net, of approximately RMB14,721,000 (equivalent to HK\$18,254,000) (the “Vendor Deposit”) was recognised during the year ended 31 July 2013. However, the predecessor auditor qualified their opinion in respect of the consolidated financial statements for the year ended 31 July 2013 as a result of the limitation of scope encountered in respect of their audit of the Vendor Deposit as at 31 July 2012, and the possible impact of any adjustments that may have been necessary in respect of the opening balances as at 1 August 2012, and the impact on the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 July 2013. Our opinion on the current year's consolidated financial statements is modified because of the possible effect of this matter on the comparability of the current year's figures and corresponding figures.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2014, 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.

Other Matter

The consolidated financial statements of the Company for the year ended 31 July 2013 were audited by another auditor who expressed a qualified opinion as described above, on those statements on 25 October 2013.

Report on matters under sections 80(1) of Schedule 11 to the Hong Kong Companies Ordinance with reference to sections 141(4) and 141(6) of the predecessor Hong Kong Companies Ordinance (Cap. 32)

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the impairment loss on the Vendor Deposit for the years ended 31 July 2013 and 31 July 2012,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept for the years ended 31 July 2013 and 31 July 2012.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 October 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	5	501,813	499,451
Cost of sales		<u>(198,903)</u>	<u>(196,412)</u>
Gross profit		302,910	303,039
Fair value gains on investment properties	16	143,008	319,429
Other income	5	62,458	56,780
Selling and distribution expenses		(323,786)	(342,937)
Administrative expenses		(61,545)	(65,484)
Other operating expenses, net	9	(6,931)	(29,555)
Finance costs	7	(10,266)	(6,253)
Share of profit of an associate	19	<u>2,828</u>	<u>5,308</u>
Profit before tax	9	108,676	240,327
Income tax expense	8	<u>(2,644)</u>	<u>(3,444)</u>
Profit for the year attributable to owners of the Company		<u>106,032</u>	<u>236,883</u>
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		<u>30</u>	<u>7,353</u>
Other comprehensive income for the year		<u>30</u>	<u>7,952</u>
Total comprehensive income for the year attributable to owners of the Company		<u>106,062</u>	<u>244,835</u>
		HK Cents	HK Cents
Earnings per share	14		
— Basic		<u>11.33</u>	<u>25.31</u>
— Diluted		<u>11.33</u>	<u>N/A</u>

Consolidated Statement of Financial Position

As at 31 July 2014

	Notes	2014 HK\$'000	2013 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	15	162,442	162,038
Investment properties	16	1,452,922	1,294,484
Land lease prepayments	17	15,046	15,398
Interest in an associate	19	31,690	28,342
Rental and utility deposits	23	14,982	22,780
Deposits for acquisition and construction of property, plant and equipment and investment properties		—	19,761
Deposits for land lease prepayments	20	17,416	17,416
Available-for-sale financial asset	21	25,040	22,934
Deferred tax assets	30	—	219
		<u>1,719,538</u>	<u>1,583,372</u>
Current assets			
Inventories	22	133,162	161,534
Trade and other receivables, deposits and prepayments	23	92,635	95,933
Amounts due from related companies	37(c)	—	178
Financial assets at fair value through profit or loss	25	143,006	118,183
Pledged bank deposits	26	730	4,344
Bank balances and cash	26	57,233	57,569
		<u>426,766</u>	<u>437,741</u>
Current liabilities			
Bank borrowings	27	160,055	132,099
Margin loans payable	28	26,075	12,009
Trade and other payables and deposits received	29(a)	68,382	93,630
Perpetual loan	29(b)	15,000	15,000
Amounts due to related companies	37(c)	41,439	26,850
Tax payable		22,522	23,478
		<u>333,473</u>	<u>303,066</u>
Net current assets		<u>93,293</u>	<u>134,675</u>
Total assets less current liabilities		<u>1,812,831</u>	<u>1,718,047</u>

Consolidated Statement of Financial Position

As at 31 July 2014

	Notes	2014 HK\$'000	2013 HK\$'000 (Restated)
Non-current liabilities			
Bank borrowings	27	301,594	316,091
Provision for long service payments		2,672	2,732
Deferred tax liabilities	30	2,481	56
		<u>306,747</u>	<u>318,879</u>
Net assets		<u>1,506,084</u>	<u>1,399,168</u>
Capital and reserves			
Share capital	31	324,685	233,936
Reserves		1,181,399	1,165,232
		<u>1,506,084</u>	<u>1,399,168</u>
Total equity		<u>1,506,084</u>	<u>1,399,168</u>

The consolidated financial statements on pages 47 to 120 were approved and authorised for issue by the board of directors of the Company on 28 October 2014 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Statement of Financial Position

As at 31 July 2014

	Notes	2014 HK\$'000	2013 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	15	8,941	10,161
Interests in subsidiaries	18	4,050	4,050
Amounts due from subsidiaries	24(b)	518,567	744,240
Rental and utility deposits	23	14,922	22,564
		<u>546,480</u>	<u>781,015</u>
Current assets			
Inventories	22	77,838	97,649
Trade and other receivables, deposits and prepayments	23	24,687	19,971
Amounts due from subsidiaries	24(a)	260,790	31,669
Financial assets at fair value through profit or loss	25	143,006	118,183
Pledged bank deposits	26	730	4,344
Bank balances and cash	26	27,527	29,876
		<u>534,578</u>	<u>301,692</u>
Current liabilities			
Bank borrowings	27	157,557	129,653
Margin loans payable	28	26,075	12,009
Trade and other payables and deposits received	29(a)	24,869	45,899
Perpetual loan	29(b)	15,000	15,000
Amounts due to subsidiaries	24(c)	17,093	15,184
Amounts due to related companies	37(c)	—	148
		<u>240,594</u>	<u>217,893</u>
Net current assets		<u>293,984</u>	<u>83,799</u>
Total assets less current liabilities		<u>840,464</u>	<u>864,814</u>
Non-current liabilities			
Bank borrowings	27	273,000	285,000
Provision for long service payments		2,626	2,655
		<u>275,626</u>	<u>287,655</u>
Net assets		<u>564,838</u>	<u>577,159</u>
Capital and reserves			
Share capital	31	324,685	233,936
Reserves	32	240,153	343,223
Total equity		<u>564,838</u>	<u>577,159</u>

Consolidated Statement of Changes in Equity

For the year ended 31 July 2014

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	
At 1 August 2012	233,936	90,749	28,826	109,090	691,732	—	1,154,333
Profit for the year	—	—	—	—	236,883	—	236,883
Other comprehensive income							
Item that will not subsequently reclassified to profit or loss:							
Gain arising on transfer of property, plant and equipment to investment properties at fair value	—	—	—	599	—	—	599
Item that may be subsequently reclassified to profit or loss:							
Exchange differences arising on translation of foreign operations	—	—	7,353	—	—	—	7,353
Total comprehensive income for the year	—	—	7,353	599	236,883	—	244,835
At 31 July 2013	233,936	90,749	36,179	109,689	928,615	—	1,399,168
Profit for the year	—	—	—	—	106,032	—	106,032
Other comprehensive income							
Item that may be subsequently reclassified to profit or loss:							
Exchange differences arising on translation of foreign operations	—	—	30	—	—	—	30
Total comprehensive income for the year	—	—	30	—	106,032	—	106,062
Recognition of equity-settled share-based payments	—	—	—	—	—	854	854
Transition to no par-value regime on 3 March 2014 (Note 31)	90,749	(90,749)	—	—	—	—	—
At 31 July 2014	324,685	—	36,209	109,689	1,034,647	854	1,506,084

Consolidated Statement of Cash Flows

For the year ended 31 July 2014

	2014 HK\$'000	2013 HK\$'000 (Restated)
OPERATING ACTIVITIES		
Profit before income tax	108,676	240,327
Adjustments for:		
Finance costs	10,266	6,253
Bank interest income	(192)	(565)
Interest income from an associate	(520)	(494)
Share of profit of an associate	(2,828)	(5,308)
Depreciation of property, plant and equipment	17,727	17,933
Amortisation of land lease prepayments	352	387
Loss on disposal/write-off of property, plant and equipment	662	369
Provision for doubtful debts	4,589	7,498
Bad debts write-off	—	856
Other receivables write-off	—	4
Provision for slow-moving inventories	6,012	4,160
Provision for deposits for acquisition and construction of property, plant and equipment	—	2,232
Impairment loss on the deposit for land lease prepayments	—	18,254
Write-off of long outstanding trade payables	(258)	(78)
Net gain on financial assets at fair value through profit or loss	(6,528)	(1,692)
Share-based payment expense	854	—
Gain on fair value change of investment properties	(143,008)	(319,429)
Operating cash flows before movements in working capital	(4,196)	(29,293)
Decrease (increase) in inventories	22,360	(65,986)
Decrease (increase) in trade and other receivables, deposits and prepayments	6,507	(689)
Increase in financial assets at fair value through profit or loss (Decrease) increase in trade and other payables and deposits received	(18,295)	(40,534)
Decrease (increase) in amounts due from related companies	(24,990)	10,124
Decrease (increase) in amounts due to related companies	178	(1)
Decrease in amounts due to related companies	—	(338)
Decrease in provision for long service payments	(60)	(220)
Cash used in operations	(18,496)	(126,937)
Income taxes paid	(956)	(370)
Interest paid	(8,351)	(5,085)
NET CASH USED IN OPERATING ACTIVITIES	(27,803)	(132,392)

Consolidated Statement of Cash Flows

For the year ended 31 July 2014

	2014 HK\$'000	2013 HK\$'000 (Restated)
INVESTING ACTIVITIES		
Interest received	192	565
Purchase of property, plant and equipment	(8,839)	(26,183)
Proceeds from disposal of property, plant and equipment	97	104
Payments for deposits for acquisition and construction of property, plant and equipment	(5,209)	(4,768)
Payments for deposits for acquisition of investment properties	(515)	(14,680)
Purchase of investment properties	—	(84,143)
Purchase of available-for-sale financial asset	(2,106)	(2,889)
Withdrawal of pledged bank deposits	3,614	38,149
NET CASH USED IN INVESTING ACTIVITIES	(12,766)	(93,845)
FINANCING ACTIVITIES		
New bank loans raised	40,263	495,400
Repayments of bank loans	(14,445)	(304,300)
New margin loans raised	216,942	388,856
Repayments of margin loans	(202,876)	(411,148)
Advance from a related company	12,617	24,800
Proceed from perpetual loan	—	15,000
(Decrease) increase in trust receipt loans	(12,359)	21,932
NET CASH FROM FINANCING ACTIVITIES	40,142	230,540
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(427)	4,303
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	57,569	49,651
Effect of foreign exchange rate changes	91	3,615
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	57,233	57,569
Represented by bank balances and cash	57,233	57,569

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

1. GENERAL

Crocodile Garments Limited (the “**Company**”) is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The addresses of the registered office and principal place of business of the Company are disclosed in the “*Corporate Information*” section to this Annual Report.

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

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

In the opinion of the directors of the Company (the “**Directors**”), Rich Promise Limited, a company incorporated in the British Virgin Islands, is considered as the parent and ultimate parent company of the Company. Its sole shareholder is Dr. Lam Kin Ming, who is also the Chairman and Chief Executive of the Company and the ultimate controlling shareholder 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 issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) (“ IFRIC ”) — Interpretation (“ Int ”) 20	Stripping Costs in the Production Phase of a Surface Mine

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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 the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “*Consolidated Financial Statements*”, HKFRS 11 “*Joint Arrangements*”, HKFRS 12 “*Disclosure of Interests in Other Entities*”, HKAS 27 (as revised in 2011) “*Separate Financial Statements*” and HKAS 28 (as revised in 2011) “*Investments in Associates and Joint Ventures*”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements, and it has not had any material impact on the Company’s statement of financial position.

Application of these standards resulted in more extensive disclosures in the consolidated financial statements in relation to the Group’s interest in an associate (please see note 19 for details).

HKFRS 13 “Fair Value Measurement”

The Group and the Company have applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 “*Share-based Payment*” and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group and the Company have not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 16 and 40(c) for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements and the Company’s statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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

Amendments to HKFRS 7 “Disclosures — Offsetting Financial Assets and Financial Liabilities”

The Group has applied the amendments to HKFRS 7 “*Disclosures — Offsetting Financial Assets and Financial Liabilities*” for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- a) recognised financial instruments that are set off in accordance with HKAS 32 “*Financial Instruments: Presentation*”; and
- b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported or disclosures made in the Group’s consolidated financial statements and the Company’s statement of financial position.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs, amendments to HKFRSs and interpretation that have been issued but not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁵
HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ⁶
HK(IFRIC) — Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2017.

The Directors anticipate that the application of the new and revised HKFRSs, amendments to HKFRSs and interpretation will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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 transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 (including goodwill) 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 of disposal) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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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 other than financial asset at fair value through profit or loss (“FVTPL”), 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.

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 consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

If a property (including the related prepaid lease payments) 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.

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.

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 Consolidated Financial Statements

For the year ended 31 July 2014

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.

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 leases 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.

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation 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.

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.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors, employees and other providing similar services rendered by employee

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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 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 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.

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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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 or financial liabilities 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 the following specified categories: 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.

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 financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 in the near term; or
- on initial recognition it is part of an identified portfolio of 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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. 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. Fair value is determined in the manner described in note 40(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.

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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).

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 bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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-organization.

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 amortized cost, the amount of the impairment loss recognized 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.

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, amounts due from subsidiaries and amounts due from related companies where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade and other receivables, amounts due from subsidiaries 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 amortized 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 Company are recognised at the proceeds received, net of direct issue costs. Perpetual instruments that will be settled in cash upon the occurrence of future events which are not wholly within the control of the Group, are classified as financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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.

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Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss included in the 'other income' line item. Fair value is determined in the manner described in note 40(c).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

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

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 terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured 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 policies.

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.

On derecognition of a financial asset, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment losses on tangible assets

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

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 reversal of the impairment loss is treated as a revaluation decrease under that standard.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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

Critical judgement in applying the entity's accounting policies

Ownership of leasehold buildings

As at 31 July 2013, the ownership certificates and the formal titles of the leasehold buildings amounted to approximately HK\$54,762,000, were not yet granted to the Group by the relevant government authorities. The Directors determine to recognise these leasehold buildings on the grounds that they expect there 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. 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. The Group obtained the ownership certificate and the formal titles of the leasehold buildings during the year ended 31 July 2014.

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 that such temporary differences will not reverse in the foreseeable future. Thus, no deferred tax for withholding taxes on undistributed profits has been recognised.

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

As disclosed in note 16, the fair value of the investment properties was determined based on the income approach, where the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of properties. As at 31 July 2014, the fair values of investment properties were approximately HK\$1,452,922,000 (2013: HK\$1,294,484,000).

Provision for obsolete and slow-moving inventories

The Group's and the Company's inventories are stated at the lower of cost and net realisable value. The Group and the Company make provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2014, the carrying amounts of inventories of the Group and the Company were approximately HK\$133,162,000 (2013: HK\$161,534,000) and approximately HK\$77,838,000 (2013: HK\$97,649,000) respectively, net of allowance for inventories of approximately HK\$25,958,000 (2013: HK\$19,950,000) and approximately HK\$9,745,000 (2013: HK\$6,871,000), respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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

Key sources of estimation uncertainty (continued)

Impairment loss on property, plant and equipment and land lease prepayments

The impairment loss on property, plant and equipment 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 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.

Impairment loss on deposits for land lease prepayments

In determining the recoverability and possible write-back of the deposits for land lease prepayments, as appropriate, the directors of the Company have taken into account the likelihood of the Group to obtain the land use right certificate and the ability of the Group to collect the refund as detailed in note 20. Where the outcomes of whether the Group could obtain the land use right certificate and/or creditworthiness to the counterparty change from that expected, a material impairment loss or reversal of impairment loss may arise.

As at 31 July 2014, the carrying amount of deposits for land lease prepayments was approximately HK\$17,416,000 (2013: HK\$17,416,000), net of impairment of approximately HK\$18,548,000 (2013: HK\$18,548,000).

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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 2014, the carrying amounts of trade receivables of the Group and the Company were approximately HK\$18,059,000 (2013: HK\$18,991,000) and approximately HK\$2,638,000 (2013: HK\$1,532,000), respectively, net of allowance for doubtful debts of approximately HK\$2,110,000 (2013: HK\$2,329,000) and approximately HK\$262,000 (2013: HK\$265,000), respectively.

As at 31 July 2014, the carrying amounts of other receivables of the Group and the Company were approximately HK\$43,528,000 (2013: HK\$46,122,000) and approximately HK\$1,510,000 (2013: HK\$5,948,000), respectively, and net of allowance for doubtful debts of the Group of approximately HK\$11,288,000 (2013: HK\$6,479,000) and approximately HK\$38,000 (2013: HK\$33,000) for the Company. During the year ended 31 July 2014, no other receivables had been written off. During the year ended 31 July 2013, an amount of approximately HK\$4,000 had been written off and such amount was recognized in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

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

Key sources of estimation uncertainty (continued)

Income tax

As at 31 July 2014, deferred tax asset in relation to unused tax losses of HK\$320,763,000 (2013: HK\$279,740,000) and taxable temporary difference of HK\$3,496,000 (2013: HK\$14,773,000) in respect of retained profits of the PRC subsidiaries (see note 30) were not recognized in the consolidated statement of financial position due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognized in the profit or loss for the period in which such recognition takes place.

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 2014, the carrying amount of amounts due from subsidiaries was approximately HK\$779,357,000 (2013: HK\$775,910,000), net of allowance for amounts due from subsidiaries of approximately HK\$73,094,000 (2013: HK\$73,094,000).

5. REVENUE AND OTHER INCOME

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

	2014 HK\$'000	2013 HK\$'000
An analysis of revenue and other income is as follows:		
Revenue		
Sale of goods	454,962	471,253
Gross rental income	46,851	28,198
	<u>501,813</u>	<u>499,451</u>
Other income		
Royalty income	52,624	51,642
Bank interest income	192	565
Interest income on amount due from an associate	520	494
Net gain on financial assets at FVTPL	6,528	1,692
Others	2,594	2,387
	<u>62,458</u>	<u>56,780</u>

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses in types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely i) garment and related accessories business, ii) property investment and letting business, and iii) trading of securities, of which the former two are also reportable segments. The operating segments are managed separately as each business offers different products and services and requires different business strategies.

During the current year, certain expenses previously included in “Garment and related accessories business” segment were reclassified to “Unallocated corporate expenses” because the chief operating decision maker believes that such regrouping better reflects the segments’ performance based on the respective nature of relevant operating units. Accordingly, the comparative information for the year ended 31 July 2013 and as at 31 July 2013 have been restated to conform with the current year’s presentation.

Segment revenues and results

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

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Other		Total	
	2014 HK\$'000	2013 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Restated)
Revenue from external customers	454,962	471,253	46,851	28,198	—	—	501,813	499,451
Other income from external customers <i>(note)</i>	54,538	52,759	1,200	1,764	6,528	1,692	62,266	56,215
Group’s total revenue and other income <i>(note)</i>	509,500	524,012	48,051	29,962	6,528	1,692	564,079	555,666
Reportable segment (loss) profit	(34,673)	(61,421)	187,005	347,134	6,528	1,692	158,860	287,405
Unallocated corporate income							192	565
Unallocated corporate expenses							(40,110)	(41,390)
Finance costs							(10,266)	(6,253)
Profit before income tax							108,676	240,327

Note: The income excludes bank interest income.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Other		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000 (Restated)
ASSETS								
Segment assets	431,848	500,917	1,488,447	1,316,947	143,006	118,183	2,063,301	1,936,047
Unallocated corporate assets							83,003	85,066
Total consolidated assets							<u>2,146,304</u>	<u>2,021,113</u>
LIABILITIES								
Segment liabilities	99,269	112,099	13,224	11,113	26,075	12,009	138,568	135,221
Unallocated corporate liabilities							501,652	486,724
Total consolidated liabilities							<u>640,220</u>	<u>621,945</u>

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 bank balances and cash.
- all liabilities are allocated to reportable and operating segments, other than short-term and long-term borrowings, perpetual loan, tax payable and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Other		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Additions and transfer to non-current assets (<i>Note</i>)	18,879	26,163	15,472	84,163	—	—	34,351	110,326
Additions to deposits for acquisition and construction of property, plant and equipment	5,209	4,768	—	—	—	—	5,209	4,768
Additions to deposits for acquisitions of investment properties	515	—	—	14,680	—	—	515	14,680
Interest in an associate	—	—	31,690	28,342	—	—	31,690	28,342
Depreciation and amortisation	17,644	16,606	435	1,714	—	—	18,079	18,320
Provision for slow-moving inventories	6,012	4,160	—	—	—	—	6,012	4,160
Provision for doubtful debts	4,589	7,498	—	—	—	—	4,589	7,498
Bad debts write-off	—	856	—	—	—	—	—	856
Loss on disposal/write-off of property, plant and equipment	662	369	—	—	—	—	662	369
Write-off of long outstanding trade payables	(258)	(78)	—	—	—	—	(258)	(78)
Other receivables write-off	—	4	—	—	—	—	—	4
Provision for deposit for acquisition and construction of property, plant and equipment	—	2,232	—	—	—	—	—	2,232
Impairment loss on the deposit for of land lease prepayments	—	18,254	—	—	—	—	—	18,254
Fair value gains on investment properties	—	—	(143,008)	(319,429)	—	—	(143,008)	(319,429)
Net gain on financial assets at FVTPL	—	—	—	—	(6,528)	(1,692)	(6,528)	(1,692)
Share of profit of an associate	—	—	(2,828)	(5,308)	—	—	(2,828)	(5,308)
Interest income from an associate	—	—	(520)	(494)	—	—	(520)	(494)

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

6. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers	
	Year ended 31 July	
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Hong Kong	393,897	375,346
The PRC	107,916	124,105
	501,813	499,451
	Non-current assets	
	As at 31 July	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	1,510,999	1,371,518
The PRC	157,599	155,523
	1,668,598	1,527,041

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 in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

7. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank borrowings		
— wholly repayable within five years	7,649	4,770
— not wholly repayable within five years	702	315
Amount due to a related company	<u>1,915</u>	<u>1,168</u>
	<u>10,266</u>	<u>6,253</u>

8. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax		
— PRC Enterprise Income Tax	—	1,762
Deferred tax (Note 30)	<u>2,644</u>	<u>1,682</u>
Income tax expense	<u>2,644</u>	<u>3,444</u>

No current Hong Kong Profits Tax has been provided for the years ended 31 July 2014 and 2013 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

8. INCOME TAX EXPENSE (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

For the year ended 31 July 2014

	Hong Kong		The PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit (loss) before tax	<u>134,843</u>		<u>(26,167)</u>		<u>108,676</u>	
Tax at the domestic income						
tax rate	22,249	16.5	(6,542)	25.0	15,707	14.5
Tax effect of income						
not taxable for tax purpose	(23,955)	(17.8)	(1,153)	4.4	(25,108)	(23.1)
Tax effect of expenses						
not deductible for tax purposes	1,212	0.9	2,895	(11.1)	4,107	3.8
Tax effect of share of						
result of an associate	(467)	(0.3)	—	—	(467)	(0.4)
Tax effect of tax losses						
not recognised	<u>3,605</u>	<u>2.7</u>	<u>4,800</u>	<u>(18.3)</u>	<u>8,405</u>	<u>7.6</u>
	<u>2,644</u>	<u>2.0</u>	<u>—</u>	<u>—</u>	<u>2,644</u>	<u>2.4</u>

For the year ended 31 July 2013

	Hong Kong		The PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit (loss) before tax	<u>285,992</u>		<u>(45,665)</u>		<u>240,327</u>	
Tax at the domestic income						
tax rate	47,189	16.5	(11,416)	25.0	35,773	14.9
Tax effect of income						
not taxable for tax purpose	(53,542)	(18.7)	(53)	0.1	(53,595)	(22.3)
Tax effect of 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	<u>7,556</u>	<u>2.6</u>	<u>2,848</u>	<u>(6.2)</u>	<u>10,404</u>	<u>4.3</u>
	<u>1,682</u>	<u>0.6</u>	<u>1,762</u>	<u>(3.8)</u>	<u>3,444</u>	<u>1.4</u>

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For the year ended 31 July 2014

9. PROFIT BEFORE TAX/OTHER OPERATING EXPENSES, NET

	2014 HK\$'000	2013 HK\$'000 (Restated)
The Group's profit before income tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 10):		
Wages and salaries	85,417	90,659
Retirement benefits schemes	2,724	2,756
Share-based payments	854	—
Others	1,970	824
	<u>90,965</u>	<u>94,239</u>
Cost of inventories recognized as an expense (including provision for slow-moving inventories of HK\$6,012,000 (2013: HK\$4,160,000))	198,503	196,113
Depreciation of property, plant and equipment	17,727	17,933
Amortisation of land lease prepayments (included in administrative expenses)	352	387
Auditor's remuneration	790	730
Operating lease payments in respect of rented land and buildings:		
Minimum lease payments under operating leases	113,545	124,092
Contingent rents	7,882	7,909
	<u>121,427</u>	<u>132,001</u>
Gross rental income	(46,851)	(28,198)
Less: outgoings	400	299
	<u>(46,451)</u>	<u>(27,899)</u>
Other operating expenses, net:		
Provision for doubtful debts on trade and other receivables	4,589	7,498
Bad debts write-off	—	856
Loss on disposal/write-off of property, plant and equipment	662	369
Other receivables write-off	—	4
Write-off of long outstanding trade payables	(258)	(78)
Exchange gain, net	(32)	(404)
Provision for deposits for acquisition and construction of property, plant and equipment	—	2,232
Impairment loss on the deposit for land lease prepayments	—	18,254
Others	1,970	824
	<u>6,931</u>	<u>29,555</u>

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the nine (2013: nine) Directors and chief executive are as follows:

Name	2014				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits schemes HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Lam Kin Ming	10	5,545	1,379	—	6,934
Lam Wai Shan, Vanessa	10	2,643	661	16	3,330
Lam Kin Ngok, Peter	10	—	—	—	10
Lam Kin Hong, Matthew	10	—	—	—	10
Wan Yee Hwa, Edward	10	600	—	—	610
<i>Non-executive director</i>					
Lam Suk Ying, Diana	96	—	—	—	96
<i>Independent non- executive directors</i>					
Chow Bing Chiu	96	—	—	—	96
Leung Shu Yin, William	96	—	—	—	96
Yeung Sui Sang	96	—	—	—	96
	434	8,788	2,040	16	11,278
Name	2013				
	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related incentive payments HK\$'000	Retirement benefits schemes HK\$'000	Total HK\$'000
<i>Executive directors</i>					
Lam Kin Ming	10	5,545	1,379	—	6,934
Lam Wai Shan, Vanessa	10	2,643	661	15	3,329
Lam Kin Ngok, Peter	10	—	—	—	10
Lam Kin Hong, Matthew	10	—	—	—	10
Wan Yee Hwa, Edward	10	600	—	—	610
<i>Non-executive director</i>					
Lam Suk Ying, Diana	96	—	—	—	96
<i>Independent non- executive directors</i>					
Chow Bing Chiu	96	—	—	—	96
Leung Shu Yin, William	96	—	—	—	96
Yeung Sui Sang	96	—	—	—	96
	434	8,788	2,040	15	11,277

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Dr. Lam Kin Ming is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

During each of the two years ended 31 July 2014, (i) no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

11. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2013: two) Directors, details of whose remuneration are set out in note 10. The remunerations of the remaining three (2013: three), highest paid employees are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and allowances	3,721	3,543
Retirement benefits schemes	<u>46</u>	<u>45</u>
	<u>3,767</u>	<u>3,588</u>

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Their remunerations are within the following bands:

	Number of employees	
	2014	2013
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>2</u>
	<u>3</u>	<u>3</u>

During each of the two years ended 31 July 2014, 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.

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For the year ended 31 July 2014

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

The consolidated profit includes a loss of approximately HK\$13,175,000 (2013: HK\$54,459,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2014 (2013: nil) nor has any dividend been proposed by the Company since the end of the reporting period (2013: nil).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the year is based on the following data:

	2014 HK\$'000	2013 HK\$'000
Earnings		
Profit for the year attributable to owners of the		
Company for the purpose of basic earnings per share	106,032	236,883
Profit for the year attributable to owners of the		
Company for the purpose of diluted earnings per share	<u>106,032</u>	<u>N/A</u>
Number of shares		
Number of ordinary shares for the		
purposes of basic earnings per share	<u>935,743,695</u>	<u>935,743,695</u>
Number of ordinary shares for the		
purposes of diluted earnings per share	<u>935,743,695</u>	<u>N/A</u>

For the year ended 31 July 2014, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period during which the share options were outstanding. There were no potential dilutive instruments outstanding for the year ended 31 July 2013.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold land HK\$'000	Leasehold buildings HK\$'000	Construction in progress 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 2012	—	39,267	43,197	4,590	85,910	15,680	10,063	198,707
Additions	—	357	6,735	6	16,735	1,680	670	26,183
Disposals/write-off	—	—	—	(6)	(18,829)	(116)	(237)	(19,188)
Transfer from construction in progress	—	22,001	(22,001)	—	—	—	—	—
Transfer from investment properties (restated)	42,900	7,100	—	—	—	—	—	50,000
Transfer to investment properties	—	(6,072)	—	—	—	—	—	(6,072)
Surplus on revaluation	—	546	—	—	—	—	—	546
Exchange realignment	—	1,239	1,490	131	749	268	78	3,955
At 31 July 2013 (restated)	42,900	64,438	29,421	4,721	84,565	17,512	10,574	254,131
Additions	—	—	11,172	—	7,320	314	93	18,899
Disposals/write-off	—	—	—	(2)	(4,149)	(57)	(1,548)	(5,756)
Transfer from construction in progress	—	40,633	(40,633)	—	—	—	—	—
Exchange realignment	—	(55)	40	—	3	—	—	(12)
At 31 July 2014	42,900	105,016	—	4,719	87,739	17,769	9,119	267,262
ACCUMULATED DEPRECIATION								
At 1 August 2012	—	908	—	4,376	66,256	12,328	8,054	91,922
Provided for the year (restated)	623	1,768	—	41	13,268	1,263	970	17,933
Eliminated on disposals/write-off	—	—	—	(5)	(18,392)	(111)	(207)	(18,715)
Transfer to investment properties	—	(53)	—	—	—	—	—	(53)
Exchange realignment	—	56	—	125	568	196	61	1,006
At 31 July 2013 (restated)	623	2,679	—	4,537	61,700	13,676	8,878	92,093
Provided for the year	1,247	2,789	—	40	11,637	1,293	721	17,727
Eliminated on disposals/write-off	—	—	—	(3)	(3,531)	(44)	(1,419)	(4,997)
Exchange realignment	—	(3)	—	—	1	(1)	—	(3)
At 31 July 2014	1,870	5,465	—	4,574	69,807	14,924	8,180	104,820
CARRYING VALUES								
At 31 July 2014	41,030	99,551	—	145	17,932	2,845	939	162,442
At 31 July 2013 (restated)	42,277	61,759	29,421	184	22,865	3,836	1,696	162,038

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Furniture and fixtures, including leasehold improvement HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 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
Additions	5,665	74	—	5,739
Transfer from a subsidiary	140	—	—	140
Disposals/write-off	(486)	—	(1,548)	(2,034)
At 31 July 2014	46,462	8,221	4,864	59,547
ACCUMULATED DEPRECIATION				
At 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
Provided for the year	6,108	435	339	6,882
Eliminated on disposals/write-off	(398)	—	(1,419)	(1,817)
At 31 July 2014	38,221	7,521	4,864	50,606
CARRYING VALUES				
At 31 July 2014	8,241	700	—	8,941
At 31 July 2013	8,632	1,061	468	10,161

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

Leasehold land	Over the term of the lease
Leasehold buildings	2% to 4.5% or over the lease terms, whichever is shorter
Plant and machinery	10%
Furniture and fixtures, including leasehold improvements	10% to 20% or over the lease terms, whichever is shorter
Computer equipment	20%
Motor vehicles	20%

Notes to the Consolidated Financial Statements

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying values of leasehold land and buildings shown above comprises:

	2014 HK\$'000	2013 HK\$'000 (Restated)
Situated in Hong Kong		
Medium-term lease	47,821	49,274
Situated outside Hong Kong		
Medium-term lease	<u>92,760</u>	<u>54,762</u>
	<u>140,581</u>	<u>104,036</u>

The Group has pledged leasehold land and buildings with a carrying value of approximately HK\$47,821,000 (2013: HK\$49,274,000) 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. 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. The Group obtained the ownership certificates and the formal titles of the leasehold buildings during the year ended 31 July 2014.

During the year ended 31 July 2013, the leasehold land and building with fair value of approximately HK\$50,000,000 at date of transfer was transferred from investment property to leasehold land and building 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 at date of transfer was transferred to investment property due to the change of usage as evidenced by end of owner-occupation. No such transfer was noted during the year ended 31 July 2014.

In order to conform with current year's presentation, land lease prepayments amounting to HK\$41,031,000 and HK\$1,246,000 as at 31 July 2013 included in land lease prepayments (non-current assets) and trade and other receivables, deposits and prepayments have been reclassified to property, plant and equipment.

Notes to the Consolidated Financial Statements

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16. INVESTMENT PROPERTIES

Fair Value	The Group	
	2014 HK\$'000	2013 HK\$'000
At the beginning of the year	1,294,484	930,700
Additions	15,452	84,143
Transfer from property, plant and equipment and land lease prepayments	—	10,044
Transfer to property, plant and equipment	—	(50,000)
Increase in fair value recognised in profit or loss	143,008	319,429
Exchange realignment	(22)	168
At the end of the year	<u>1,452,922</u>	<u>1,294,484</u>

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. 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. LSG is a related company to the Group as Dr. Lam Kin Ming, the Chairman and Chief Executive of the Group, is also the Chairman of LSG.

Unipress started in 2007 to redevelop the KT Property and the redevelopment was completed in September 2009. The KT Property was renamed as Crocodile Center upon the completion of the redevelopment. Pursuant to the Development Agreement, upon the completion of the redevelopment, the Group assigned the retail and restaurant portions of the Crocodile Center to Unipress and all the car parking space to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (note 19).

The fair value of the Group's investment properties as at 31 July 2014, 31 July 2013 and at the dates of transfer to/from property, plant and equipment has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected to the Group.

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16. INVESTMENT PROPERTIES (continued)

Except for the residential investment property, the fair value of the investment property was determined based on the income approach, where the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of properties. The market rentals for reversionary potential purposes are assessed by reference to the market rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar respective retail, office and industrial properties in Hong Kong and the PRC and adjusted transaction price to reflect location, size, age and maintenance to the Group's investment properties. For the residential investment property, the fair value was determined based on direct comparison approach by reference the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, age and maintenance of the property. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The chief financial officer of the Group determines the appropriate valuation techniques and inputs for fair value measurements. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

All of the fair value measurements of the Group's investment properties were categorised into Level 3. There were no transfers into or out of Level 3 during the year.

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At 31 July 2014, certain investment properties of approximately HK\$1,383,500,000 (2013: HK\$1,261,300,000) of the Group were pledged to banks to secure the bank loans granted to the Group, details of which are set out in note 34.

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16. INVESTMENT PROPERTIES (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models:

The Group

Description	Fair value as at 31 July 2014 HK\$'000	Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
Retail	68,112	Income capitalization approach	(i) Capitalization rate and reversionary yield (derived from monthly market rent)	2.50% — 5.50%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK\$65 per square foot	The higher the market rent, the higher the fair value.
Office	1,311,584	Income capitalization approach	(i) Capitalization rate and reversionary yield (derived from monthly market rent)	3.25% — 6.25%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK\$29 per square foot	The higher the market rent, the higher the fair value.
Industrial	71,500	Income capitalization approach	(i) Capitalization rate and Reversionary yield (derived from monthly market rent)	2.90%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK\$12 per square foot	The higher the market rent, the higher the fair value.
Residential	1,726	Direct comparison approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A

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16. INVESTMENT PROPERTIES (continued)

The carrying amounts of investment properties shown above comprise:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Situated in Hong Kong		
Long-term lease	21,000	20,300
Medium-term lease	1,405,500	1,263,600
Situated outside Hong Kong		
Medium-term lease	26,422	10,584
	1,452,922	1,294,484

17. LAND LEASE PREPAYMENTS

	The Group	
	2014	2013
	HK\$'000	HK\$'000
		(Restated)
Analysed for reporting purposes as:		
Current asset		
(included in trade and other receivables, deposits and prepayments)	352	352
Non-current asset	15,046	15,398
	15,398	15,750

The Group's land lease prepayments are leasehold land held under medium-term lease in the PRC.

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18. INTERESTS IN SUBSIDIARIES

	<u>The Company</u>	
	2014 HK\$'000	2013 HK\$'000 (Restated)
Unlisted shares, at cost	<u>4,050</u>	<u>4,050</u>

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		Principal activities
			2014	2013	
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 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\$1	100	100	Investment holding
Purewell Limited	Hong Kong	HK\$1	100	100	Property Investment
Keepower Limited	Hong Kong	HK\$1	100	100	Property Investment

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

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18. INTERESTS IN SUBSIDIARIES (continued)

Except for Crocodile (China) Limited and Pure Goal Limited which are directly held by the Company, 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.

In order to conform with current year's presentation, balances of HK\$31,669,000, HK\$744,240,000 and HK\$15,184,000 as at 31 July 2013 included in interests in subsidiaries have been reclassified to amounts due from subsidiaries (current), amounts due from subsidiaries (non-current) and amounts due to subsidiaries, respectively.

19. INTEREST IN AN ASSOCIATE

Included in interest in an associate amounting to HK\$10,918,000 (2013: HK\$10,398,000) is amount due from an associate which is unsecured, interest bearing at 5% per annum and not repayable within 12 months.

Details of the associate as at 31 July 2014 and 2013 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 of car parking spaces	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 Mass Energy Limited as decisions are made by LSG. The Directors consider that the Group exercises significant influence over Mass Energy Limited and it is therefore classified as an associate of the Group.

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19. INTEREST IN AN ASSOCIATE (continued)

According to the Development Agreement as disclosed in note 16, all car parking spaces of Crocodile Center were assigned to Mass Energy Limited, a company which is owned in equal proportions by LSG and the Group. In the opinion of the directors of the Company, the investment is strategically beneficial to the Group.

Summarized financial information of the associate

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2014 HK\$'000	2013 HK\$'000
Current assets	<u>7,349</u>	<u>5,557</u>
Non-current assets — representing investment properties	<u>57,000</u>	<u>52,000</u>
Current liabilities	<u>(223)</u>	<u>(230)</u>
Non-current liabilities	<u>(22,582)</u>	<u>(21,439)</u>
Net assets	<u>41,544</u>	<u>35,888</u>
Proportion of the Group's ownership in Mass Energy Limited	<u>50%</u>	<u>50%</u>
Carrying amount of the Group's interest in Mass Energy Limited	<u>20,772</u>	<u>17,944</u>
Total revenue	<u>1,959</u>	<u>1,822</u>
Profit and total comprehensive income for the year	<u>5,656</u>	<u>10,616</u>
Group's share of profit of an associate for the year	<u>2,828</u>	<u>5,308</u>

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20. DEPOSITS FOR LAND LEASE PREPAYMENTS

In accordance with the agreements dated 22 June 2006 (the “**Agreements**”) entered into by the Group, 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**”) and Zhongshan Sanxiang Town Local Government (the “**Local Government**”), the Group paid RMB14,721,000 (equivalent to HK\$18,548,000 (2013: HK\$18,548,000)) to the Vendor (the “**Vendor Deposit**”) and RMB13,822,000 (equivalent to HK\$17,416,000 (2013: HK\$17,416,000)) to a company owned by the Local Government (the “**Government Deposit**”) as deposits for land lease prepayments (the “**Land Lease Prepayments**”) to acquire the land use rights of a piece of land in the PRC (the “**Land**”).

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

In October 2012, the Vendor and the Local Government each issued a letter to the Group respectively 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 rights 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 rights certificate of the Land. However, the letter issued by the Local Government in October 2012 did not undertake the refund of the Vendor Deposit.

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 amount of the Land Lease Prepayments (i.e. the Government Deposit together with the Vendor Deposit) or the timing of commitment by the Local Government to refund, however, based on the Undertaking, the Group would have reasonable grounds to recover the amount of the Land Lease Prepayments paid with interest from the Local Government, regardless of whether the Vendor is able to refund 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 amount of the Land Lease Prepayments 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 rights 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 amount of the Land Lease Prepayments 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 such amount of the Land Lease Prepayments or to obtain the relevant land use rights 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.

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For the year ended 31 July 2014

20. DEPOSITS FOR LAND LEASE PREPAYMENTS (continued)

Up to 25 October 2013, the date of approval of the consolidated financial statements for the year ended 31 July 2013, 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 rights 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 rights certificate of the Land; and (iii) its obligation to refund the Government 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 rights certificate of the Land. The Vendor had not issued any letter to the Group to acknowledge the receipt of the Vendor Deposit subsequent to the October 2012 letter.

Since the valid time bar under the PRC law and regulations to take legal action to recover the Vendor Deposit from the Local Government has expired as at 31 July 2013 and the Group had not received any acknowledgement from the Vendor in 2013, the Directors have performed a detailed assessment on the recoverability of the carrying amount of the Vendor Deposit as at 31 July 2013. On the basis of the assessment, an impairment loss on the Vendor Deposit had 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 incurred in the year ended 31 July 2013 due to the Group's option to recover the Vendor Deposit from the Local Government was legally expired at the end of February 2013 and the assessment of the financial position of the Vendor, 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.

In October 2014, the Local Government issued a letter to the Group, which acknowledged the terms included in the letter issued by the Local Government in September 2013. The Group assessed the recoverability of the Government Deposit and no impairment loss is considered necessary by the Directors for the year ended 31 July 2014.

21. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Unlisted equity investment in Hong Kong, at cost	25,040	22,934

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 31 July 2014, approximately HK\$6,160,000 (2013: HK\$8,266,000) under the contract has not been paid and details of the capital commitments are set out in note 36.

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For the year ended 31 July 2014

22. INVENTORIES

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	980	1,560	656	1,205
Finished goods	132,182	159,974	77,182	96,444
	133,162	161,534	77,838	97,649

During the year ended 31 July 2014, provision for slow-moving inventories of approximately HK\$6,012,000 (2013: HK\$4,160,000) has been recognised and included in cost of sale.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	20,169	21,320	2,900	1,797
Less: Allowance for doubtful debts	(2,110)	(2,329)	(262)	(265)
	18,059	18,991	2,638	1,532
Other receivables (Note a)	54,816	52,601	1,548	5,981
Less: Allowance for doubtful debts	(11,288)	(6,479)	(38)	(33)
	43,528	46,122	1,510	5,948
Deposits and prepayments (Note b)	46,030	53,600	35,461	35,055
	107,617	118,713	39,609	42,535
Less: Rental and utility deposits show under non-current assets	(14,982)	(22,780)	(14,922)	(22,564)
	92,635	95,933	24,687	19,971

Notes:

- (a) As at 31 July 2014, royalty receivables of the Group of approximately HK\$39,475,000 (2013: HK\$40,768,000) is included in the other receivables, where payments are required semi-annually. As at 31 July 2014, the Company has no royalty receivables (2013: HK\$3,975,000 is included in the other receivables).
- (b) As at 31 July 2014, land lease prepayments of the Group of approximately HK\$352,000 (2013: HK\$352,000) are included in the current portion of deposits and prepayments.

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

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.

The following is an aging analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting period:

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
0 to 90 days	12,454	12,580	2,469	1,454
91 to 180 days	2,223	4,406	163	78
181 to 365 days	3,382	2,005	6	—
	18,059	18,991	2,638	1,532

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

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
At the beginning of the year	8,808	1,165	298	172
Allowance provided	4,589	7,498	2	126
Exchange realignment	1	145	—	—
At the end of the year	13,398	8,808	300	298

Included in allowance for doubtful debts of the Group and the Company are individually impaired trade receivables with an aggregate balance of approximately HK\$13,398,000 (2013: HK\$8,808,000) and approximately HK\$300,000 (2013: HK\$298,000) respectively. The impaired trade receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

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

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Past due but not impaired				
Within 60 days	10,742	10,448	761	890
61 days to 150 days	2,223	4,406	163	78
Over 150 days	3,382	2,005	6	—
	<u>16,347</u>	<u>16,859</u>	<u>930</u>	<u>968</u>

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 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.

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

24. AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) The amounts are unsecured and interest-free.

	2014 HK\$'000	2013 HK\$'000
Amounts due from subsidiaries	333,884	104,763
Less: Allowances for amounts due from subsidiaries	<u>(73,094)</u>	<u>(73,094)</u>
	<u>260,790</u>	<u>31,669</u>

(b) The amounts are unsecured, interest bearing at Hong Kong dollar prime rate per annum and have no fixed repayment date.

(c) The amounts are unsecured, interest-free and repayable on demand.

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and The Company	
	2014 HK\$'000	2013 HK\$'000
Listed investments		
Equity securities listed in Hong Kong	2,014	2,059
Equity securities listed outside Hong Kong	4,234	—
Debt securities listed in Hong Kong	19,818	9,454
Debt securities listed outside Hong Kong	38,518	26,781
Perpetual securities listed in Hong Kong	10,062	3,015
Perpetual securities listed outside Hong Kong	5,492	15,820
	<u>80,138</u>	<u>57,129</u>
Unlisted investments		
Equity securities	14,558	3,062
Debt securities	48,310	56,495
Perpetual securities	—	1,497
	<u>62,868</u>	<u>61,054</u>
Total	<u>143,006</u>	<u>118,183</u>

The financial assets at fair value through profit or loss of the Group and the Company that are denominated in currencies other than the functional currencies of individual companies are set out below:

Currency	The Group and The Company	
	2014 HK\$'000	2013 HK\$'000
RMB	27,319	26,752
US dollars (“US\$”)	111,947	58,393
Singapore dollars (“SGD”)	356	—
Brazilian real (“BRL”)	1,370	2,849
Japanese yen (“JPY”)	—	3,944

Key terms of debt securities are summarized as below:

	2014	2013
Coupon interest rate	3.25% to 12.00%	0.83% to 10.50%
Maturity	2014 to 2020	2013 to 2023

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25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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 equity securities was based on the value quoted based on underlying investment value by the brokers at the end of the reporting period. The fair value of the unlisted debt securities was determined by brokers, using discounted cash flow of estimated future cash flows arising from fixed incomes of debts and using quoted bid prices in an active market 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.

Certain financial assets at FVTPL of the Group and the Company 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 2014, certain financial assets at FVTPL of approximately HK\$117,160,000 (2013: HK\$94,548,000) of the Group and the Company were pledged to banks to secure the margin loans payable of approximately HK\$26,075,000 (2013: HK\$12,009,000), details of which are set out in note 28.

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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Bank balances and cash	54,111	56,968	24,405	29,275
Short-term time deposits	3,122	601	3,122	601
	<u>57,233</u>	<u>57,569</u>	<u>27,527</u>	<u>29,876</u>
Pledged bank deposits	<u>730</u>	<u>4,344</u>	<u>730</u>	<u>4,344</u>

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26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (continued)

Bank balances and cash 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:

Currency	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RMB	3,863	2,391	3,859	2,381
US\$	4,481	4,588	4,481	4,588

The RMB is not freely convertible into other currencies. However, under the PRC'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.

The 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 2014 and 31 July 2013.

Pledged bank deposits amounting to approximately HK\$730,000 (2013: HK\$4,344,000) have been pledged to secure margin loans payable 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.

27. BANK BORROWINGS

	The Group			
	2014		2013	
	HK\$'000	Effective interest rates (%) p.a.	HK\$'000	Effective interest rates (%) p.a.
Bank loans, secured	451,355	1.47-2.30	425,537	1.47-2.30
Trust receipt loans, secured	7,197	1.93-1.94	13,794	1.55-1.91
Trust receipt loans, unsecured	3,097	1.56-1.88	8,859	1.91-2.41
	461,649		448,190	

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27. BANK BORROWINGS (continued)

	The Company			
	2014	Effective interest rates (%) p.a.	2013	Effective interest rates (%) p.a.
	HK\$'000		HK\$'000	
Bank loans, secured	420,263	1.47-1.97	392,000	1.47-1.96
Trust receipt loans, secured	7,197	1.93-1.94	13,794	1.55-1.91
Trust receipt loans, unsecured	3,097	1.56-1.88	8,859	1.91-2.41
	430,557		414,653	
			The Group	
			2014	2013
			HK\$'000	HK\$'000
Carrying amount repayable (<i>Note</i>):				
Within one year			160,055	132,099
Beyond one year, but not exceeding two years			275,548	14,498
Beyond two years, but not exceeding five years			7,974	280,808
Beyond five years			18,072	20,785
			461,649	448,190
Less: Amounts shown under current liabilities			(160,055)	(132,099)
Amounts shown under non-current liabilities			301,594	316,091
			The Company	
			2014	2013
			HK\$'000	HK\$'000
Carrying amount repayable (<i>Note</i>):				
Within one year			157,557	129,653
Beyond one year, but not exceeding two years			273,000	12,000
Beyond two years, but not exceeding five years			—	273,000
			430,557	414,653
Less: Amounts shown under current liabilities			(157,557)	(129,653)
Amounts shown under non-current liabilities			273,000	285,000

Note: The amounts due are based scheduled repayment dates set out in the loan agreements.

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27. BANK BORROWINGS (continued)

The borrowings of the Group and the Company bore interest at floating interest rates and were denominated in HK\$.

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.35% to 1.75% (2013: 1.35% to 1.75%).

28. MARGIN LOANS PAYABLE

For the year ended 31 July 2014, 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\$117,160,000 (2013: HK\$94,548,000) (note 25) and pledged bank deposits of approximately HK\$730,000 (2013: HK\$4,344,000) (note 26).

	The Group and The Company			
	2014		2013	
	HK\$'000	Effective interest rates (%) p.a.	HK\$'000	Effective interest rates (%) p.a.
Within one year	<u>26,075</u>	1.34-1.40	<u>12,009</u>	1.27-1.36

The Group's variable-rate margin loans payable are mainly subject to interest at bank's cost of fund plus 1% (2013: 1%). The range of effective interest rates are equal to contractual interest rates.

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:

Currency	The Group and The Company	
	2014	2013
	HK\$'000	HK\$'000
US\$	26,075	—
Japanese Yen	<u>—</u>	<u>3,960</u>

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29. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED AND PERPETUAL LOAN

a. Trade and other payables and deposits received

The following is 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:

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade payables:				
0 to 90 days	12,086	34,847	10,166	25,936
91 to 180 days	267	266	14	215
181 to 365 days	882	814	28	638
Over 365 days	241	391	198	239
	<u>13,476</u>	<u>36,318</u>	<u>10,406</u>	<u>27,028</u>
Advance from customers	9,019	8,682	—	—
Deposits received	12,972	10,781	1,296	1,296
Other payables and accruals	32,915	37,849	13,167	17,575
	<u>68,382</u>	<u>93,630</u>	<u>24,869</u>	<u>45,899</u>

The credit period for purchase of goods is 30 and 90 days. The Group and the Company have financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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 property, which is located at Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong. Upon disposal of the investment property, 50% on disposal gain or loss will be shared with the Investor and will be added to or subtracted from the principal amount of the loan to be repaid. The loan is designated and measured as financial liability at FVTPL with any gains or losses arising on remeasurement recognised in profit of loss.

In order to conform with current year's presentation, perpetual loan amounting to HK\$15,000,000 as at 31 July 2013 included in equity has been reclassified to current liability.

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30. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 HK\$'000	2013 HK\$'000
Deferred tax assets	—	219
Deferred tax liabilities	<u>(2,481)</u>	<u>(56)</u>
	<u>(2,481)</u>	<u>163</u>

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior years:

	Losses available for offsetting against future taxable profits HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 August 2012	7,284	(5,439)	1,845
Charge to profit or loss	<u>(659)</u>	<u>(1,023)</u>	<u>(1,682)</u>
At 31 July 2013	6,625	(6,462)	163
Charge to profit or loss	<u>(1,365)</u>	<u>(1,279)</u>	<u>(2,644)</u>
At 31 July 2014	<u>5,260</u>	<u>(7,741)</u>	<u>(2,481)</u>

As at 31 July 2014, the Group has unutilised Hong Kong and the PRC tax losses of approximately HK\$352,645,000 (2013: HK\$319,891,000). 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 of approximately HK\$50,828,000 (2013: HK\$31,655,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK\$31,882,000 (2013: HK\$40,151,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining Hong Kong and the PRC tax losses of approximately HK\$320,763,000 (2013: HK\$279,740,000) in aggregate due to the unpredictability of future profit streams.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the 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\$3,496,000 (2013: HK\$14,773,000) 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.

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31. CAPITAL AND RESERVE

Share capital

	Note	Number of shares	HK\$'000
Authorised:			
At 1 August 2012			
Ordinary share of HK\$0.25 each		1,200,000,000	300,000
Increase in shares		500,000,000	125,000
At 31 July 2013			
Ordinary share of HK\$0.25 each		1,700,000,000	425,000
At 31 July 2014		Note (i)	Note (i)
Issued and fully paid:			
At 1 August 2012 and 31 July 2013		935,743,695	233,936
Transition to no par value regime on 3 March 2014	(ii)	—	90,749
At 31 July 2014		935,743,695	324,685

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists, and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (ii) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

The authorised share capital of the Company was increased from HK\$300,000,000 divided into 1,200,000,000 shares of HK\$0.25 each 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 500,000,000 new shares of HK\$0.25. The new shares rank pari passu in all respects to all the issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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32. RESERVES

	Share premium HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Total HK\$'000
The Company				
At 31 July 2012 and 1 August 2012	90,749	306,933	—	397,682
Loss for the year (Note 12)	—	(54,459)	—	(54,459)
At 31 July 2013 (restated)	90,749	252,474	—	343,223
Loss for the year (Note 12)	—	(13,175)	—	(13,175)
Transition to no-par value regime on 3 March 2014 (Note 31)	(90,749)	—	—	(90,749)
Recognition of equity-settled share-based payments	—	—	854	854
At 31 July 2014	—	239,299	854	240,153

33. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 December 2006 for the primary purpose of providing incentives to Directors, eligible employees, agents or consultants of any member of the Group and any employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (hereinafter collectively referred as the "Participants"). The Scheme will expire on 22 December 2016. Under the Scheme, the Board of Directors of the Company may grant options to eligible Participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.

At 31 July 2014, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 10,000,000 (31 July 2013: nil), representing 1.07% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company on 22 December 2006 and the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any share option schemes of the Company must not exceed 30% of the number of shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time within a period from the date of grant of the share option to the expiry date of the Scheme. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of the Company's share options are as follows:

Category	Date of grant (dd/mm/yyyy)	Exercise price (HK\$)	Exercisable period (dd/mm/yyyy)	Number of option shares		
				Outstanding at 1 August 2013	Granted during the year	Outstanding at 31 July 2014
<i>Directors</i>						
Ms. Lam Wai Shan, Vanessa	21/08/2013	0.4675	21/08/2013-20/08/2016	—	2,500,000	2,500,000
Mr. Wan Yee Hwa Edward	21/08/2013	0.4675	21/08/2013-20/08/2016	—	2,500,000	2,500,000
Employees	21/08/2013	0.4675	21/08/2013-20/08/2016	—	5,000,000	5,000,000
				—	10,000,000	10,000,000
Exercisable at the end of the year				—	10,000,000	10,000,000
Weighted average exercise price (HK\$)				—	0.4675	0.4675

During the year ended 31 July 2014, options were granted on 21 August 2013. The estimated fair values of the options granted is HK\$854,000. The options vest immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

These fair values were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

Grant date share price	HK\$0.420
Exercise price	HK\$0.4675
Expected volatility	34.76%
Expected life	3 years
Expected dividend yield	0%
Risk free rate	0.574%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$854,000 for the year ended 31 July 2014 (2013: nil) in relation to share options granted by the Company.

34. PLEDGE OF ASSETS

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

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		
Leasehold land and building	47,821	49,274	—	—
Investment properties	1,383,500	1,261,300	—	—
Financial assets at FVTPL	117,160	94,548	117,160	94,548
Pledged bank deposits	730	4,344	730	4,344
	1,549,211	1,409,466	117,890	98,892

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For the year ended 31 July 2014

35. OPERATING LEASE ARRANGEMENTS

As lessor

Gross property rental income earned during the year was approximately HK\$46,851,000 (2013: HK\$28,198,000). 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. During the year, the investment properties generated rental yields of 3.2% (2013: 2.2%).

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

	<u>The Group</u>	
	2014	2013
	HK\$'000	HK\$'000
Within one year	50,109	33,860
In the second to fifth years, inclusive	<u>45,957</u>	<u>46,113</u>
	<u>96,066</u>	<u>79,973</u>

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:

	<u>The Group</u>		<u>The Company</u>	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	105,751	114,574	103,300	96,188
In the second to fifth years, inclusive	<u>40,569</u>	<u>87,534</u>	<u>40,271</u>	<u>86,443</u>
	<u>146,320</u>	<u>202,108</u>	<u>143,571</u>	<u>182,631</u>

The operating lease rentals of certain retail 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 Consolidated Financial Statements

For the year ended 31 July 2014

36. 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	
	2014 HK\$'000	2013 HK\$'000
Contracted, but not provided for:		
Land lease prepayments in the PRC	4,354	4,354
Acquisition and construction of property, plant and equipment in the PRC	2,268	2,372
	6,622	6,726

In addition, the Group is committed to further contribute HK\$6,160,000 (2013: HK\$8,266,000) to the available-for-sale financial asset.

37. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	2014 HK\$'000	2013 HK\$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i)	2,853	2,839
— Lai Sun Development Company Limited	(ii)	—	2,368
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(iii)	1,039	412
— Honor Lamp Investments Limited	(iv)	677	677
— Guangzhou Besto Real Estate Development Company Limited	(v)	2,243	2,080
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(vi)	1,915	1,168
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii), (vii)	886	807
Car parking expense:			
— Lai Sun Development Company Limited	(ii), (viii)	—	28
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(ix)	757	730
Rental income and building management fee:			
— Big Honor Asia Limited	(x)	2,095	1,524
Interest income:			
— Mass Energy Limited	(xi)	520	494

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

37. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) *Lai Sun Textiles Company Limited is a company of which certain executive directors of the Company are the beneficial shareholders. The rental expenses and building management fee were 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.*
- (iii) *Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited is a company of which certain executive directors of the Company are its beneficial shareholders. The rental expenses and building management fee 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 Lai Sun Development Company Limited.*
- (viii) *The car parking expense was charged by Lai Sun Development Company Limited.*
- (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 1 April 2013 to 31 July 2014 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.*
- (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 business.

(b) Other transactions with related parties

As at 31 July 2014, the Company has provided guarantee to the borrowings of approximately HK\$6,562,000 (2013: HK\$7,508,000) incurred by its subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

37. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

Except for the amount due to Guangzhou Besto Real Estate Development Company Limited of approximately HK\$40,900,000 (2013: HK\$26,387,000) as at 31 July 2014 which are unsecured, interest bearing at 5.6% per annum and repayable on demand, the remaining balances of the Group were derived from normal business activities and are unsecured, interest-free and repayable on demand. The Company's amount due to a related company is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	14,983	14,421
Post-employment benefits	62	60
	<u>15,045</u>	<u>14,481</u>

Further details of directors' remuneration are included in note 10.

38. 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 before 1 June 2014 or HK\$1,500 starting from 1 June 2014 per month 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 2014, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$2,724,000 (2013: HK\$2,756,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

39. 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 balances. 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 bank borrowings, margin loans payable and amounts due to related companies disclosed in notes 27, 28 and 37 respectively 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 capital structure through the issue of new shares as well as the undertaking of new debts or the redemption of existing debts.

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

	2014 HK\$'000	2013 HK\$'000 (Restated)
The Group		
Debts (i)	<u>487,724</u>	<u>460,199</u>
Equity (ii)	<u>1,506,084</u>	<u>1,399,168</u>
Debt to equity ratio	<u>32.4%</u>	<u>32.9%</u>
The Company		
Debts (i)	<u>456,632</u>	<u>426,662</u>
Equity (ii)	<u>564,838</u>	<u>577,159</u>
Debt to equity ratio	<u>80.8%</u>	<u>73.9%</u>

(i) Debt is defined as bank 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

40. 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 2014 and 2013 are categorised as follows:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Financial assets		
FVTPL — Held for trading	143,006	118,183
Available-for-sale financial asset	25,040	22,934
Loans and receivables (including pledged bank deposits and bank balances and cash)	167,477	185,166
	335,523	326,283
Financial liabilities		
Designated at FVTPL	15,000	15,000
Amortised cost	572,152	571,997
	587,152	586,997
The Company		
	2014	2013
	HK\$'000	HK\$'000
Financial assets		
FVTPL — Held for trading	143,006	118,183
Loans and receivables (including pledged bank deposits and bank balances and cash)	844,154	849,493
	987,160	967,676
Financial liabilities		
Designated at FVTPL	15,000	15,000
Amortised cost	488,789	487,893
	503,789	502,893

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

40. FINANCIAL RISK MANAGEMENT (continued)

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, bank balances and cash, trade and other payables and deposits received, perpetual loan, bank 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.

Market risk

Foreign currency risk

The Group and the Company were exposed to foreign currency risk in relation to financial assets at FVTPL, pledged bank deposits and bank balances and cash and margin loans payable as disclosed in notes 25, 26 and 28 respectively, the Directors consider the Group and the Company 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 bank borrowings, margin loans payable, bank balances and pledged bank deposits. In addition, the Company was exposed to cash flow interest rate risk in relation to amounts due from subsidiaries. Details of bank balances and pledged bank deposits, bank 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, bank 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, amount due from an associate and short-term time deposits carried at fixed rates expose the Group and the Company to fair value interest rate risk.

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 bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2013: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 July 2014 would decrease/increase by HK\$3,691,000 (2013: HK\$3,664,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

40. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Other price risk

The Group is exposed to price risk mainly through its investment in listed and unlisted 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 hospitality and energy sectors quoted in The Stock Exchange of Hong Kong Limited and resources sector quoted in Singapore Exchange Limited and the New York Stock Exchange.

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 while holding all other variables constant:

Post-tax profit for the year ended 31 July 2014 would increase/decrease by approximately HK\$522,000 (2013: increase/decrease by HK\$172,000). 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 which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated and the Company's statement of financial position. 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 37(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 78.4% (2013: 76.3%) of the total trade receivables as at 31 July 2014. The Company does not have significant concentration of credit risk as at 31 July 2014 and 2013.

The Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties.

Credit risk arising on debt securities mitigated by investing primarily in high credit rating instruments, any exception to which shall be approved by the management of the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

40. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

The following table details the Group's and the Company's contractual maturity for its 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 maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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	Weighted average effective interest rate	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 31 July 2014 HK\$'000
Bank borrowings	1.76%	165,876	279,649	9,451	19,827	474,803	461,649
Margin loans payable	1.36%	26,097	—	—	—	26,097	26,075
Trade and other payables and deposits received	—	42,989	—	—	—	42,989	42,989
Perpetual loan	—	15,000	—	—	—	15,000	15,000
Amounts due to related companies	5.6%	43,556	—	—	—	43,556	41,439
		<u>293,518</u>	<u>279,649</u>	<u>9,451</u>	<u>19,827</u>	<u>602,445</u>	<u>587,152</u>
The Group	Weighted average effective interest rate	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 31 July 2013 HK\$'000
Bank borrowings	1.78%	138,118	19,948	285,929	22,977	466,972	448,190
Margin loans payable	1.35%	12,018	—	—	—	12,018	12,009
Trade and other payables and deposits received	—	84,948	—	—	—	84,948	84,948
Perpetual loan	—	15,000	—	—	—	15,000	15,000
Amounts due to related companies	5.6%	28,261	—	—	—	28,261	26,850
		<u>278,345</u>	<u>19,948</u>	<u>285,929</u>	<u>22,977</u>	<u>607,199</u>	<u>586,997</u>

Notes to the Consolidated Financial Statements

For the year ended 31 July 2014

40. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

The Company	Weighted average effective interest rate	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 31 July 2014 HK\$'000
Bank borrowings	1.73%	162,726	276,499	439,225	430,557
Margin loans payable	1.36%	26,097	—	26,097	26,075
Trade and other payables and deposits received	—	15,064	—	15,064	15,064
Perpetual loan	—	15,000	—	15,000	15,000
Amounts due to subsidiaries	—	17,093	—	17,093	17,093
Amounts due to related companies	—	—	—	—	—
Financial guarantee contracts (Note)	—	6,561	—	6,561	—
		<u>242,541</u>	<u>276,499</u>	<u>519,040</u>	<u>503,789</u>
The Company	Weighted average effective interest rate	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount 31 July 2013 HK\$'000
Bank borrowings	1.75%	134,968	293,276	428,244	414,653
Margin loans payable	1.35%	12,018	—	12,018	12,009
Trade and other payables and deposits received	—	45,899	—	45,899	45,899
Perpetual loan	—	15,000	—	15,000	15,000
Amounts due to subsidiaries	—	—	15,184	15,184	15,184
Amounts due to related companies	—	148	—	148	148
Financial guarantee contracts (Note)	—	7,508	—	7,508	—
		<u>215,541</u>	<u>308,460</u>	<u>524,001</u>	<u>502,893</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. 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 Consolidated Financial Statements

For the year ended 31 July 2014

40. FINANCIAL RISK MANAGEMENT (continued)

c. Fair values

The Group and the Company

This note provides information about how the Group and the Company determines fair values of various financial assets and financial liabilities.

The Group's and the Company's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. The fair values of the Group's and the Company's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting period. The fair value of unlisted investments was based on the value quoted by the brokers at the end of the reporting period (see note 25 for details). The fair value of the Group's and the Company's financial liability at FVTPL, being the perpetual loan, is disclosed in note 29(b).

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

Fair value hierarchy as at 31 July 2014 and 2013

	31 July 2014			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL	80,138	62,868	—	143,006
Financial liabilities at FVTPL	—	—	15,000	15,000
	31 July 2013			Total
	Level 1	Level 2	Level 3	
Financial assets at FVTPL	57,129	61,054	—	118,183
Financial liabilities at FVTPL	—	—	15,000	15,000

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41. EVENT AFTER REPORTING PERIOD

Subsequent to 31 July 2014, on 26 September 2014, the Group entered into an agreement with Eastern Frontier Company Limited, an independent third party, for the acquisition of properties, which will be held as investment properties for rental purpose or for self-occupation to meet the Group's needs, at a cash consideration of HK\$41,000,000. Details of the acquisition are set out in the Company's announcement dated 26 September 2014.

Particulars of Investment Properties

At 31 July 2014

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

Location	Use	Lease Term	Attributable Interests of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Long	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 A on 11th Floor, Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the PRC	Property letting	Medium	100%
Shop No. 129, No. 103 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Shop No. 130, No. 105 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Unit 2902 on Level 29, Building 5, Tai Yue Bay, Junction of Hongxing Road South Extension Line and Jincheng Avenue, Gao Xiu District, Chengdu, the PRC	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an annual general meeting 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 Monday, 8 December 2014 at 10:00 a.m. (“2014 AGM”) for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2014 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 Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong, as the independent auditor of the Company and to authorise the Board to fix its remuneration, a notice having been received from a Member of the intention to propose the following resolution as an Ordinary Resolution of the Company:

ORDINARY RESOLUTION

“THAT Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong, be and is hereby re-appointed the independent auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at a fee to be agreed with the Board.”

4. To consider and, if thought fit, pass with or without amendments, the following resolutions as an Ordinary Resolution:

ORDINARY RESOLUTION

“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 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;

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- (c) the aggregate number of Shares 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
 - (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 number of Shares in issue 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; or
- (ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the members of the Company (“Members”) in a 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).”

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5. To consider and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:

SPECIAL RESOLUTION

“**THAT** the new articles of association in the form produced to the meeting and marked “A”, and initialled by the Chairman of the meeting for the purpose of identification (“**New Articles**”), be and are hereby approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the articles of association of the Company in force immediately before the passing of this Special Resolution; and **THAT** any one director or the company secretary of the Company be and is hereby authorised to do all such acts and execute all such documents as may be necessary or expedient to give full effect to the adoption of the New Articles.”

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

Hong Kong, 7 November 2014

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Notes:

- (1) A Member entitled to attend and vote at the 2014 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 registrar of the Company (“Registrar”), Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time appointed for holding the 2014 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 2014 AGM or at 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 Registrar is (852) 2980 1333.

- (3) To ascertain the entitlements to attend and vote at the 2014 AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar not later than 4:30 p.m. on Thursday, 4 December 2014 for registration.
- (4) Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at the 2014 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 2014 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 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, Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (all executive Directors), and Mr. Leung Shu Yin, William (an independent non-executive Director) will retire from office as Directors by rotation at the 2014 AGM and, being eligible, offers 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” of the Report of the Directors of the 2013-2014 Annual Report of the Company.
- (6) Concerning agenda item 3 of this Notice, Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong (“Deloitte”) was appointed the independent auditor of the Company to fill the casual vacancy arising from the resignation of SHINEWING (HK) CPA Limited on 17 July 2014 to hold office until the conclusion of the forthcoming AGM. A resolution to re-appoint Deloitte will be proposed at the 2014 AGM. Subject to the approval of the Members at the 2014 AGM, Deloitte will be re-appointed independent auditor of the Company for the year ending 31 July 2015 (“Year 2015”). Members should note that in practice, independent auditor’s remuneration for the Year 2015 cannot be fixed at the 2014 AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor is being called upon to undertake in any given year. To enable the Company to charge the amount of such auditor’s remuneration as operating expenses for the Year 2015, Members’ approval to delegate the authority to the Board to fix the independent auditor’s remuneration for the Year 2015 is required, and is hereby sought, at the 2014 AGM.

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- (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 number of Shares in issue 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) *Concerning agenda item 5 of this Notice, details of the New Articles are set out in the circular of the Company dated 7 November 2014 which will be sent to Members together with the 2013-2014 Annual Report of the Company.*
- (9) *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in this Notice will be decided by way of a poll.*
- (10) *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 2014 AGM, the 2014 AGM will be postponed and the Members will be informed of the date, time and venue of the postponed 2014 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 2014 AGM and where conditions permit, the 2014 AGM will be held as scheduled. The 2014 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 2014 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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