CROCODILE
2017-2018

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

Stock Code | 股份代號 122

Contents

Crocodile Garments Limited
(Incorporated in Hong Kong with limited liability)

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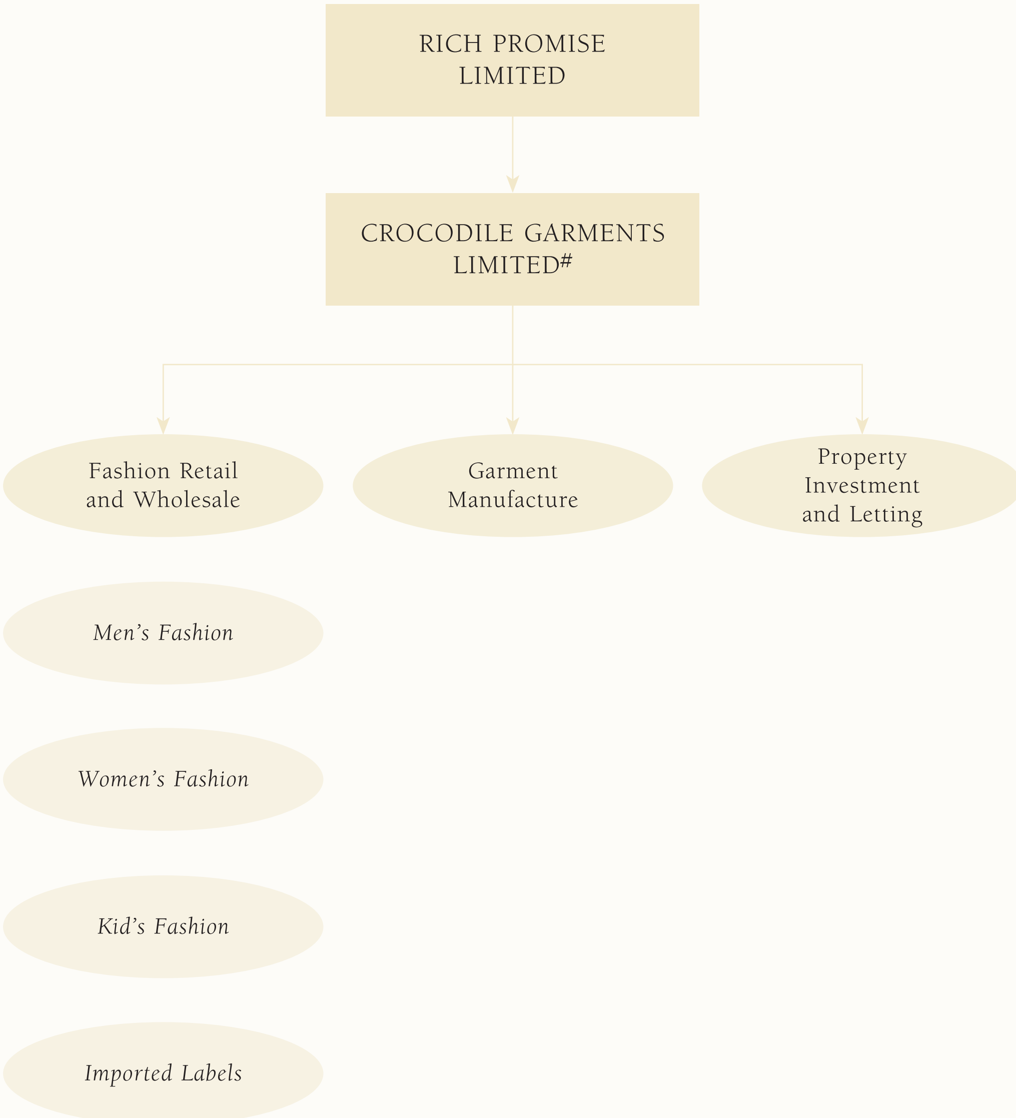
Stock Code on the Hong Kong Stock Exchange: ***122***

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.



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

Corporate Information

Place of Incorporation
Hong Kong

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

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 Edward Yee Hwa

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
SHINEWING (HK) CPA Limited
Certified Public Accountants

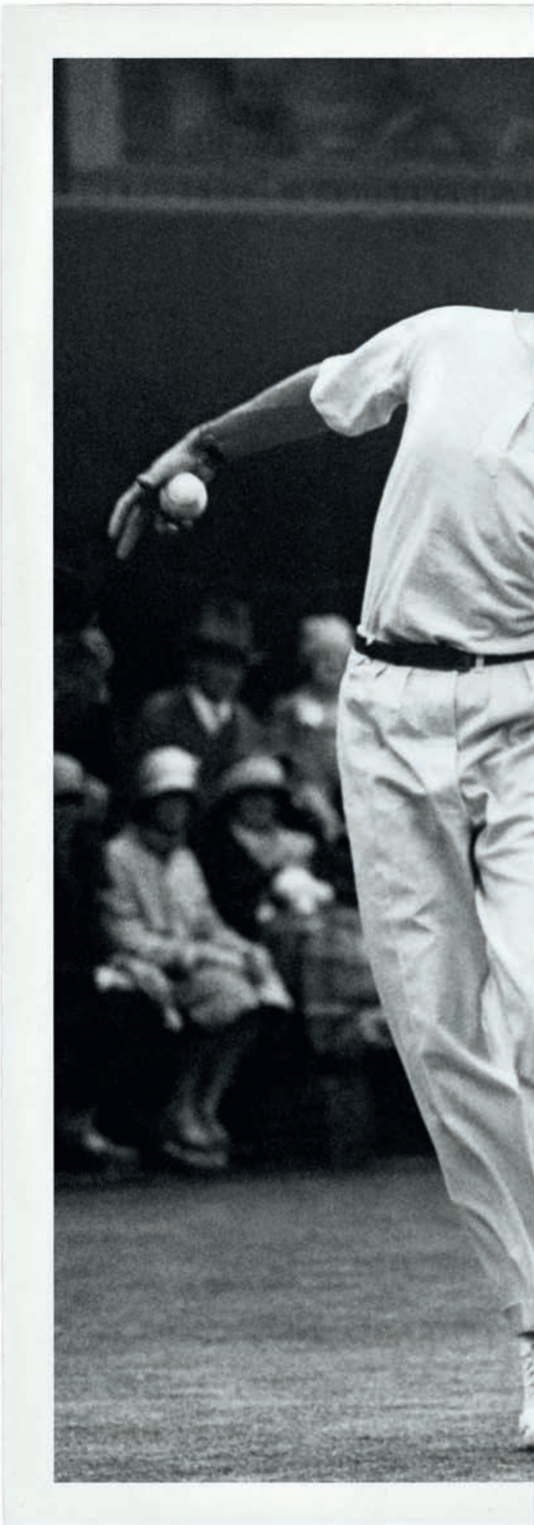
Solicitors
Deacons
Reed Smith Richards Butler
Vincent T.K. Cheung, Yap & Co.

Principal Bankers
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank 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



RENÉ LACOSTE

NOVAK DJOKOVIC

Chairman's Statement

Dr. Lam Kin Ming
Chairman, Executive Director and Chief Executive Officer

FINANCIAL PERFORMANCE

The revenue of the Company and its subsidiaries (collectively "**Group**") for the year ended 31 July 2018 was steady of HK$265,004,000 (2017: HK$264,119,000). Albeit the revenue remained at similar level, the gross profit of the Group increased by about 7% to HK$180,472,000 (2017: HK$169,092,000), which was mainly attributable to the improvement in margin earned by the "Garment and Related Accessories Business" segment.

The retail markets of Hong Kong and Macau, the principal places of operation of the "Garment and Related Accessories Business" segment, showed signs of recovery in the year ended 31 July 2018. The overall segment revenue, including the Mainland of China ("**Mainland**"), dipped slightly by 0.5% to HK$207,814,000 (2017: HK$208,811,000) with a loss of HK$40,398,000 (2017: HK$57,081,000). The reduction in loss amid a drop of revenue was attributed to the tight cost control and enhancement in operational efficiency.

The rental revenue generated by the "Property Investment and Letting Business" segment was HK$57,190,000 for the year ended 31 July 2018 (2017: HK$55,308,000). As the uptrend of the property market in Hong Kong kept on, the revaluation of the investment properties held by the Group resulted in fair value gains of HK$184,054,000 as at 31 July 2018 (2017: HK$114,721,000). Moreover, there was a gain of HK$2,855,000 on disposal of an investment property situated in Hong Kong, the details of which were disclosed in the Company's announcement dated 19 January 2018.

Aggregating the results of the two business segments above with the share of profit of an associate of HK$12,876,000 (2017: HK$9,852,000), the exchange differences arising on translation of foreign operations of gain of HK$157,000 (2017: loss of HK$1,988,000) and reclassification of translation reserve released upon disposal of a subsidiary of HK$2,959,000 (2017: nil), the total comprehensive income attributable to the owners of the Company was HK$159,691,000 for the year ended 31 July 2018 (2017: HK$86,130,000).

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

On the rebound of retail market generally, because of the increase in overseas visitors and the upbeat employment and income scenario of local customers; and better utilisation of social media for promotion by the Group, the performance of "Garment and Related Accessories Business" segment improved in the year ended 31 July 2018. Also, the Group's effort on rationalising its merchandise mix to cater for the changes in clientele and restraining inventory level has materialised in term of growth in gross margin. However, its sustainability is still uncertain under the prevailing bleak environments of mounting trade tension between the United States and the Mainland and the chain of derivative problems therefrom.

As an on-going corporate goal of fostering its operational efficiency, the Group has realigned the sales points by locating new shops of reasonable rentals with satisfactory footfall and closing down under-performing ones. As at 31 July 2018, the Group operated 16 (2017: 18) shops for "Crocodile" brand and 6 (2017: 8) shops for "Lacoste" brand. Furthermore, the Group has streamlined the back-office structure and workflow as part of its stringent cost control measures.

The Mainland

The restructuring of the Group's sales channels, as a long term strategy to tackle the tough operating conditions of exorbitant rents and rising wages in the Mainland, is nearly finished. As at 31 July 2018, there were a total of 16 (2017: 16) shops in the Mainland, including self-operated shops of 6 (2017: 3) and those operated by the Group's franchisees of 10 (2017: 13). The revenue was HK$11,424,000 for the year ended 31 July 2018 (2017: HK$11,830,000). During the period of restructuring, the Group had simplified its merchandise mix and product design, consolidated the supplier chains and centralised the inventory processing to defuse the negative impacts of the corresponding slide in revenue.

The accelerated slowdown of economic growth and the continuous deleveraging in the Mainland has tightened the liquidity. Consequently, it confounded the Group's licensing business of the brand "Crocodile" and the recoverability of the royalty income from the licensees. For the year ended 31 July 2018, the royalty income was HK$908,000 (2017: HK$22,894,000) and the relevant provision for doubtful debts was HK$26,705,000 (2017: HK$6,795,000).

Seasonality

As its track record shows, the sales and results of the "Garment and Related Accessories Business" segment has heavily correlated with seasonality. In general, more than 50% of this segment's annual sales are derived from the first half of the financial year in which there are launching of fall/winter collections of higher values and margins, and season holidays of Christmas and New Year.

Chairman's Statement

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

The investment properties in Hong Kong and the Mainland, respectively generated rental revenue for the year ended 31 July 2018 of HK$56,042,000 (2017: HK$54,141,000) and HK$1,148,000 (2017: HK$1,167,000); and as at that date, the fair value gains on investment properties in Hong Kong were HK$183,500,000 (2017: HK$114,800,000) whereas in the Mainland were HK$554,000 (2017: loss of HK$79,000).

The Group's investment property portfolio had remained intact since the end of last financial year, except for the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance, Chapter 545 of the Laws of Hong Kong, as disclosed in the Company's announcement dated 19 January 2018. The gain arising from the disposal was HK$2,855,000 as calculated by deducting the fair value of the investment property at the date of completion of the disposal (i.e. 22 January 2018) and the transaction costs from the final apportioned sale proceeds of HK$43,836,445.30.

On the other hand, the Group entered into a share disposal agreement ("**Share Disposal Agreement**") with the effect of termination of the acquisition of a piece of land situated in Zhongshan City, the Mainland, the details of which were contained in the Company's announcement dated 29 January 2018. Pursuant to the Share Disposal Agreement, the counter-party had deposited the consideration of disposal ("**Consideration**") into the lawyer ("**Lawyer**") of the relevant subsidiary of the Company ("**Relevant Subsidiary**") to be disposed of ("**Share Disposal**") and, accordingly, the Group rescinded the counter-claims. Subsequently, the Group received the Consideration and the confirmation of the Lawyer that all the necessary approvals of the corresponding authorities of the People's Republic of China were obtained, hence the Share Disposal was duly and fully completed as disclosed in the Company's announcement dated 24 August 2018. Accordingly, the gain of the Share Disposal after taking into account of the reclassification of the exchange differences arisen on translation of this foreign operation and transaction costs of HK$19,525,000 was recognised in the year ended 31 July 2018.

PROSPECTS

Trade conditions remain to be significant concerns for the future. Fears of a hit to global trade from the United States' "America First" protectionist policies have kept the markets in a state of heightened anxiety for much of this year. The tit-for-tat tariffs are the latest escalation in lingering trade tension between the United States and Mainland. The world's two biggest economies showed no signs of backing down from an increasingly bitter trade dispute that is expected to dampen global economic growth. Even worse is that the confrontation seemed to spill over from trade to political arena.

The global economic outlook is gloomy and Hong Kong, the Group's base of business, is in a vulnerable position as an externally oriented economy. Local and overseas customers are becoming more cautious of their spending in the downturn of global economy. The consumption power of higher proportion of the customers from the Mainland, the major source of visitors, has been declining during the past few years. It was further deteriorated by the recent sharp devaluation of Renminbi and securities in the stock markets of the Mainland.

Chairman's Statement

PROSPECTS (continued)

All these factors dim the performance of the "Garment and Related Accessories Business" segment. The Group is confident that launching high value-for-money fashion of various functionalities in well-chosen fabrics and distinctive personalities by outstanding designs under the prestige brand "Crocodile" is the cornerstone of overcoming any challenges ahead. Moreover, the restructure of sales network will be pursued to foster operational efficiency and the staff training on product knowledge and etiquette will be enhanced to offer quality services and shopping experience to our patrons.

On the other hand, the volatility of the capital market has been intensified as investors worry that the Federal Reserve of the United States may move too far — given that it is using two tools at the same time — interest rate hikes and balance sheet normalisation. It has been signaled by the unexpected routs in the major stock markets worldwide triggered by the big selloff in the United States in early October 2018 and the disorder in money shifts in certain emerging countries.

As a precaution against any potential turbulent fund flow around the world which will ruin the values of its investments, the Group will refine and diversify the portfolios of its "investment properties" and "financial assets at fair value through profit and loss", respectively to secure their market values within calculated risk range. Specifically, in view of the pressure on rental income of the "Property Investment and Letting Business" segment coming from the increase in supply of office premises in Eastern Kowloon, Hong Kong, the Group will polish the appeal of its investment properties to ramp up their leasing potentials.

CONTINGENT LIABILITIES

As at 31 July 2018, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2018.

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

Chairman's Statement

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

Cash and cash equivalents held by the Group amounted to HK$104,031,000 as at 31 July 2018 (2017: HK$125,908,000) and were mostly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$7,169,000 (2017: HK$14,199,000) represented deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2018 were equivalent to HK$35,666,000 (2017: HK$33,035,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 July 2018, the total outstanding borrowings including margin loans of the Group amounted to HK$852,045,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$9,362,000, secured bank mortgage loans of HK$20,796,000, secured margin loans of HK$50,526,000, secured long-term bank loan of HK$242,640,000 and secured short-term bank revolving loans of HK$528,721,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loans above were repayable by instalments with its current portion of HK$2,708,000 repayable within one year and long-term portion of HK$18,088,000 repayable in the second to tenth years.

Interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2018.

As at 31 July 2018, the Group had mortgaged certain of its investment properties with carrying values of HK$1,865,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 July 2018 was 47%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. Against the backdrop of the uncertain worldwide economic environment and the coming further rises in interest rates in Hong Kong, the Group will be vigilant for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save for the disposals of the investment property in Hong Kong and the Relevant Subsidiary as disclosed in the Company's announcements dated 19 January 2018 and 24 August 2018, respectively, the Group had no other significant investments, material acquisitions or disposals in the year ended 31 July 2018.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Group, including part-time sales staff, was 274 as at 31 July 2018 (2017: 306). 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 share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies.

Chairman's Statement

FINAL DIVIDEND

The board of directors of the Company ("**Board**") has resolved to recommend the payment of a final dividend of HK1 cent per share for the year ended 31 July 2018 (2017: Nil) to the shareholders of the Company ("**Shareholders**") whose names will appear on the register of members of the Company ("**Register of Members**") on Monday, 24 December 2018, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 17 December 2018 ("**AGM**"). If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around Wednesday, 30 January 2019.

No interim dividend was declared during the year (2017: Nil).

Closure of Register of Members

In order to be eligible to attend and vote at the AGM, Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 11 December 2018.

The record date for the proposed final dividend is at the close of business on Monday, 24 December 2018. The Register of Members will be closed from Friday, 21 December 2018 to Monday, 24 December 2018 (both days inclusive), during which period no transfer of shares will be registered, in order to ascertain Shareholders' entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 20 December 2018.

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, Executive Director and Chief Executive Officer

Hong Kong
29 October 2018

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2018 ("**Year**").

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included 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. There were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this Report.

Particulars of the Company' principal subsidiaries as at 31 July 2018 are set out in Note 19 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") can be found in the "*Chairman's Statement*" set out on pages 8 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in Note 38(b) to the Consolidated Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "*Corporate Governance Report*" and "*Environmental, Social and Governance Report*" on pages 29 to 43 and pages 44 to 51 of this Annual Report, respectively. These discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 July 2018 are set out in the Consolidated Financial Statements and their accompanying notes on pages 57 to 129.

The board of Directors ("**Board**") has resolved to recommend the payment of a final dividend of HK1 cent per ordinary share of the Company ("**Share**") in respect of the Year (2017: Nil) to the shareholders of the Company ("**Shareholders**") whose names will appear on the Register of Members of the Company on Monday, 24 December 2018, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 17 December 2018 ("**AGM**"). If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around Wednesday, 30 January 2019.

No interim dividend was paid or declared in respect of the Year (2017: Nil).

Report of the Directors

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 Edward Yee Hwa

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

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**”), Ms. Lam Wai Shan, Vanessa (an Executive Director) will retire from office by rotation at the AGM and, being eligible, will offer herself for re-election.

Details of the aforesaid Director 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 (“**Listing Rules**” and “**Stock Exchange**”, respectively), are set out in the sections headed “*Biographical Details of Directors and Senior Management*” and “*Directors’ and Chief Executives’ Interests*” of this Report below and the Company’s circular dated 16 November 2018.

The aforesaid Director has 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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. Mr. Chow Bing Chiu (“**Mr. Chow**”) has reported to the Company that B. C. Chow & Co., Solicitors, of which he is a senior partner, has provided legal services to Dr. Lam Kin Ming (“**Dr. KM Lam**”) (the Chairman, an Executive Director and the Chief Executive Officer of the Company) during the Year. After assessing the nature of the legal services involved is purely personal matter of Dr. KM Lam, the Company considers that Mr. Chow is independent for being an INED.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee of the Company and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in the note 12 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 35 to the Consolidated Financial Statements headed "*Related Party Transactions*", no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' and Chief Executives' Interests*" in this Report below and in Note 31 to the Consolidated Financial Statements, at no time during the Year was the Company or any of its subsidiaries and the holding company 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical particulars of the existing Directors and senior management of the Company 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 81, was appointed an Executive Director in December 1993 and is currently a member of the Executive Committee of the Company ("**Executive Committee**"). 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 a director and the sole shareholder of Rich Promise Limited ("**RPL**", 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.

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).

Ms. Lam Wai Shan, Vanessa, M.H., Executive Director and Deputy Chief Executive Officer, aged 47, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee. Ms. Lam 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 20 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 and received the Medal of Honour awarded from the Government of the HKSAR on 1 July 2016.

Ms. Lam is currently a member of Advisory Board of Yan Chai Hospital and was the chairman of its board of directors (2015-2016). She was a member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference ("**CPPCC**") and Beijing Haidian Qu Committee of the CPPCC.

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 AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Dr. Lam Kin Ngok, Peter, G.B.S, aged 61, 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 GEM of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam received an Honorary Doctorate from The Hong Kong Academy for Performing Arts in June 2011 and received the Gold Bauhinia Star awarded from the Government of the HKSAR on 1 July 2015.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board, the Hong Kong Trade Development Council ("**HKTDC**") Entertainment Industry Advisory Committee and the Hong Kong Cultural Development Research Institute Limited and an ex officio member of the HKTDC. He is also a Standing Committee member of the 13th National Committee of the CPPCC. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, 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 non-official member of the Lantau Development Advisory Committee, a member of Aviation Development and Three-runway System Advisory Committee, the honorary chairman of Federation of HK Jiangsu Community Organisations, the president of the Hong Kong Association of Cultural Industries Limited and a non-official member of the Trade and Industry Advisory Board.

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).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, M.H., aged 50, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and the executive deputy chairman and an executive director of Lai Fung. He graduated from University College London in the United Kingdom with a Bachelor of Science Degree and underwent training as a lawyer with an international law firm, Reed Smith Richards Butler. Mr. Lam is a Co-founding Partner and Managing Partner of a Hong Kong law firm, Nixon Peabody CWL 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 Mainland China. He is the vice president cum chairman of The Hong Kong Real Property Federation Cum Yangtze River Delta Region and a standing committee member of the CPPCC in Shanghai. Mr. Lam serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a council member of the Association of Honorary Consul in Hong Kong and Macau SAR, a board member of the Employees Compensation Assistance Fund Board, a member of the Advisory Committee on Admission of Quality Migrants and Professionals, a member of the Central Advisory Committee and the Chairman of the Publicity Committee of the Senior Police Call, a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. Mr. Lam also serves as an Honorary Judge of Racing at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation.

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. Wan Edward Yee Hwa, aged 82, is an Executive Director and currently a member of both of the Executive Committee and the Remuneration Committee of the Company ("**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 of the Company ("**Audit Committee**") and the Remuneration Committee 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 63, 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 (the 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)

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 67, was appointed an INED in September 2004 and is currently a member of the Audit Committee and the Remuneration Committee. 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 69, was appointed an INED as well as the chairman of both the Audit Committee and the Remuneration Committee on 1 February 2011. Mr. Leung is also an independent non-executive director of LSG, LSD and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Mr. Yeung Sui Sang, aged 80, was appointed an INED in October 2001 and is currently a member of the Audit Committee and the Remuneration Committee. 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 OF SUBSIDIARIES

Other than the Directors named in the above section headed "*Biographical Details of Directors and Senior Management*", the persons who have served on the boards of the subsidiaries of the Company during the Year and up to the date of this Report included Ms. Lam Wai Kei, Vicky, Mr. Howard Lam and Mr. Wong Muk Yeung.

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:

Four 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 manufacture, retail and wholesale of fashions in Hong Kong, Macau and/or Mainland China, and/or property investment and letting in Hong Kong and/or Mainland China.

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 the Shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of such companies/entities.

Report of the Directors

SHARE OPTION SCHEMES

On 15 December 2015, the Shareholders approved the adoption of a new share option scheme ("**2015 Scheme**") and the termination of the share option scheme which was adopted by the Company on 22 December 2006 ("**2006 Scheme**") to the effect that no more share options will be granted under the 2006 Scheme. Also as at 15 December 2015, no share option is valid and outstanding under the 2006 Scheme.

The 2015 Scheme which became effective on 18 December 2015 remains in force for a period of 10 years commencing on its adoption date. The maximum number of the Shares issuable pursuant to the 2015 Scheme is 94,754,369 Shares, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme. Details of the 2015 Scheme are set out in the circular of the Company dated 13 November 2015.

As at 31 July 2018 and the date of this Report, the Company has a total of 5,800,000 underlying Shares comprised in options outstanding under the 2015 Scheme (representing approximately 0.61% of the total issued Shares as at those dates).

The movements of the share options granted under the 2015 Scheme during the Year are as follows:

		Number of underlying Shares comprised in share options					
Category/Name of participants	**Date of grant** (dd/mm/yyyy) *(Note 1)*	**As at 1 August 2017**	**Granted during the Year**	**Lapsed during the Year**	**As at 31 July 2018**	**Exercise period** (dd/mm/yyyy)	**Exercise price per Share** (HK$) *(Note 2)*
Directors							
Lam Kin Ming	16/01/2017	900,000	—	—	900,000	16/01/2017 — 15/01/2020	0.994
	27/03/2018 *(Note 3)*	—	900,000	—	900,000	27/03/2018 — 26/03/2021	0.842
Lam Wai Shan, Vanessa	16/01/2017	2,000,000	—	—	2,000,000	16/01/2017 — 15/01/2020	0.994
	27/03/2018 *(Note 3)*	—	2,000,000	—	2,000,000	27/03/2018 — 26/03/2021	0.842
Total		**2,900,000**	**2,900,000**	**—**	**5,800,000**		

Notes:

1. *The above share options were vested on the date of grant.*
2. *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.*
3. *The closing price of each Share immediately before the date on which the share options were granted (i.e. 27 March 2018) was HK$0.84 per Share.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the Year. Further details of the 2015 Scheme are disclosed in Note 31 to the Consolidated Financial Statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2018 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 Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**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: Personal interests	Number of Shares: Corporate interests	Share options: Personal interests	Total	Approximate percentage of total issued Shares *(Note 1)*
Lam Kin Ming	Beneficial owner and owner of controlled corporation	12,918,000 *(Note 2)*	472,200,000 *(Note 3)*	1,800,000 *(Note 2)*	486,918,000	51.39%
Lam Wai Shan, Vanessa ("**Ms. Lam**")	Beneficial owner	6,026,500	Nil	4,000,000 *(Note 4)*	10,026,500	1.06%
Wan Edward Yee Hwa ("**Mr. Wan**")	Beneficial Owner	610,000 *(Note 5)*	Nil	Nil	610,000	0.06%

Notes:

1. *The total number of issued Shares as at 31 July 2018 (947,543,695 Shares) has been used in the calculation of the approximate percentage.*

2. *Dr. KM Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) had purchased an aggregate of 7,379,000 Shares during the Year. Subsequent to the Year end and up to the date of this Report, he has purchased an aggregate of 1,590,000 Shares, thereby increasing his shareholding interest from 486,918,000 Shares to 488,508,000 Shares (representing approximately 51.56% of the total issued Shares).*

   Details of the share options granted to Dr. KM Lam under the 2015 Scheme are shown in the section headed "Share Option Schemes" of this Report.

3. *RPL beneficially owned 472,200,000 Shares, representing approximately 49.83% of the total issued Shares. Dr. KM Lam was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.*

4. *Details of the share options granted to Ms. Lam (an Executive Director and the Deputy Chief Executive Officer of the Company) under the 2015 Scheme are shown in the section headed "Share Option Schemes" of this Report.*

5. *Mr. Wan (an Executive Director) had disposed of 100,000 Shares during the Year.*

DIRECTORS' AND CHIEF EXECUTIVES' 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	Percentage of total issued shares
Lam Kin Ming	Beneficial owner	1	Nil	1	100%

Save as disclosed above, as at 31 July 2018, none of the Directors and 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2018, 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 an Executive 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 by the Company pursuant to 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:

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Long positions in the Shares and underlying Shares

Name	Capacity	Nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 *(Note 2)*	49.83%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	486,918,000 *(Note 2)*	51.39%
Other Persons				
Wykeham Capital Asia Value Fund ("**WCAVF**")	Beneficial owner	Corporate	56,933,000 *(Note 3)*	6.01%
Wykeham Capital Limited	Investment manager	Corporate	56,933,000 *(Note 3)*	6.01%
Thomas Howel Gruffudd Rhys ("**Mr. Thomas**")	Owner of controlled corporations	Corporate	56,933,000 *(Note 3)*	6.01%

Notes:

1. *The total number of issued Shares as at 31 July 2018 (947,543,695 Shares) has been used in the calculation of the approximate percentage.*

2. *Dr. KM Lam 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' and Chief Executives' Interests" section above for further details.*

   Dr. KM Lam was personally interested in 12,918,000 Shares and was granted options by the Company to subscribe for a total of 1,800,000 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).

3. *Based on the disclosure of interests notices received by the Company, as at 31 July 2018, Mr. Thomas was deemed to be interested in the 56,933,000 Shares owned by WCAVF by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF).*

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) which/who, as at 31 July 2018, 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

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 35 to the Consolidated Financial Statements headed "*Related Party Transactions*", 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.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the Year and up to the date of this Report, the Company did not have any connected transaction or continuing connected transaction that was subject to the reporting requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under Note 35 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by businesses and geographical areas of the operations for the Year is set out in Note 7 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 16 and 17 to the Consolidated Financial Statements, respectively. Further details of the Group's investment properties are set out in "*Particulars of Investment Properties*" section in this Annual Report.

SHARES ISSUED IN THE YEAR

Details of the ordinary shares issued by the Company during the Year are set out in Note 30 to the Consolidated Financial Statements.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 July 2018, the Company had reserves available for distribution to the Shareholders, in accordance with the provision of Section 297 of the Companies Ordinance, amounted to approximately to HK$1,336,858,000.

SUFFICIENCY OF 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 total 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 THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Laws of Hong Kong which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 July 2018 are set out in Note 26 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$16,000 (2017: HK$685,000).

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 41.2% and 14.1%, respectively of the Group's total purchases for the Year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom to the best knowledge and belief of the Directors, own more than 5% of the total issued Shares) had any beneficial interest in the Group's five largest suppliers and customers for the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2014 to 2018 is set out below:

	Year ended 31 July				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**265,004**	264,119	313,217	405,325	501,813
Profit for the year attributable to owners of the Company	**162,493**	88,118	455	51,145	106,032

	As at 31 July				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,769,161**	2,377,674	2,293,167	2,261,596	2,146,304
Total liabilities	**969,570**	738,759	741,783	700,810	640,220
Total equity	**1,799,591**	1,638,915	1,551,384	1,560,786	1,506,084
	2,769,161	2,377,674	2,293,167	2,261,596	2,146,304

Report of the Directors

CORPORATE GOVERNANCE

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

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for options to be granted under the above section of "*Share Option Schemes*" of this Report.

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**"), was appointed the independent auditor of the Company ("**Independent Auditor**") to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu, Certified Public Accountants, with effect from 25 June 2018 to hold office until the conclusion of the AGM.

The Consolidated Financial Statements for the Year have been audited by SHINEWING who will retire and, being eligible, offer themselves for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of SHINEWING as the Independent Auditor for the ensuing year will be put to the AGM for the Shareholder's approval.

On Behalf of the Board

Lam Kin Ming
Chairman, Executive Director and Chief Executive Officer

Hong Kong
29 October 2018

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 ("**Listing Rules**" and "**Stock Exchange**", respectively).

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2018 ("**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 ("**Board**" and "**Directors**" respectively), the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company's operations and the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of both the Chairman and the Chief Executive Officer.

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

None of the existing non-executive Directors ("**NEDs**", including the independent non-executive Directors ("**INEDs**")) 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 (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company ("**AGM**") (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. 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 set out in Rule 3.13 of the Listing Rules. 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 ("**Executive Directors**"). 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 businesses 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 the Shareholders as a whole while taking into account the interests of other stakeholders.

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

The Board has delegated the day-to-day management of the Company's businesses 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 the management of the Company.

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) **BOARD OF DIRECTORS** (continued)

(2.2) Composition of the Board

The Board currently comprises nine members, of whom five are Executive Directors, 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 Board will review the management structure regularly to ensure that it continues to meet the Group's objectives and is in line with the industry practices.

The Directors who served the Board during the Year and up to the date of this Report are as follows:

Executive Directors
Dr. Lam Kin Ming *(Chairman and Chief Executive Officer)*
Ms. Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Dr. Lam Kin Ngok, Peter
Mr. Lam Kin Hong, Matthew
Mr. Wan Edward Yee Hwa

Non-executive Director
Ms. Lam Suk Ying, Diana

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

An updated list of Directors and their respective roles and functions can also be found on the Company's website at www.crocodile.com.hk and the Stock Exchange's website at www.hkexnews.hk. The brief biographical particulars of the existing Directors are set out in the section headed "*Biographical Details of Directors and Senior Management*" of the Report of the Directors on pages 17 to 20.

Dr. Lam Kin Ming (Chairman, Executive Director and Chief Executive Officer) is the father of Ms. Lam Wai Shan, Vanessa (Executive Director 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 Executive Directors).

Save as aforesaid and as disclosed in the "*Biographical Details of Directors and Senior Management*" 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)

(2.2) Composition of the Board (continued)

The Board meets at least four times a year with meeting dates scheduled prior to the beginning of the Year. Additional board meetings will be held when warranted. Directors also participate in the consideration and approval of matters of the Company by way of written resolutions circulated to Directors together with supporting explanatory materials as and when required.

(2.3) Independent Non-executive Directors

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. The Company has received from each of the INEDs a written annual confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules. The Board considers that all INEDs are independent. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

Mr. Chow Bing Chiu has reported to the Company that B. C. Chow & Co., Solicitors, of which he is a senior partner, has provided legal services to Dr. Lam Kin Ming (the Chairman, an Executive Director and the Chief Executive Officer of the Company) during the Year. After assessing the nature of the legal services involved is purely personal matter of Dr. Lam, the Company considers that Mr. Chow is independent for being an INED.

(2.4) Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

(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, Directors and senior executives are encouraged 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; and seminars on the latest development of applicable laws, rules and regulations will be organised and arranged for the Directors to assist them in discharging their duties. Directors are requested to provide records of training they received to the Company Secretary of the Company ("**Company Secretary**") for records. During the Year, the Company has arranged for the INEDs to attend a seminar organised by an external auditor.

(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:

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

(4) BOARD COMMITTEES

The Executive Committee comprising members appointed by the Board amongst the Executive Directors was established on 18 November 2005 with written terms of reference to assist the Board in monitoring the on-going management of the Company's businesses 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 Executive Director, Mr. Wan Edward Yee Hwa.

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 of the Company. 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 the Company's remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the payment of bonuses and grant of share options to certain Executive Directors and senior management of the Company by way of circular resolutions during the Year. No Director was involved in deciding his own remuneration at the meeting of/written resolutions of the Remuneration Committee.

(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 independent non-executive director) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

(a) Duties of the Audit Committee

The Audit Committee is principally responsible for, among other things, monitoring the integrity of periodical financial statements of the Company, reviewing significant financial reporting judgements contained in them before submission to the Board for approval, reviewing and monitoring the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(a) Duties of the Audit Committee (continued)

The Board believes that good corporate governance is essential to the success of the Group and the enhancement of Shareholders' value. 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**"). The Audit Committee has been delegated with 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 of the Company.

In compliance with new requirements relating to risk management and internal controls stipulated in the CG Code, which came into effect for accounting periods beginning on 1 January 2016, the Board has delegated the duties of overseeing and reviewing the Company's risk management and internal control systems to the Audit Committee in March 2016. 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 two meetings during the Year. It has reviewed the audited final results of the Group for the year ended 31 July 2017, the unaudited interim results of the Group for the six months ended 31 January 2018 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. Further, it has reviewed the Group's internal control review report and the enterprise risk management report prepared by Annie Chiu & Co., Certified Public Accountants (Practising), being the independent advisor of the Company ("**ACC**" or "**Independent Advisor**"); and put forward relevant recommendations to the Board for approval.

On 29 October 2018, 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 SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**"), being the Company's independent auditor. It also reviewed this Corporate Governance Report, an internal control review report and an enterprise risk management report on the Company prepared by the Independent Advisor.

Corporate Governance Report

(5) ATTENDANCE RECORD AT MEETINGS

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

Meetings held during the Year

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

For the Year, consents and/or approvals of the Board/the Remuneration Committee were also obtained by way of written resolutions on a number of matters/transactions.

(6) 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.

Corporate Governance Report

(7) NON-EXECUTIVE DIRECTORS

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

(8) 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.

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

A copy of the Policy is available on the Company's website for public information.

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

(10) 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 throughout the Year.

Corporate Governance Report

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE 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 financial position of the Group and of the financial performance and cash flows for such reporting period. 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. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

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

(13) INDEPENDENT AUDITOR'S REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by SHINEWING for the Year amounted to approximately HK$890,000 and HK$10,000, respectively. The non-audit services represented the reporting on the agreement with the preliminary announcement of results of the Group for the Year.

(14) RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group, and the effective risk management and internal control systems enhance the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contribute 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 risk management and internal control systems are designated to manage rather than to eliminate the risk of failure in order to achieve the Group's business objectives, and can only serve as reasonable, but not absolute, assurance of the following:

— compliance with applicable laws, regulations, rules, policies and procedures;
— reliability and integrity of financial reporting;
— effectiveness and efficiency of operations; and
— prevention and detection of fraud and irregularities.

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Group has established policy and procedures for handling and disseminating inside information of the Group to ensure such information is disseminated to the public in equal and timely manner in accordance with requirements of Securities and Futures Ordinance and the Listing Rules. Relevant parties are reminded to preserve the confidentiality of the inside information until it is publicly disclosed. Briefing session is held regularly for relevant parties to facilitate their understanding and compliance with the policy.

The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. During the Year, ACC 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 activities; and (ii) the cash and bank, and expenditure cycles of the Group. Appropriate recommendations for further enhancing the internal control system have been adopted. The relevant report from ACC as Independent Advisor was presented to and reviewed by the Audit Committee and the Board. Appropriate recommendations for further enhancing the internal control system have been adopted. The Board considers that the Group's internal control system for the Year was effective and adequate.

During the Year, the Audit Committee has been delegated with the responsibilities to review the effectiveness of the Company's risk management system annually in compliance with code provision C.2.1 of the CG Code. ACC has been engaged to expand its engagement to include risk management services and the matters incidental thereto in order to facilitate the Audit Committee in the discharge of its duties and responsibilities.

A risk management policy which setting out, includes but not limited to, the Group's approach and methodology in establishing the risk assessment mechanism and managing risks in order to protect the Group from those risks of significant impact and vulnerability had been adopted by the Board since July 2017.

During the Year, the Audit Committee has supported the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems by oversees the following processes:

— reviewing the policy of the Group's risk management system;
— reviewing the risk reports and evaluating the risk inventory list and the related action plan assigned for the identified risks;
— conducting regular management meetings to discuss and handle the identified risks and internal control risks; and
— reviewing the findings made by the independent auditor in respect of issues encountered during the processes of annual audit.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the Year, ACC has assisted the Company's management to carry out an entity-level risk assessment which includes identification, evaluation and prioritisation of risk factors that the Group is facing. ACC completed the risk assessment and submitted on 29 October 2018 the assessment results contained in a report on enterprise risk management of the Group to the Company's management for review and reported to the Audit Committee and the Board for approval. The Board will put in place to address the identified area that shall be enhanced and the Board considered that the Group's risk management system was effective and adequate.

(15) COMPANY SECRETARY

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

On 27 March 2012, the Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. 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 Company's website at www.crocodile.com.hk and the Stock Exchange's website at www.hkexnews.hk;

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

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

(iv) AGMs and general meetings of the Company ("**GMs**") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management of the Company; and

(v) the Company's share registrar ("**Registrar**") serves 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 General Meeting

The last GM, being the AGM for 2017 ("**2017 AGM**"), was held at 11:00 a.m. on 18 December 2017 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2017 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 2017 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Dr. Lam Kin Ming, Dr. Lam Kin Ngor, Peter and Mr. Lam Kin Hong, Matthew as Executive Directors, and Mr. Leung Shu Yin, William as an INED; (iii) the authorisation of the Board to fix the Directors' remuneration; (iv) the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company for the Year and the authorisation of the Board to fix its remuneration; and (v) the granting to the Directors the general mandates to buy back the Shares and to issue, allot and deal with additional Shares, and to extend the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

The notice of 2017 AGM and the relevant poll results announcement were published on both the websites of the Company and the Stock Exchange on 17 November 2017 and 18 December 2017, respectively.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a GM

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**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 the 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 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.

(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 AGM

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 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; and (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) SHAREHOLDERS' RIGHTS (continued)

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

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

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

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

11/F., Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Fax: (852) 2743 8459
E-mail: corpadmin@crocodile.com.hk

Shareholders may also make enquiries with the Board at the GMs.

(18) CONSTITUTIONAL DOCUMENTS

During the Year, there was no significant change in the Articles of Association which are available on both the websites of the Company at www.crocodile.com.hk and the Stock Exchange at www.hkexnews.hk.

(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.

Environmental, Social and Governance Report

Having been a "caring company" for a decade, the Company believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship, motivating staff and creating a sustainable return to the Company and its subsidiaries (collectively "**Group**"). We are committed to contributing to the sustainability of the environment and community in which we conduct businesses and where our stakeholders live.

In order to provide a comprehensive picture of the Group's principles, policies and performances in the areas of environmental, social and governance ("**ESG**"), the Group has prepared the following ESG report for the year ended 31 July 2018 in accordance with the requirements stipulated in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

KEY PERFORMANCE INDEX ("KPI")

The KPIs of ESG issues are assessed through stakeholder engagement exercises, management reviews and industry analyses. While the Company attends to all ESG issues which affect its businesses and stakeholders, two most material issues in each ESG aspect relevant to the Group's businesses with additional focus on have been identified and are indicated in the following table.

ESG Aspects		ESG Issues	Garment	Property
Environmental		Emissions	✓	✓
		Use of resources	✓	✓
		Environment and natural resources	✓	✓
Social	Employment and labour practices	Employment	✓	✓
		Health and safety	✓	✓
		Development and training	✓	✓
		Labour standards	✓	✓
	Operating practices	Supply chain management	✓	
		Product responsibility	✓	✓
		Service responsibility	✓	
		Privacy protection	✓	✓
		Intellectual property rights	✓	✓
		Anti-corruption	✓	✓
	Community	Community investment	✓	✓

ENVIRONMENTAL

As a responsible garment business participant, the Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and has adopted effective environmental technologies to ensure its merchandises meeting the material standards and ethics in respect of environmental protection. The Group has actively promoted material-saving and the extensive use of environmental friendly clothing materials, so as to protect the environment and improve the air quality in the community.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

Moreover, the Group has adopted the following measures to consume energy efficiently:

i) establish an energy saving policy or guidelines and inform staff thereof via email;

ii) include energy efficiency requirements when procuring energy-related products;

iii) assign representatives to coordinate energy saving programmes;

iv) conduct energy audit/check to monitor energy consumption per type (e.g. oil and electricity);

v) use energy efficient lighting devices (e.g. LED or T5 fluorescent tubes, compact fluorescent lamps with Grade 1 or 2 Energy Label, etc.) in office and shops whenever practicable;

vi) turn off unnecessary lightings during lunch hour, overtime work and after normal operating hours;

vii) affix reminders/signs to all lighting switches in office to remind staff of switching off lighting and air-conditioning systems after use;

viii) apply lighting zone control to enable switching on/off lighting independently in different parts in office;

ix) apply electronic ballasts for at least 50% of the applicable lighting devices in office;

x) ensure that air conditioning system operates efficiently by scheduling cleaning/maintenance at least twice a year;

xi) check room temperature and ensure that indoor temperature controllers are correctly set to maintain temperature at 24°C — 26°C in office;

xii) use fans to enhance cooling effect and reduce the use of air conditioners;

xiii) apply solar film on windows to reduce direct sunlight and the demand for air-conditioning;

xiv) organise the recycling of waste paper, plastic bottles and red-pockets in office;

xv) remind staff regularly to be self-disciplined and enforce a good practice in maintenance of all equipment in the workplace in order to maximise the duration of equipment;

xvi) documents are filed electronically whenever possible;

xvii) recycled paper, toners and cartridges are used for printing and photocopying; and

xviii) simplify product packaging and encourage retail customers to use their own shopping bags.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

In the property investment sector, specific measures, if possible, have been implemented in order to mitigate emissions produced by the Group's properties:

i) control the usage of air-conditioning units during night-time;

ii) LED lamps are used in public areas; and

iii) switch off some passenger lifts after office hours.

In addition, the Group has joined and supported various environmental protection programmes organised by reputable institutions, and has been recognised with certification.

1. Emissions

A year on year comparison of the annual greenhouse gas ("**GHG**") emission analysis is made below:

	Year ended 31 July	
Source of emission	**2018 GHG emission (kgCO2-eq)**	2017 GHG emission (kgCO2-eq)
Unleaded petroleum consumed by Group's motor vehicles	**47,344**	37,894
Diesel oil consumed by Group's lorries	**28,417**	27,026
Purchased electricity	**785,218**	898,109
Usage of water	**7,736**	6,899
Disposal of paper waste	**29,257**	7,275
Total GHG emission	**897,972**	977,203

2. Uses of resources

Petroleum

There are several motor vehicles being used for passenger, goods and materials transportation purposes. A total of 18,717 litres (2017: 15,151 litres) of unleaded petroleum and 10,250 litres of diesel oil (2017: 9,748 litres) were used for the Group's motor vehicles. The Group is reshuffling the transportation timetables and routes to optimise the efficiency of its fleet of vehicles.

Electricity

The total electricity consumption was 1,227,249 Kilowatt-hour ("**kWh**") (2017: 1,385,308 kWh). The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, GHG emission.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

2. Uses of resources (continued)

Water

The total water consumption was 18,237 m^3 (2017: 16,263 m^3). As some retail outlets of the Group are in shopping malls, water usage was included in the management fee and therefore figures were not available for the calculation of volume consumed. Nevertheless, the Group spares no effort to saving this precious natural resource on earth.

Packing material used for finished goods and stationery

The following table summarised the weight of paper used for packaging, stationery and paper recycling:

	Year ended 31 July	
	2018 (kilograms)	2017 (kilograms)
Packaging materials	**22,317**	11,201
Stationery	**2,554**	2,643
Paper recycling	**2,245**	2,955

In general, there was an increase in the total weight of packaging materials used during the year ended 31 July 2018 due to the launch of new products. On the other hand, there was a reduction of general paper used as stationery in the Company's headquarter office and retail points, as a burgeoning result of "save paper" encouragement and promotion made to the employees.

3. Environment and natural resources

The Group's principal operations do not involve any production-related air, water and land pollutions which are regulated under related environmental laws and regulations. As the main operations are taken place indoor, the direct impact derived therefrom on the environment and natural resources is minimal.

Environmental, Social and Governance Report

SOCIAL

Employment and labour practices

1. Employment

Being a signatory of the "Good Employer Charter" organised by the Hong Kong Labour Department, the Group pledges to adopt employee-oriented good human resource management practices.

The Group is an equal opportunity employer and does not discriminate on any aspects of personal characteristics such as sex, race, religion, family status and disability. The Group's employee handbooks outline the terms and conditions of employment, expectations for employees' conducts and behaviors, so as employees' rights and benefits. The Group reviews its compensation and benefits programs regularly to ensure that its compensation and benefits packages remain competitive. In addition, the Group establishes and implements policies that promote a harmonious and respectful workplace. The Company has zero tolerance towards workplace harassment and discrimination through exercising a grievance reporting mechanism. No incidence of workplace discrimination was filed during the year ended 31 July 2018. The Group hosts an annual dinner each year to gather the employees to foster team spirit and to show appreciation and reward the employees for their hard work in the past year.

As at 31 July 2018, the total number of employees of the Group was 274 (2017: 306) with the following age combination:

Age	16-17	18-25	26-35	36-45	46-55	56 and above
2018	**0**	**20%**	**25%**	**29%**	**17%**	**9%**
2017	1%	25%	26%	26%	14%	8%

The annual staff turnover rate was 6% for the year ended 31 July 2018 (2017: 5%).

2. Health and safety

The Group prides itself on providing a safe, effective and congenial work environment. Sufficient arrangements, training programmes and guidelines are implemented to ensure the working environment is both healthy and safe. Security measures are in place at our offices to restrict entry and exit only to staff and permitted visitors. The Group provides a communication channel for employees to present information on occupational health and safety issues, and raise their awareness thereof.

The Group values the health and well-being of our staff. In order to provide employees with health coverage, they are entitled to medical insurance benefits as well as other health awareness programmes.

All work-related injury is protected by the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Group complies with the requirements. There were no cases of work related injury for the year ended 31 July 2018 (2017: 3) and consequentially, no loss of working days (2017: 15).

Environmental, Social and Governance Report

SOCIAL (continued)

Employment and labour practices (continued)

3. Development and training

The Group believes that employees are the valuable assets of an enterprise, and regards human resources as part of the corporate wealth. The Group provides on-the-job training and development opportunities to facilitate our employees' career progression and to enhance their competencies in performing their jobs effectively and efficiently. Through different kinds of training, staff's professional knowledge on corporate operations, occupational and management skills are enhanced. An annual total of 1,340 hours of training were conducted for the year ended 31 July 2018 (2017: 946 hours) with the total number of employees of 274 as at 31 July 2018 (2017: 306 employees).

4. Labour standards

The Groups considers it imperative to safeguarding the rights of its employees and strives to create an environment of respect, integrity and fairness for its employees. Improper use of labour in the form of child labour and forced labour is strictly prohibited in all business sectors. For operations in Hong Kong, the Group ensures full compliance to relevant regulations and refers to the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong).

For the Group's operations in Mainland China, it ensures full compliance to relevant laws and regulations in the Labour Law and the Labour Contract Law of the People's Republic of China which stipulate the prevention of the use of child labour of ages under 16 and the prevention of any unlawful way of forced labour. Labour rights are protected and there will be no forced overtime work. Should overtime work be required, workers will be paid according to the relevant legal requirements.

The Group has equally stringent requirements for its contractors who are required to observe and comply with the same applicable regulations at the relevant jurisdictions.

There are no non-compliance cases in the above-mentioned laws and regulations in Hong Kong and Mainland China during the year ended 31 July 2018.

Operating practices

1. Supply chain management

The Group adheres to the principle that both the quality of our products and stable business relationship with our premier suppliers are essential to maximise the "Crocodile" brand value in the long-term. Hence, the Group has adopted a stringent approach in procurement by conducting a preliminary assessment on the potential suppliers' credentials to ascertain their backgrounds, production facilities and goodwill.

After assessing the potential suppliers' credentials preliminarily, the Group will select the suppliers by further scrutinising the qualities of their fabrics, yarns, manufacturing parts and delivery capabilities, and examining whether the materials and/or products supplied comply with the relevant safety and environmental standards.

Environmental, Social and Governance Report

SOCIAL (continued)

Operating practices (continued)

2. Product responsibility

The Group requires all suppliers and manufacturers of its products and packaging to comply with the Group's policy. The Group keeps its sourcing protocols reviewed regularly and up-to-date in order to maintain the high quality and safety standards of its products and customer's satisfaction.

3. Service responsibility

The Group cherishes customers' feedbacks for improving its services. The Group always takes customer opinions seriously. Following the established procedures, the Sales Department is responsible for handling customer suggestions in relation to the products and services to ensure timely responses to customers' enquiries and comments.

4. Privacy protection

The Group has policies and written guidelines in place for all staff of collection, processing, use of and access to employees' and customers' personal data and information. When collecting any personal data and information, the Group strictly complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all the relevant regulations to secure the information collected is solely for specific purposes, e.g. personnel, advertising and promotional; and only authorised staff can access to it.

For the year ended 31 July 2018, the Group had not received of any noticeable cases of unauthorised use of/access to personal and private information of employees and customers.

5. Intellectual property rights

It is the Group's prominent code of conduct that all the employees need to protect the Group's assets and uphold the privacy of confidential information of intellectual properties such as copyrights, trademarks, and proprietary knowledge. The Group ensures to comply with all intellectual property laws and regulations, including but not limited to the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) and the Prevention of Copyright Privacy Ordinance (Chapter 544 of the Laws of Hong Kong). All employees are required to sign a non-disclosure undertaking upon commencement of their employment. Superiors are responsible for ensuring their subordinates fully understand and comply with the code of conduct. The Group also provides a channel for staff to report any potential breach of the code. In addition, the Group also precludes any sales of pirated goods, counterfeits and knockoff in Hong Kong and overseas.

There are no non-compliance cases in the above-mentioned laws and regulations during the year ended 31 July 2018.

Environmental, Social and Governance Report

6. *Anti-corruption*

Doing business honestly and ethically is the Group's core value. It is the Group's paramount principle that all staffs are not allowed to receive or offer any advantages such as money, gift, loan, reward, contract and service from or to any business associates. Investigation will be carried out promptly for any suspected fraudulent incidents and staff will be dismissed if found to have committed fraud; and the case will be reported to the respective authority when necessary. The Group also has a whistle-blowing policy which encourages reporting of any suspected corruption issues.

Having received positive feedbacks on the anti-corruption talk in January 2017, at the Group's invitation, the Independent Commission Against Corruption has provided a talk again to our employees to reinforce their knowledge regarding the importance of anti-corruption in September 2018.

All employees are required to confirm or declare whether there is a conflict of interest when they sign the employment agreements. If there are any cases of conflict of interest afterwards, the concerning staff is required to update and notify, based on his/her seniority, the management or the board of directors of the Company.

For the year ended 31 July 2018, the Group was not aware of any corruption, frauds and money laundry within the operations.

Community

Community investment

The Group is committed to supporting community events and has sponsored and made donations to social and charitable organisations for the improvement of social services and the well-being of the community. For the year ended 31 July 2018, donations and sponsorships had been provided to certain social and charitable organisations such as Yan Chai Hospital, Po Leung Kuk, The Hong Kong Polytechnic University, Supreme Academy, Tsuen Wan District Civic Education Committee, Hong Kong Industrial & Commercial Association Limited Tsuen Wan Branch, Hong Kong Zhongshan Western District Fellowship Association, Hong Kong Chinese Martial Arts Dragon and Lion Dance Association and Food For Good.

In addition to financial support for social and charitable activities, the Group has been encouraging staff to participate in a wide range of charitable events on the belief that it can raise their concern for the community and inspire more people to take part in serving the community. The Group has engaged in a number of community services or activities with staff participation from time to time, such as visiting Yan Chai Hospital for Christmas and assisting the tour of children with special educational needs to the Hong Kong Disneyland led by Yan Chai Hospital.

Independent Auditor's Report

信永中和 ShineWing

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

信永中和(香港)
會計師事務所有限公司
香港銅鑼灣
希慎道33號利園一期43樓

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

Opinion

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 57 to 129, which comprise the consolidated statement of financial position as at 31 July 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Valuation for inventories

Refer to note 22 to the consolidated financial statements and the accounting policies on page 76.

Key audit matter	How our audit addressed the key audit matter
We have identified valuation of inventories as a key audit matter because the Group has significant amount of inventories of approximately HK$39,660,000, representing 6% of the Group's current assets as at 31 July 2018. Provisions consideration included inventory aging profiles and the determination of the methods and assumptions such as period to sell to determine the percentages to apply to aged inventory. The assumptions adopted are subject to the changing trends which require significant judgment based on experience.	Our audit procedures were designed to assess the judgment and assumptions used by the management in calculating the inventory provisions. We reviewed management's assessment of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories. We assessed the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reasonableness of management's assessment by considering the utilization or release of previously recorded provisions and the net realisable value of inventories.

Independent Auditor's Report

Valuation of investment properties

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 73.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2018, the carrying amount of investment properties was approximately HK$1,888,489,000, with a fair value gain of approximately HK$184,054,000 recognised for the year ended 31 July 2018. We have identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the involvement of significant judgments and estimates made by the management of the Company in assessing its fair value.	Our procedures were designed to challenge the valuation process and reasonableness of the key assumptions and estimates adopted in assessing the fair value of investment properties. We have challenged the reasonableness of the methodologies, key assumptions and the input data used in the valuation with reference to the recent market transacted prices, together with market and other externally available information.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

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

Independent Auditor's Report

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lau Kai Wong.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lau Kai Wong
Practising Certificate Number: P06623

Hong Kong
29 October 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**265,004**	264,119
Cost of sales		**(84,532)**	(95,027)
Gross profit		**180,472**	169,092
Fair value gains on investment properties	17	**184,054**	114,721
Other income	6	**5,329**	32,981
Selling and distribution expenses		**(145,512)**	(155,361)
Administrative expenses		**(64,318)**	(60,179)
Other gains (losses), net	8	**3,674**	(11,667)
Finance costs	9	**(14,572)**	(12,573)
Share of profit of an associate	20(b)	**12,876**	9,852
Profit before tax	11	**162,003**	86,866
Income tax credit	10	**490**	1,252
Profit for the year attributable to owners of the Company		**162,493**	88,118
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**157**	(1,988)
Translation reserve released upon disposal of a subsidiary		**(2,959)**	—
Other comprehensive expense for the year		**(2,802)**	(1,988)
Total comprehensive income for the year attributable to owners of the Company		**159,691**	86,130
		HK Cents	HK Cents
Earnings per share			
— Basic	15	**17.15**	9.30
— Diluted	15	**17.15**	9.30

Consolidated Statement of Financial Position

As at 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**123,033**	128,280
Investment properties	17	**1,888,489**	1,745,655
Land lease prepayments	18	**12,127**	12,556
Available-for-sale investment	24(b)	**33,000**	—
Amount due from an associate	20(a)	**13,271**	12,639
Interest in an associate	20(b)	**50,622**	40,296
Rental and utility deposits	23	**11,679**	8,876
Deposits for land lease prepayments	21	**—**	16,034
		2,132,221	1,964,336
Current assets			
Inventories	22	**39,660**	48,054
Trade and other receivables, deposits and prepayments	23	**35,215**	71,118
Financial assets at fair value through profit or loss	24(a)	**450,777**	153,982
Amounts due from related companies	35(b)	**88**	77
Pledged bank deposits	25	**7,169**	14,199
Bank balances and cash	25	**104,031**	125,908
		636,940	413,338
Current liabilities			
Bank borrowings	26	**551,471**	324,057
Margin loans payable	27	**50,526**	11,588
Trade and other payables and deposits received	28(a)	**74,855**	73,034
Other current liability	28(b)	**15,000**	15,000
Amounts due to related companies	35(b)	**2,266**	25,601
Tax payable		**20,087**	20,262
		714,205	469,542
Net current liabilities		**(77,265)**	(56,204)
Total assets less current liabilities		**2,054,956**	1,908,132

Consolidated Statement of Financial Position

As at 31 July 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Non-current liabilities			
Bank borrowings	26	**250,048**	263,431
Provision for long service payments		**2,336**	2,315
Deferred tax liabilities	29	**2,981**	3,471
		255,365	269,217
Net assets		**1,799,591**	1,638,915
Capital and reserves			
Share capital	30	**332,323**	332,323
Reserves		**1,467,268**	1,306,592
Total equity		**1,799,591**	1,638,915

The consolidated financial statements on pages 57 to 129 were approved and authorised for issue by the board of directors of the Company on 29 October 2018 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2018

	Attributable to owners of the Company					
	Share capital HK$'000	Translation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 August 2016	332,323	23,125	109,689	1,086,247	—	1,551,384
Profit for the year	—	—	—	88,118	—	88,118
Other comprehensive expense						
Exchange differences arising on translation of foreign operations	—	(1,988)	—	—	—	(1,988)
Total comprehensive (expense) income for the year	—	(1,988)	—	88,118	—	86,130
Recognition of equity-settled share-based payment	—	—	—	—	1,401	1,401
At 31 July 2017	332,323	21,137	109,689	1,174,365	1,401	1,638,915
Profit for the year	—	—	—	162,493	—	162,493
Other comprehensive (expense) income						
Release of translation reserve upon disposal of a subsidiary	—	(2,959)	—	—	—	(2,959)
Exchange differences arising on translation of foreign operations	—	157	—	—	—	157
Total comprehensive (expense) income for the year	—	(2,802)	—	162,493	—	159,691
Recognition of equity-settled share-based payment	—	—	—	—	985	985
At 31 July 2018	**332,323**	**18,335**	**109,689**	**1,336,858**	**2,386**	**1,799,591**

Consolidated Statement of Cash Flows

For the year ended 31 July 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**162,003**	86,866
Adjustments for:		
Finance costs	**14,572**	12,573
Bank interest income	**(223)**	(369)
Interest income from an associate	**(632)**	(601)
Interest income on advance to independent third parties	**(388)**	—
Share of profit of an associate	**(12,876)**	(9,852)
Depreciation of property, plant and equipment	**13,494**	14,038
Amortisation of land lease prepayments	**336**	318
Impairment loss in respect of property, plant and equipment	**1,032**	2,300
(Gain) loss on disposal of property, plant and equipment	**(14)**	376
Provision for bad and doubtful debts for trade and other receivables	**26,612**	9,267
(Reversal of provision) provision for onerous contracts	**(2,375)**	11,000
Write-off of trade and other receivables	**58**	1,156
Net reversal of provision for slow-moving inventories	**(4,579)**	(2,586)
Net gain on financial assets at fair value through profit or loss	**(5,446)**	(10,827)
Share-based payment expense	**985**	1,401
Gain on disposal of investment properties	**(2,855)**	—
Gain on disposal of a subsidiary	**(19,525)**	—
Fair value gain on investment properties	**(184,054)**	(114,721)
Operating cash flows before movements in working capital	**(13,875)**	339
Decrease in inventories	**13,112**	27,410
Increase in financial assets at fair value through profit or loss	**(291,349)**	(2,856)
Increase in trade and other payables and deposits received	**3,388**	1,275
Decrease (increase) in trade and other receivables, deposits and prepayment	**16,782**	(11,934)
Increase (decrease) in amounts due to related companies	**27**	(381)
Increase in rental and utility deposit	**(2,803)**	—
Increase in amount due from a related company	**(11)**	(77)
Increase (decrease) in provision for long service payments	**21**	(567)
Cash from operations	**(274,708)**	13,209
Interest paid	**(13,722)**	(11,259)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(288,430)**	1,950

Consolidated Statement of Cash Flows

For the year ended 31 July 2018

	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	**43,855**	1,615
Interest received	**611**	369
Proceeds from disposal of property, plant and equipment	**22**	28
Advances to independent third parties	**(7,000)**	—
Withdrawal (placement) of pledged bank deposits	**7,030**	(9,832)
Purchase of property, plant and equipment	**(9,750)**	(6,885)
Purchase of available for sales investments	**(30,930)**	—
Net cash inflow from disposal of a subsidiary (Note 40)	**32,823**	—
Dividend received from an associate	**2,550**	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**39,211**	(14,705)
FINANCING ACTIVITIES		
New bank loans raised	**289,721**	38,310
(Decrease) increase in trust receipt loans	**(1,849)**	122
Repayments of bank loans	**(73,841)**	(23,280)
Repayments of margin loans	**—**	(11,402)
New margin loans raised	**38,938**	—
Repayments to related companies	**(25,066)**	(17,063)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**227,903**	(13,313)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(21,316)**	(26,068)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**125,908**	152,787
Effect of foreign exchange rate changes	**(561)**	(811)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**104,031**	125,908

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

1. GENERAL

Crocodile Garments Limited (the "**Company**") is a company incorporated in Hong Kong with limited liability and its shares are listed and traded 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 consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than the Group's subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and other subsidiaries are HK$.

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, an Executive Director and the Chief Executive Officer of the Company and the ultimate controlling shareholder of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$77,265,000 as at 31 July 2018.

Subsequent to the end of the reporting period, the Group received a letter from one of the Group's principal bankers indicating that the bank expected to renew the facility granted to the Group expiring in early 2019 for another year. The Directors considered that it is highly probable that the Group would be successful in renewing the facility.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 — 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in Note 39. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in Note 39, the Directors considered that these amendments have had no impact on the Group's consolidated financial statements.

The Group has not early applied the following new and amendments to HKFRSs and Int(s) that have been issued by the HKICPA but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 — 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
HK (International Financial Reporting Interpretations Committee) ("**IFRIC**") — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet been determined

The Directors anticipate that, except as described below, the application of the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to change in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 (2014) Financial Instruments (continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 31 July 2018 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Directors expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The Group's available-for-sale investment will be measured as fair value through profit or loss.

(b) Impairment

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;
ii) Identify the performance obligations in the contract;
iii) Determine the transaction price;
iv) Allocate the transaction price to the performance obligations; and
v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The Directors have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the Directors expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 July 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 July 2018, the Group has non-cancellable operating lease commitments of approximately HK$89,933,000 as disclosed in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The Directors expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated 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 consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, 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.

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 (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transaction and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statement in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
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.

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.

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.

Investment in an associate
An associate is an entity over which the Group has significant influence. 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 Group's investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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 associate 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 acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determine whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in an associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment 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 in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement.

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 and leasehold land (classified as finance leases) held for use in the supply of goods or for administrative purposes 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 allocate the cost of items of property, plant and equipment 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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.

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.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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.

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 except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 arising on settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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 the state-managed retirement benefit scheme, 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

Equity-settled share-based payments to the Directors are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to directors (continued)

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.

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 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is recognised in profit or loss.

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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 fair value through profit or loss ("**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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified into one of 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.

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 gains (losses), net" line item. Fair value is determined in the manner described in note 38(c).

Available-for-sale financial asset

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment loss on financial assets

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

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

— significant financial difficulty of the issuer or counterparty; or

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the 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, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets (continued)

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

Financial liabilities and equity instruments

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

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities 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 and included in the 'other gains (losses) net' line item.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

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

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset 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 is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, 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.

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 17, the fair value of the investment properties was determined based on the direct comparison approach and income capitalisation approach, which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the valuation of the Group's investment properties. As at 31 July 2018, the fair values of investment properties were approximately HK$1,888,489,000 (2017: HK$1,745,655,000).

Provision for obsolete and slow-moving inventories
The Group's inventories are stated at the lower of cost and net realisable value. The Group makes 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 semi-annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2018, the carrying amount of inventories of the Group was approximately HK$39,660,000 (2017: HK$48,054,000), net of allowance for inventories of approximately HK$17,967,000 (2017: HK$22,654,000).

Impairment loss on property, plant and equipment
The property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying amount may not be recoverable. Factors that would indicate impairment may include, but are not limited to, operating losses of individual store, any significant change in economic environment and operating cash flows associated with the cash-generating unit.

The impairment loss on property, plant and equipment 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 have been determined based on the higher of fair value less costs of disposals and its value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year ended 31 July 2018, impairment loss recognised in respect of property, plant and equipment was approximately HK$1,032,000 (2017: HK$2,300,000). Where the actual future cash flows are less or more than expected, or changes in events and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade and other receivables

The Group makes impairment based on assessment of the recoverability of trade and other receivables. The Group makes 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 2018, the carrying amounts of trade receivables of the Group was approximately HK$3,731,000 (2017: HK$8,006,000), net of allowance for bad and doubtful debts of approximately HK$9,684,000 (2017: HK$9,854,000).

As at 31 July 2018, the carrying amounts of other receivables of the Group was approximately HK$19,865,000 (2017: HK$43,220,000), net of allowance for doubtful debts of the Group of approximately HK$54,453,000 (2017: HK$28,613,000).

Income tax

As at 31 July 2018, deferred tax asset in relation to unused tax losses of HK$427,063,000 (2017: HK$388,193,000) (see Note 29) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisation 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 recognised in the profit or loss for the period in which such recognition takes place.

Provision for onerous contracts

The Group makes provision based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from garment and related accessories business. The provision is calculated based on discounted cash flows to the end of the lease period. Estimating these future losses involves a number of assumptions about the future operating performance of the garment and related accessories business. As at 31 July 2018, provision for onerous contracts was approximately HK$8,625,000 (2017: HK$11,000,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2018 HK$'000	2017 HK$'000
Revenue		
Sale of goods	**207,814**	208,811
Gross rental income*	**57,190**	55,308
	265,004	264,119
Other income		
Royalty income	**908**	22,894
Bank interest income	**223**	369
Interest income on amount due from an associate	**632**	601
Interest income in advance to independent third parties (Note 23(c))	**388**	—
Others	**3,178**	9,117
	5,329	32,981
*Gross rental income	**57,190**	55,308
Less: outgoings	**(673)**	(779)
	56,517	54,529

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

7. 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. The operating segments are managed separately as each business line offers different products and services and requires different business strategies.

Segment revenues and results

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

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**207,814**	208,811	**57,190**	55,308	**–**	–	**265,004**	264,119
Other income from external customers *(Note)*	**2,910**	23,153	**1,808**	9,459	**–**	–	**4,718**	32,612
Group's total revenue and other income *(Note)*	**210,724**	231,964	**58,998**	64,767	**–**	–	**269,722**	296,731
Reportable segment (loss) profit	**(40,398)**	(57,081)	**252,028**	182,391	**5,446**	10,827	**217,076**	136,137
Unallocated corporate income							**611**	369
Unallocated corporate expenses							**(41,112)**	(37,067)
Finance costs							**(14,572)**	(12,573)
Profit before tax							**162,003**	86,866

Note: The income excludes bank interest income and other interest income.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. 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.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**218,827**	278,015	**1,955,357**	1,805,570	**450,777**	153,982	**2,624,961**	2,237,567
Unallocated corporate assets							**144,200**	140,107
Total consolidated assets							**2,769,161**	2,377,674
LIABILITIES								
Segment liabilities	**59,490**	84,317	**19,967**	16,633	**50,526**	11,588	**129,983**	112,538
Unallocated corporate liabilities							**839,587**	626,221
Total consolidated liabilities							**969,570**	738,759

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 investment, pledged bank deposits and bank balances and cash.

— all liabilities are allocated to reportable and operating segments, other than bank borrowings, other current liability, tax payable and deferred tax liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**–**	–	**50,622**	40,296	**–**	–	**50,622**	40,296
Additions to non-current assets *(Note)*	**9,697**	6,868	**53**	17	**–**	–	**9,750**	6,885
Depreciation and amortisation	**13,544**	14,077	**286**	279	**–**	–	**13,830**	14,356
(Reversal of) provision for onerous contracts	**(2,375)**	11,000	**–**	–	**–**	–	**(2,375)**	11,000
Provision for doubtful debts	**26,612**	9,267	**–**	–	**–**	–	**26,612**	9,267
Net reversal of provision for slow-moving inventories	**(4,579)**	(2,586)	**–**	–	**–**	–	**(4,579)**	(2,586)
Impairment loss recognised in respect of property, plant and equipment	**1,032**	2,300	**–**	–	**–**	–	**1,032**	2,300
(Gain) loss on disposal of property, plant and equipment	**(14)**	376	**–**	–	**–**	–	**(14)**	376
Gain on disposal of investment property	–	–	**2,855**	–	–	–	**2,855**	–
Gain on disposal of a subsidiary	**19,525**	–	–	–	–	–	**19,525**	–
Write-off of trade and other receivables	**58**	1,156	**–**	–	**–**	–	**58**	1,156
Fair value gains on investment properties	**–**	–	**(184,054)**	(114,721)	**–**	–	**(184,054)**	(114,721)
Net gain on financial assets at FVTPL	**–**	–	**–**	–	**(5,446)**	(10,827)	**(5,446)**	(10,827)
Share of profit of an associate	**–**	–	**(12,876)**	(9,852)	**–**	–	**(12,876)**	(9,852)
Interest income from an associate	**–**	–	**(632)**	(601)	**–**	–	**(632)**	(601)

Note: Non-current assets include property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

7. 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	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**252,432**	251,122
The PRC	**12,572**	12,997
	265,004	264,119

	Non-current assets	
	As at 31 July	
	2018	2017
	HK$'000	HK$'000
Hong Kong	**1,980,932**	1,826,064
The PRC	**105,018**	125,633
	2,085,950	1,951,697

Note: Non-current assets exclude financial instruments.

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue in both years.

8. OTHER GAINS (LOSSES), NET

	2018	2017
	HK$'000	HK$'000
Reversal of provision (provision) for onerous contracts	**2,375**	(11,000)
Provision for doubtful debts on trade and other receivables	**(26,612)**	(9,267)
Write-off of trade and other receivables	**(58)**	(1,156)
Impairment loss recognised in respect of property, plant and equipment	**(1,032)**	(2,300)
Gain (loss) on disposal of property, plant and equipment	**14**	(376)
Net gain on financial assets at FVTPL	**5,446**	10,827
Gain on disposal of investment property *(Note)*	**2,855**	—
Gain on disposal of a subsidiary (Note 40)	**19,525**	—
Exchange gain, net	**25**	293
Others	**1,136**	1,312
	3,674	(11,667)

Note: The gain was arisen from the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon, under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance as disclosed in the Company's announcement dated 19 January 2018.

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For the year ended 31 July 2018

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
Bank borrowings	**13,722**	11,259
Amount due to a related company	**850**	1,314
	14,572	12,573

10. INCOME TAX CREDIT

	2018 HK$'000	2017 HK$'000
Current tax	**—**	—
Deferred tax (Note 29)	**(490)**	(1,252)
	(490)	(1,252)

No current tax has been provided for the years ended 31 July 2018 and 2017 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.

The tax credit for the years can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

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For the year ended 31 July 2018

10. INCOME TAX CREDIT (continued)

For the year ended 31 July 2018

	Hong Kong		The PRC		Total	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit (loss) before tax	**192,793**		**(30,790)**		**162,003**	
Tax at the domestic income tax rate	**31,811**	**16.5**	**(7,698)**	**25.0**	**24,113**	**14.9**
Tax effect of income not taxable for tax purpose	**(35,891)**	**(18.6)**	**(881)**	**2.8**	**(36,772)**	**(22.7)**
Tax effect of expenses not deductible for tax purposes	**3,189**	**1.6**	**2,694**	**(8.7)**	**5,883**	**3.6**
Tax effect of share of result of an associate	**(2,124)**	**(1.1)**	**—**	**—**	**(2,124)**	**(1.3)**
Tax effect of tax losses not recognised	**2,747**	**1.4**	**5,885**	**(19.1)**	**8,632**	**5.3**
Tax effect of taxable temporary differences not recognised	**(222)**	**(0.1)**	**—**	**—**	**(222)**	**(0.1)**
	(490)	**(0.3)**	**—**	**—**	**(490)**	**(0.3)**

For the year ended 31 July 2017

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before tax	107,529		(20,663)		86,866	
Tax at the domestic income tax rate	17,742	16.5	(5,166)	25.0	12,576	14.5
Tax effect of income not taxable for tax purpose	(20,272)	(18.9)	(748)	3.6	(21,020)	(24.2)
Tax effect of expenses not deductible for tax purposes	693	0.7	2,639	(12.8)	3,332	3.9
Tax effect of share of result of an associate	(1,626)	(1.5)	—	—	(1,626)	(1.9)
Utilisation of tax losses previously not recognised	(1,897)	(1.8)	—	—	(1,897)	(2.2)
Tax effect of tax losses not recognised	1,913	1.8	3,275	(15.8)	5,188	6.0
Tax effect of deductible temporary differences not recognised	2,195	2.0	—	—	2,195	2.5
	(1,252)	(1.2)	—	—	(1,252)	(1.4)

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

11. PROFIT BEFORE TAX

	2018 HK$'000	2017 HK$'000
The Group's profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 12):		
Wages and salaries	**60,339**	57,828
Retirement benefits schemes	**2,233**	2,118
Share-based payments	**985**	1,401
Others	**130**	(275)
	63,687	61,072
Cost of inventories recognised as an expense (including net reversal of provision for slow-moving inventories, of HK$4,579,000 (2017: HK$2,586,000)) *(Note)*	**83,859**	94,248
Depreciation of property, plant and equipment	**13,494**	14,038
Amortisation of land lease prepayments (included in administrative expenses)	**336**	318
Auditor's remuneration		
— Audit services	**890**	865
— Non-audit services	**96**	111
Operating lease payments in respect of rented land and buildings:		
— Minimum lease payments under operating leases	**59,639**	65,742
— Contingent rents	**8,343**	6,025
	67,982	71,767

Note: During the year ended 31 July 2018, an amount of approximately HK$4,579,000 (2017: HK$2,586,000) has been recognised as a reversal of provision for slow-moving inventories following the increase in the net realisable value of the sales occurred during the year.

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12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of nine (2017: nine) Directors including the chief executive officer of the Company are as follows:

	2018						
	Fees	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 *(note c)*	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000 *(note d)*	Total HK$'000
Executive directors (note a)							
Lam Kin Ming	10	5,785	–	1,400	–	306	7,501
Lam Wai Shan, Vanessa	10	2,944	–	500	18	679	4,151
Lam Kin Ngok, Peter	10	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	10
Wan Edward Yee Hwa	10	360	–	–	–	–	370
Non-executive director (note b)							
Lam Suk Ying, Diana	96	–	–	–	–	–	96
Independent non-executive directors (note b)							
Yeung Sui Sang	144	–	–	–	–	–	144
Chow Bing Chiu	144	–	–	–	–	–	144
Leung Shu Yin, William	144	–	–	–	–	–	144
	578	9,089	–	1,900	18	985	12,570

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

	2017						
	Fees	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 *(note c)*	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000 *(note d)*	Total HK$'000
Executive directors (note a)							
Lam Kin Ming	10	5,705	–	1,400	–	435	7,550
Lam Wai Shan, Vanessa	10	2,863	–	700	18	966	4,557
Lam Kin Ngok, Peter	10	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	10
Wan Edward Yee Hwa	10	480	–	–	–	–	490
Non-executive director (note b)							
Lam Suk Ying, Diana	96	–	–	–	–	–	96
Independent non-executive directors (note b)							
Yeung Sui Sang	120	–	–	–	–	–	120
Chow Bing Chiu	120	–	–	–	–	–	120
Leung Shu Yin, William	120	–	–	–	–	–	120
	506	9,048	–	2,100	18	1,401	13,073

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The non-executive directors' emoluments shown above were for their services as directors of the Company.

(c) The discretionary bonus is based on the relevant individual's performance and the Company's performance and profitability and the prevailing market conditions.

(d) The amounts represent the share-based payment during the years ended 31 July 2018 and 2017. Details of which are set out in Note 31.

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

During the years ended 31 July 2018 and 2017, (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.

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13. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2017: two) Directors, details of whose remuneration are set out in Note 12. The remunerations of the remaining three (2017: three) highest paid employees are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and allowances	**3,768**	3,688
Retirement benefits schemes	**54**	54
	3,822	3,742

Their remunerations are within the following bands:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

During each of the years ended 31 July 2018 and 2017, 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.

14. DIVIDEND

No dividend was paid or declared during the year ended 31 July 2018 (2017: nil).

Subsequent to the end of the reporting period, a final dividend of HK$0.01 per share of the Company has been proposed by the Directors in respect of the year ended 31 July 2018 (2017: nil) and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company to be held on Monday, 17 December 2018.

Notes to the Consolidated Financial Statements

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15. 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:

	2018	2017
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**162,493**	88,118

	2018	2017
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**947,543,695**	947,543,695
Effect of dilutive potential ordinary shares:		
— share options	**—**	89,016
Number of ordinary shares for the purposes of diluted earnings per share	**947,543,695**	947,632,711

For the year ended 31 July 2018, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of shares.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture and fixtures, leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 August 2016	42,900	98,551	4,433	94,602	19,744	9,404	269,634
Additions	—	—	65	6,441	187	192	6,885
Disposals/write-off	—	—	(1,027)	(15,895)	(3,864)	(880)	(21,666)
Exchange realignment	—	(782)	(52)	(494)	(151)	(33)	(1,512)
At 31 July 2017	42,900	97,769	3,419	84,654	15,916	8,683	253,341
Additions	—	—	3	7,622	317	1,808	9,750
Disposals/write-off	—	—	—	(5,332)	—	(983)	(6,315)
Exchange realignment	—	(782)	(22)	(50)	(40)	(38)	(932)
At 31 July 2018	**42,900**	**96,987**	**3,400**	**86,894**	**16,193**	**9,470**	**255,844**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 August 2016	4,362	13,663	4,356	83,249	17,092	7,988	130,710
Provided for the year	1,246	4,180	20	7,043	1,043	506	14,038
Impairment loss recognised in profit or loss	—	—	—	2,300	—	—	2,300
Eliminated on disposals/write-off	—	—	(1,013)	(15,604)	(3,825)	(820)	(21,262)
Exchange realignment	—	(32)	(52)	(472)	(136)	(33)	(725)
At 31 July 2017	5,608	17,811	3,311	76,516	14,174	7,641	125,061
Provided for the year	1,248	4,409	18	6,465	784	570	13,494
Impairment loss recognised in profit or loss	—	—	—	1,032	—	—	1,032
Eliminated on disposals/write-off	—	—	—	(5,325)	—	(982)	(6,307)
Exchange realignment	—	(332)	(22)	(53)	(45)	(17)	(469)
At 31 July 2018	**6,856**	**21,888**	**3,307**	**78,635**	**14,913**	**7,212**	**132,811**
CARRYING VALUES							
At 31 July 2018	**36,044**	**75,099**	**93**	**8,259**	**1,280**	**2,258**	**123,033**
At 31 July 2017	37,292	79,958	108	8,138	1,742	1,042	128,280

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

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%

The management reviewed the impairment of leasehold improvements on individual store basis when events or circumstances indicate the carrying amount may not be recoverable. Impairment assessment is performed on stores with operating losses which is considered as an impairment indicator for the years ended 31 July 2018 and 2017. The review led to the recognition of an impairment loss of HK$1,032,000 for the year ended 31 July 2018 (2017: HK$2,300,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development.

The Group has pledged leasehold land and buildings with a carrying value of approximately HK$42,010,000 (2017: HK$43,462,000) to secure general banking facilities granted to the Group (Note 32).

17. INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
FAIR VALUE		
At the beginning of the year	**1,745,655**	1,632,793
Disposal	**(41,000)**	(1,616)
Increase in fair value recognised in profit or loss	**184,054**	114,721
Exchange realignment	**(220)**	(243)
At the end of the year	**1,888,489**	1,745,655

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17. INVESTMENT PROPERTIES (continued)

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, an Executive Director and the Chief Executive Officer of the Company, 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 spaces to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 20(b)).

The fair value of the Group's investment properties as at 31 July 2018 and 2017 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, an independent qualified professional valuers not connected to the Group.

The fair value of the investment properties of the Group were determined either based on income capitalisation approach or direct comparison approach. For those determined based on the income capitalisation approach, 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 those determined based on direct comparison approach, the fair value of the investment properties were determined by reference the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, size, 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.

At 31 July 2018, certain investment properties of approximately HK$1,865,500,000 (2017: HK$1,685,000,000) of the Group were pledged to banks to secure the bank loans granted to the Group, details of which are set out in Note 32.

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17. 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.

Description	Fair value as at 31 July		Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
	2018	2017					
	HK$'000	HK$'000					
Properties located in Hong Kong							
Retail	**50,000**	43,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	2.5% (2017: 2.51%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	HK$128 (2017: HK$110) per square foot	The higher the market rent, the higher the fair value.
Office	**32,500**	28,000	Direct comparison approach		Adjusting factors (to reflect location, size age and maintenance)	Adjusting factors ranging from 91% to 115% (2017: ranging from 98% to 103%)	The higher the adjusting factor, the higher the fair value.
	1,700,000	1,540,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	3.3% (2017: 3.43%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	HK$32 (2017: HK$31) per square foot	The higher the market rent, the higher the fair value.
Industrial	**83,000**	74,000	Direct comparison approach		Adjusting factors (to reflect location, size age and maintenance)	Adjusting factors ranging from 93% to 112% (2017: ranging from 93% to 104%)	The higher the adjusting factor, the higher the fair value.
	–	38,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	N/A (2017: 1.89%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	N/A (2017: HK$11 per square foot)	The higher the market rent, the higher the fair value.

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17. INVESTMENT PROPERTIES (continued)

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

Description	Fair value as at 31 July 2018 HK$'000	Fair value as at 31 July 2017 HK$'000	Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
Properties located in the PRC							
Retail	**14,134**	13,955	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2017: 5.08%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB269 (2017: RMB243) per square metre	The higher the market rent, the higher the fair value.
Office	**8,855**	8,700	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2017: 5.22%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB76 (2017: RMB70) per square metre	The higher the market rent, the higher the fair value.
	1,888,489	1,745,655					

18. LAND LEASE PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables, deposits and prepayments)	**321**	324
Non-current asset	**12,127**	12,556
	12,448	12,880

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19. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2018	2017	
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
Zhong Shan Crocodile Garments Limited* (中山鱷魚恤服飾有限公司)	The PRC	HK$8,000,000	**–**	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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19. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (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.

20(a). AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest bearing at 5% per annum and no fixed terms of repayment. In the opinion of the Directors, the amount is not expected to be settled within twelve months after the end of the reporting period and therefore the amount is classified as non-current asset.

20(b). INTEREST IN AN ASSOCIATE

	2018 **HK$'000**	2017 HK$'000
Costs of investments in an associate	—	—
Share of post-acquisition profit and other comprehensive income, net of dividends received	**50,622**	40,296
	50,622	40,296

Details of the associate as at 31 July 2018 and 2017 are as follows:

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

Note: The Group holds 50% of the issued share capital of Mass Energy Limited, however, the Group does not have joint control or control over Mass Energy Limited as LSG directs relevant activities of Mass Energy Limited through its control over the board of directors of Mass Energy Limited. The Directors consider that the Group exercises significant influence over Mass Energy Limited and it is therefore classified as an associate of the Group.

According to the Development Agreement as disclosed in Note 17, the titles of 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, the investment is strategically beneficial to the Group.

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20(b). INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of the associate

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

	2018 **HK$'000**	2017 HK$'000
Current assets	**9,950**	12,994
Non-current assets — representing investment properties	**119,000**	94,000
Current liabilities	**(266)**	(672)
Non-current liabilities	**(27,440)**	(25,731)
Net assets	**101,244**	80,591
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**50,622**	40,296
Total revenue	**2,298**	2,157
Profit and total comprehensive income for the year	**25,751**	19,704
Group's share of profit of an associate for the year	**12,876**	9,852
Dividend shared by the Group and received from the associate during the year	**2,550**	—

Notes to the Consolidated Financial Statements

21. DEPOSITS FOR LAND LEASE PREPAYMENTS

In accordance with the agreements dated 22 June 2006 (the "**Agreements**") entered into by the Zhongshan Crocodile Garments Limited ("**ZSCGL**"), a then wholly-owned subsidiary of the Company, Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) ("**Zhongshan Hong Feng**"), an independent third party, and Zhongshan Sanxiang Town Local Government (the "**Local Government**"), the Group paid RMB14,721,000 (equivalent to HK$17,076,000 as at 31 July 2017 to Zhongshan Hong Feng (the "**Vendor Deposit**") and RMB13,822,000 (equivalent to HK$16,034,000 (as at 31 July 2017) 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, Zhongshan Hong Feng 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 Zhongshan Hong Feng 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 Zhongshan Hong Feng 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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21. 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 Zhongshan Hong Feng because the negotiation with the Local Government and Zhongshan Hong Feng 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. Zhongshan Hong Feng 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 during the year ended 31 July 2013 and the Group had not received any acknowledgement from Zhongshan Hong Feng 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 as a result of the assessment of the financial position of Zhongshan Hong Feng.

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 2017.

As further detailed in Note 40 and the Company's announcements dated 29 January 2018 and 24 August 2018, the Company's entire equity interest in ZSCGL was disposed of to Zhongshan Hong Feng during the year ended 31 July 2018 and the relevant deposits were derecognised by the Group thereafter.

22. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**328**	250
Finished goods	**39,332**	47,804
	39,660	48,054

The carrying amount of inventories of the Group was approximately HK$39,660,000 (2017: HK$48,054,000) net of allowance for inventories of approximately HK$17,967,000 (2017: HK$22,654,000).

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23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 **HK$'000**	2017 HK$'000
Trade receivables	**13,415**	17,860
Less: Allowance for doubtful debts	**(9,684)**	(9,854)
	3,731	8,006
Other receivables *(Notes (a) and (b))*	**74,318**	71,833
Less: Allowance for doubtful debts	**(54,453)**	(28,613)
	19,865	43,220
Deposits and prepayments *(Note (c))*	**23,298**	28,768
	46,894	79,994
Less: Rental and utility deposits shown under non-current assets	**(11,679)**	(8,876)
	35,215	71,118

Notes:

(a) As at 31 July 2018, the royalty receivables of the Group of approximately HK$8,050,000 (2017: HK$40,052,000), net of allowance for doubtful debt of approximately HK$54,450,000 (2017:HK$28,609,000) are included in the other receivables, where payments are required semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2018, the Group made provision for impairment of approximately HK$26,705,000 (2017: HK$6,795,000).

(b) As at 31 July 2018, land lease prepayments of the Group of approximately HK$321,000 (2017: HK$324,000) are included in the current portion of deposits and prepayments.

(c) As at 31 July 2018, included in other receivables of the Group as advance of HK$7,000,000 (2017: nil) to two independent third parties were unsecured, interest bearing at 12% per annum and repayable within 1 year from the drawdown date.

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 does not hold any collateral over these balances.

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

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

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 periods:

	2018	2017
	HK$'000	HK$'000
0 to 90 days	**3,379**	6,221
91 to 180 days	**81**	1,249
181 to 365 days	**271**	536
	3,731	8,006

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:

	2018	2017
	HK$'000	HK$'000
At the beginning of the year	**38,467**	29,265
Allowance provided, net	**26,612**	9,267
Exchange Realignment	**(942)**	(65)
At the end of the year	**64,137**	38,467

Included in allowance for doubtful debts of the Group are individually impaired trade and other receivables with an aggregate balance of approximately HK$64,137,000 (2017: HK$38,467,000). The impaired trade and other receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

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 periods is as follows:

	2018	2017
	HK$'000	HK$'000
Past due but not impaired		
Within 60 days	**1,317**	5,262
61 days to 150 days	**81**	1,249
Over 150 days	**271**	536
	1,669	7,047

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. 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.

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

For the year ended 31 July 2017, included in the Group's trade receivables balance is an amount of approximately HK$217,000 (2018: nil) due from Big Honor Asia Limited, a company of which Dr. Lam Kin Ming has control and is one of the key management personnel members.

For the year ended 31 July 2017, write-off of royalty receivables with a carrying amount of approximately HK$1,156,000 (2018: nil) was due to liquidation of a debtor and recognised in other losses in the consolidated statement of profit or loss and other comprehensive income.

24(a). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Listed investments		
Equity securities listed in Hong Kong	**2,468**	1,836
Equity securities listed outside Hong Kong	**22,144**	4,362
Debt securities listed in Hong Kong	**18,274**	25,900
Debt securities listed outside Hong Kong	**40,249**	42,475
Perpetual securities listed in Hong Kong	**12,789**	14,665
Perpetual securities listed outside Hong Kong	**22,732**	22,504
	118,656	111,742
Unlisted investments		
Equity securities	**12,859**	12,458
Debt securities	**319,262**	29,782
	332,121	42,240
Total	**450,777**	153,982

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24(a). 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 securities was based on the value quoted by the brokers based on underlying investment value at the end of the reporting period.

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

At 31 July 2018, certain financial assets at FVTPL of approximately HK$187,362,000 (2017: HK$115,442,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$50,526,000 (2017: HK$11,588,000), details of which are set out in Note 27.

24(b). AVAILABLE-FOR-SALE INVESTMENT

	2018 **HK$'000**	2017 HK$'000
Unlisted investment in Hong Kong, at fair value	**33,000**	—

The above unlisted investment represents investment in preference shares issued by a private limited liability company established in the British Virgin Islands. The investee company is principally engaged in property investment business. There is no fixed maturity period to the preference shares and the fair value of the investment was determined with reference to the fair value to the underlying assets and liabilities of the investee company. The preference shares entitled the holders a fixed cumulative dividend of 8% per annum and preferential rights over the ordinary shareholders in the event of liquidation. The Group intends to hold the investment for long-term purpose. As such, the investment is accounted for as an available-for-sale investment.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2018 **HK$'000**	2017 HK$'000
Bank balances and cash	**100,055**	101,348
Short-term time deposits	**3,976**	24,560
	104,031	125,908
Pledged bank deposits	**7,169**	14,199

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

As at 31 July 2018 and 31 July 2017, the pledged bank deposits of the Group carry interest at market rates and are therefore exposed to cash flow interest rate risk.

Pledged bank deposits amounting to approximately HK$7,169,000 (2017: HK$14,199,000) 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.

26. BANK BORROWINGS

	2018		2017	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Bank loans, secured	**792,157**	**1.42-3.65**	576,277	1.63-2.73
Trust receipt loans, secured	**9,362**	**2.81-3.29**	11,211	2.33-2.47
	801,519		587,488	

	2018 HK$'000	2017 HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	**551,471**	324,057
Beyond one year, but not exceeding two years	**234,737**	13,394
Beyond two years, but not exceeding five years	**5,948**	238,830
Beyond five years	**9,363**	11,207
	801,519	587,488
Less: Amounts shown under current liabilities	**(551,471)**	(324,057)
Amounts shown under non-current liabilities	**250,048**	263,431

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

The borrowings of the Group 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 1.25% to 1.75% (2017: HIBOR plus 1.30% to 1.75%).

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27. MARGIN LOANS PAYABLE

For the year ended 31 July 2018, 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$187,362,000 (2017: HK$115,442,000) (Note 24(a)) and pledged bank deposits of approximately HK$7,169,000 (2017: HK$14,199,000) (Note 25).

	2018		2017	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Within one year	**50,526**	**0.68-3.34**	11,588	1.07-2.55

The Group's variable-rate margin loans payable are mainly subject to interest range between 0.68% to 3.34% (2017: 1.07% to 2.55%). The range of effective interest rates are equal to contractual interest rates.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED AND OTHER CURRENT LIABILITY

a. Trade and other payables and deposits received

The following is an aging analysis of trade payables as at the end of the reporting periods, based on the date of receipt of goods, and the details of balances of advance from customers, deposits received, other payables and accruals:

	2018	2017
	HK$'000	HK$'000
Trade payables:		
0 to 90 days	**8,413**	9,268
91 to 180 days	**187**	118
181 to 365 days	**527**	915
Over 365 days	**2,292**	2,166
	11,419	12,467
Advance from customers	**5,217**	5,115
Provision for onerous contracts	**8,625**	11,000
Deposits received	**14,864**	14,008
Payable for acquisition of available-for-sale investment	**2,070**	—
Other payables and accruals	**32,660**	30,444
	74,855	73,034

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

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28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED AND OTHER CURRENT LIABILITY (continued)

a. Trade and other payables and deposits received (continued)

The movement in the provision for onerous contracts during the year is as follows:

	2018	2017
	HK$'000	HK$'000
At the beginning of the year	**11,000**	—
(Reversal of provision) provision	**(2,375)**	11,000
At the end of the year	**8,625**	11,000

Provision for onerous contracts are made based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from garment and related accessories business. The provision is calculated based on discounted cash flows to the end of the lease period. As at 31 July 2018, the provision for onerous contracts was approximately HK$8,625,000 (2017: HK$11,000,000).

b. Other current liability

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party (the "**Investor**"). Pursuant to the agreement, the Investor agreed to lend HK$15,000,000 to the Group and the loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposed of one of its investment properties, which is located at Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong. Upon disposal of the said 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. No fair value change is recognised in respect of the liability for the current year since there has been no material change in fair value of the relevant investment property.

29. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, all deferred tax assets and liabilities have been offset.

	2018	2017
	HK$'000	HK$'000
Deferred tax assets	**10,008**	8,494
Deferred tax liabilities	**(12,989)**	(11,965)
	(2,981)	(3,471)

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29. DEFERRED TAX (continued)

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

	Losses available for offsetting against future taxable profits	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 31 July 2016	5,844	(10,567)	(4,723)
Credit (charge) to profit or loss	2,650	(1,398)	1,252
At 31 July 2017	8,494	(11,965)	(3,471)
Credit (charge) to profit or loss	1,514	(1,024)	490
At 31 July 2018	**10,008**	**(12,989)**	**(2,981)**

As at 31 July 2018, the Group has unutilised tax losses of approximately HK$487,717,000 (2017: HK$439,686,000). 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$53,770,000 (2017: HK$31,546,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$60,655,000 (2017: HK$51,494,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$427,063,000 (2017: HK$388,193,000) in aggregate due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$11,957,000 (2017: deductible temporary difference of approximately HK$13,300,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No deferred taxation had been provided for in the consolidated financial statements since the temporary difference attributable to retained profits of the PRC subsidiaries is nil (2017: nil).

30. SHARE CAPITAL

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2016, 31 July 2017 and 31 July 2018	**947,543,695**	**332,323**

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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31. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a share option scheme pursuant to a resolution passed by its shareholders on 15 December 2015 (the "**2015 Scheme**") for the purpose of providing incentives or rewards to any employee of the Group, any director, officer or consultant of the Group and any other group or classes of participants which the Directors (hereinafter collectively referred as the "**Eligible Participants**"), in their absolute discretion, consider to have contributed or will contribute, whether by way of business alliance or other business arrangement, to the development and growth of the Group. Under the 2015 Scheme, the board of Directors may grant options to the Eligible Participants as defined in the 2015 Scheme to subscribe for shares in the Company.

Under the 2015 Scheme, the board of Directors may grant options to the 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.

As at 31 July 2018, the number of shares in respect of which options had been granted and remained outstanding under the 2015 Scheme was 5,800,000 (2017: 2,900,000), representing 0.61% (2017: 0.31%) 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 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue on 15 December 2015 and the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 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.

Options granted under the 2015 Scheme must be taken up within 30 days from the date of grant respectively, 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 2015 Scheme. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange daily quotation sheet on the date of grant and (ii) the average closing prices of the Company's shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant.

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31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses movements of the Company's share options held by Directors during the year:

Category	Date of grant	Exercise price HK$	Exercisable period	Number of option shares: Outstanding at 31 July 2017	Granted during the year	Exercised during the year	Outstanding at 31 July 2018
Directors							
Dr. Lam Kin Ming	16 January 2017	0.9940	16.1.2017 — 15.1.2020	900,000	—	—	900,000
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	—	900,000	—	900,000
Ms. Lam Wai Shan, Vanessa	16 January 2017	0.9940	16.1.2017 — 15.1.2020	2,000,000	—	—	2,000,000
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	—	2,000,000	—	2,000,000
				2,900,000	2,900,000	—	5,800,000
Exercisable at the end of the year						N/A	5,800,000
Weighted average exercise price (HK$)				0.9940	0.8420	—	0.9180

The following table discloses movements of the Company's share options held by Directors in prior year:

Category	Date of grant	Exercise price HK$	Exercisable period	Number of option shares: Outstanding at 31 July 2016	Granted during the year	Exercised during the year	Outstanding at 31 July 2017
Directors							
Dr. Lam Kin Ming	16 January 2017	0.9940	16.1.2017 — 15.1.2020	—	900,000	—	900,000
Ms. Lam Wai Shan, Vanessa	16 January 2017	0.9940	16.1.2017 — 15.1.2020	—	2,000,000	—	2,000,000
				—	2,900,000	—	2,900,000
Exercisable at the end of the year						N/A	2,900,000
Weighted average exercise price (HK$)				—	0.9940	—	0.9940

During the year ended 31 July 2018, options were granted on 27 March 2018. The estimated fair value of the options granted was HK$985,000 (2017: HK$1,401,000). The options vested immediately.

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31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	Granted on 27 March 2018
Grant date share price	**HK$0.820**
Exercise price	**HK$0.842**
Expected volatility	**61.82%**
Expected life	**3 years**
Expected dividend yield	**0%**
Risk free rate	**1.646%**

	Granted on 16 January 2017
Grant date share price	HK$0.990
Exercise price	HK$0.994
Expected volatility	74.26%
Expected life	3 years
Expected dividend yield	0%
Risk free rate	1.181%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations. Risk free rate was determined with reference to the yield to maturity of Hong Kong Exchange Fund Bills and Notes with tenor close to the expected life of the options.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The Group recognised the total expenses of HK$985,000 for the year ended 31 July 2018 (2017: HK$1,401,000) in relation to share options granted by the Company.

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32. PLEDGE OF ASSETS

The Group has pledged the following assets to secure the borrowings, margin loans payable and banking facilities granted to the Group:

	2018	2017
	HK$'000	HK$'000
Leasehold land and building	**42,010**	43,462
Investment properties	**1,865,500**	1,685,000
Financial assets at FVTPL	**187,362**	115,442
Pledged bank deposits	**7,169**	14,199
	2,102,041	1,858,103

33. OPERATING LEASE ARRANGEMENTS

As lessor

Gross property rental income earned during the year was approximately HK$57,190,000 (2017: HK$55,308,000). The Group leases out its investment properties (Note 17) 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 3.0% (2017: 3.2%).

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

	2018	2017
	HK$'000	HK$'000
Within one year	**46,468**	51,889
In the second to fifth years, inclusive	**23,843**	47,758
	70,311	99,647

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33. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

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

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

	2018	2017
	HK$'000	HK$'000
Within one year	**47,525**	61,950
In the second to fifth years, inclusive	**42,408**	39,450
	89,933	101,400

Included in the Group's commitments for future minimum lease payments are operating lease arrangements with related parties with an aggregate amount of approximately HK$9,713,000 (2017: HK$4,873,000).

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.

34. COMMITMENTS

In addition to the operating lease commitments disclosed in Note 33 above, the Group had the following capital commitments at the end of the reporting periods:

	2018	2017
	HK$'000	HK$'000
Contracted, but not provided for:		
Land lease prepayments in the PRC	—	4,009
Acquisition and construction of property, plant and equipment in the PRC	—	2,088
	—	6,097

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35. 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	**2018 HK$'000**	2017 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii), (vii)	**3,571**	3,581
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii), (vii)	**764**	931
— Honor Lamp Investments Limited	(i), (ii), (vi)	**797**	717
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii), (vii)	**419**	378
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii), (vii)	**850**	1,314
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii), (iii)	**1,011**	1,011
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(iv)	**908**	910
Rental income and building management fee:			
— Big Honor Asia Limited	(i), (ii)	**2,128**	2,115
Interest income:			
— Mass Energy Limited	(v)	**632**	601

Notes:

(i) Dr. Lam Kin Ming has control over this company.

(ii) Dr. Lam Kin Ming is one of the key management personnel members of this company.

(iii) Dr. Lam Kin Ngok, Peter, a younger brother of Dr. Lam Kin Ming and one of the key management personnel members of the Company, has control over this company.

(iv) Dr. Lam Kin Ngok, Peter is one of the key management personnel members of this company.

(v) Mass Energy Limited is an associate of the Group.

(vi) Ms. Lam Wai Shan, Vanessa, a daughter of Dr. Lam Kin Ming and one of the key management personnel members of the Company, has control over this company.

(vii) Ms. Lam Wai Shan, Vanessa is one of the key management personnel members of this company.

35. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

Amounts due from related parties

			Maximum amount outstanding during the year ended 31 July	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Related companies				
Lai Fung Holdings Limited *(Note)*	**11**	—	**11**	—
Guangzhou Beautifirm Cosmetic Ltd.	**77**	77	**77**	77
	88	77		

Note: Dr. Lam Kin Ming is one of the directors of Lai Fung Holdings Limited.

Amounts due to related parties

	2018	2017
	HK$'000	HK$'000
Related companies		
Big Honor Asia Limited	**15**	4
Lai Sun Development Company Limited	**240**	223
Guangzhou Besto Real Estate Development Company Limited ("**GZ Besto**")	**2,011**	25,374
	2,266	25,601

Except for the amounts due to GZ Besto of approximately HK$17,400,000 as at 31 July 2017 (2018: nil) which are unsecured, interest bearing at 5.35% per annum and repayable on demand, the remaining amount due to related companies are trade in nature, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	2018	2017
	HK$'000	HK$'000
Short-term employee benefits	**16,320**	16,743
Post-employment benefits	**72**	72
	16,392	16,815

Further details of Directors' remuneration are included in Note 12.

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36. 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$1,500 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 2018, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,233,000 (2017: HK$2,118,000).

37. CAPITAL RISK MANAGEMENT

The Group manages 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 consists of bank borrowings, margin loans payable and amounts due to related companies disclosed in Notes 26, 27 and 35 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 expects 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 periods was as follows:

	2018 **HK$'000**	2017 HK$'000
Debts *(i)*	**852,045**	599,076
Equity *(ii)*	**1,799,591**	1,638,915
Debt to equity ratio	**47.3%**	36.6%

Notes:

(i) Debt is defined as bank borrowings and margin loans payable as detailed in Notes 26 and 27.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

38. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2018 and 2017 are categorised as follows:

	2018	2017
	HK$'000	HK$'000
Financial assets		
FVTPL	**450,777**	153,982
Available-for-sale investment	**33,000**	—
Loans and receivables (including pledged bank deposits and bank balances and cash)	**167,704**	223,906
	651,481	377,888
Financial liabilities		
Designated at FVTPL	**15,000**	15,000
Amortised cost	**902,152**	656,298
	917,152	671,298

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables and deposits, amount due from an associate, pledged bank deposits, bank balances and cash, amounts due from related companies, trade and other payables and deposits received, other current liability, 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

Certain financial assets at FVTPL, pledged bank deposits, bank balances and cash and margin loans payable are denominated in USD, RMB, Japanese Yen ("**JPY**"), Great British Pound and Euro ("**EUR**") which are currencies other than the functional currencies of the relevant group entities. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting periods are as follows:

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**258,230**	145,682	**—**	6,327
RMB	**7,038**	6,950	**—**	—
JPY	**69,469**	9,733	**30,244**	—
EUR	**10,079**	397	**2,569**	—

The Group currently does not have a foreign currency hedging policy.

Sensitivity analysis

Since HK$ is pegged to USD under the Linked Exchange Rate System, the Group does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK$ and USD. The Group is mainly exposed to RMB and JPY.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit where respective functional currency weakened 5% (2017: 5%) against the relevant foreign currency. For a 5% (2017: 5%) strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

	Effect on profit or loss	
	2018	2017
	HK$'000	HK$'000
RMB	**294**	290
JPY	**1,638**	406
EUR	**314**	17

Notes to the Consolidated Financial Statements

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, margin loans payable, bank balances and pledged bank deposits. Details of bank balances and pledged bank deposits, bank borrowings and margin loans payable are disclosed in Notes 25, 26 and 27 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 companies, amount due from an associate and short-term time deposits carried at fixed rates expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR 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 (2017: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

If interest rates had been 100 (2017: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 July 2018 would decrease/increase by HK$7,055,000 (2017: HK$4,884,000).

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 real estate and energy sectors quoted in the Stock Exchange and resources sector quoted in Singapore Exchange Limited, the Stuttgart Stock Exchange, the Frankfurt Stock Exchange 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 2018 would increase/decrease by approximately HK$45,078,000 (2017: HK$15,389,000). This is mainly due to the change in fair value of held-for-trading investments.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. There are policies in place to ensure that goods are sold to customers with appropriate credit history and the Group performs credit evaluation of its customers. 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 certain amount. This evaluation focuses 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 has no significant concentration of credit risk as at 31 July 2018, as the exposure spread over a number of counterparties. As at 31 July 2018, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 67.8% (2017: 83.1%) of the total trade receivables.

Credit risk arising on debt securities and perpetual securities was mitigated by investing primarily in high credit rating instruments, any exception to which was approved by the management.

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims 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 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 can be required to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 periods.

31 July 2018

	On demand or 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$'000	Carrying amount 31 July 2018 HK$'000
Non-derivative instruments						
Bank borrowings	560,480	241,144	6,793	9,894	818,311	801,519
Margin loans payable	50,570	–	–	–	50,570	50,526
Trade and other payables and deposits received	47,841	–	–	–	47,841	47,841
Amounts due to related companies	2,266	–	–	–	2,266	2,266
	661,157	241,144	6,793	9,894	918,988	902,152
Derivative instrument						
Other current liability	15,000	–	–	–	15,000	15,000

31 July 2017

	On demand or 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$'000	Carrying amount 31 July 2017 HK$'000
Non-derivative instruments						
Bank borrowings	329,238	17,957	243,112	11,977	602,284	587,488
Margin loans payable	11,599	–	–	–	11,599	11,588
Trade and other payables and deposits received	40,485	–	–	–	40,485	40,485
Amounts due to related companies	26,532	–	–	–	26,532	25,601
	407,854	17,957	243,112	11,977	680,900	665,162
Derivative instrument						
Other current liability	15,000	–	–	–	15,000	15,000

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

38. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values

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

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting periods. The fair value of unlisted investments was based on the value quoted by the brokers at the end of the reporting periods (see Note 24 for details). The fair value of the Group's financial liability at FVTPL, being the other current liability, is disclosed in Note 28(b).

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

Fair value hierarchy as at 31 July 2018 and 2017

	31 July 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL	**118,656**	**332,121**	**—**	**450,777**
Available-for-sale investment	**—**	**—**	**33,000**	**33,000**
Financial liabilities at FVTPL	**—**	**—**	**15,000**	**15,000**

	31 July 2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL	111,742	42,240	—	153,982
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.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	1 August 2017 HK$'000	Financing cash flows HK$'000	Finance costs incurred HK$'000	Exchange difference HK$'000	31 July 2018 HK$'000
Bank borrowings (Note 26)	576,277	215,880	—	—	**792,157**
Trust receipt loans (Note 26)	11,211	(1,849)	—	—	**9,362**
Margin loans payable (Note 27)	11,588	38,938	—	—	**50,526**
Other current liability (Note 28(b))	15,000	—	—	—	**15,000**
Amount due to GZ Besto (Note 35(b))	25,374	(25,066)	850	853	**2,011**
	639,450	227,903	850	853	**869,056**

40. DISPOSAL OF A SUBSIDIARY

On 29 January 2018, the Group entered into a sale and purchase agreement with Zhongshan Hong Feng, for the disposal of its entire equity interest in ZSCGL for a cash consideration of approximately RMB28,543,000 (equivalent to HK$32,824,000). The transaction was completed in June 2018.

The assets and liabilities of ZSCGL at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over control was lost:	
Deposit for prepaid land lease payments	15,896
Bank balance and cash	1
Other payables	(160)
Net assets disposed of	15,737
Cumulative exchange differences on translation of foreign subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(2,959)
Gain on disposal of a subsidiary (Note 8)	19,525
Transaction cost	521
Total cash consideration	32,824
Net cash inflow arising on disposal of	
Cash consideration received	32,824
Cash and cash equivalents disposed of	(1)
	32,823

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2018 HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**8,467**	6,930
Investment in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries	(b)	**762,076**	770,955
Rental and utility deposits		**11,648**	8,845
		786,241	790,780
Current assets			
Inventories		**34,059**	37,381
Trade and other receivables, deposits and prepayments		**19,750**	34,035
Amounts due from subsidiaries	(b)	**8,236**	5,584
Amount due from a related company	(b)	**11**	—
Financial assets at fair value through profit or loss		**450,777**	153,982
Pledged bank deposits		**7,169**	14,199
Bank balances and cash		**36,165**	52,944
		556,167	298,125
Current liabilities			
Bank borrowings		**548,763**	321,401
Margin loans payable		**50,526**	11,588
Trade and other payables and deposits received		**28,096**	30,648
Other current liability		**15,000**	15,000
Amounts due to subsidiaries	(b)	**41,557**	42,408
Amount due to a related company	(b)	**240**	224
		684,182	421,269
Net current liabilities		**(128,015)**	(123,144)
Total assets less current liabilities		**658,226**	667,636
Non-current liabilities			
Bank borrowings		**231,960**	242,640
Provision for long service payments		**2,315**	2,293
		234,275	244,933
Net assets		**423,951**	422,703
Capital and reserves			
Share capital		**332,323**	332,323
Reserves	(a)	**91,628**	90,380
Total equity		**423,951**	422,703

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 29 October 2018 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 July 2018

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) *The reserves of the Company as at 31 July 2018 and 31 July 2017 are as follows:*

	Retained profits HK$'000	**Share option reserve** HK$'000	**Total** HK$'000
At 31 July 2016	99,393	—	99,393
Loss and total comprehensive expense for the year	(10,414)	—	(10,414)
Recognition of equity-settled share based payments	—	1,401	1,401
At 31 July 2017	88,979	1,401	90,380
Profit and total comprehensive income for the year	263	—	263
Recognition of equity-settled share based payments	—	985	985
At 31 July 2018	**89,242**	**2,386**	**91,628**

(b) *The amounts are unsecured, non-interest bearing and repayable on demand.*

Particulars of Investment Properties

At 31 July 2018

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 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%
Workshop Nos. 1, 2, 3, 5, 6, 7, 8, 9 and Store Room on 20th Floor, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the People's Republic of China ("**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%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 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, 17 December 2018 at 11:00 a.m. ("**2018 AGM**") for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2018 and the reports of the directors and the independent auditor thereon.

2. To declare a final dividend.

3. To re-elect a retiring director of the Company ("**Director**") and to authorise the board of Directors ("**Board**") to fix the Directors' remuneration.

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

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company ("**Ordinary Resolutions**"):

   (A) "**THAT**

   (a) subject to paragraph (b) 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 buy back shares of the Company ("**Shares**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange under the Code on Share Buy-backs issued by the SFC for this purpose, subject to and in accordance with all applicable laws in Hong Kong and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

   (b) the aggregate number of Shares to be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the total issued Shares as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

   (c) for the purposes of this Resolution, "Relevant Period" means the period from the date of passing this Resolution until whichever is the earliest of:

   (i) the conclusion of the next annual general meeting of the Company ("**AGM**"); 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 AGM is required by law or the Articles of Association of the Company ("**Articles of Association**") to be held."

Notice of Annual General Meeting

(B) "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional 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 powers 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 powers after the end of the Relevant Period;

(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 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 total issued Shares as at the date of passing 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 date of passing this Resolution until whichever is the earliest of:

(i) the conclusion of the next AGM; or

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

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

Notice of Annual General Meeting

"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 of the Company ("**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)."

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. (A) and (B) set out in agenda item 5 contained in the notice convening this meeting, the general mandate granted to the Directors and for the time being in force to exercise all the powers of the Company to allot, issue and deal with additional Shares, and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of such number of Shares which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such Shares, provided that such number of Shares shall not exceed 10% of the total issued Shares as at the date of passing this Resolution."

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

Hong Kong, 16 November 2018

Notes:

*(1) A form of proxy for use at the 2018 AGM or its adjournment (as the case may be) is enclosed with the Company's Annual Report for the year ended 31 July 2018 ("**Annual Report**") and is also available on the respective websites of the Company and the Stock Exchange. A Member entitled to attend and vote at the 2018 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 the 2018 AGM 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, duly signed and completed 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 Company's share registrar, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the 2018 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 2018 AGM or its adjourned meeting (as the case may be) should they so wish. In that event, the said form(s) of proxy shall be deemed to be revoked.*

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

(3) To ascertain the entitlements to attend and vote at the 2018 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 Tuesday, 11 December 2018 for registration.

(4) Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at the 2018 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, if more than one of such joint holders are present at the 2018 AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members in respect of such Shares shall alone be entitled to vote in respect thereof.

Notice of Annual General Meeting

(5) *The proposed final dividend of HK1 cent per Share as recommended by the Board is subject to the approval of the Members at the 2018 AGM. The record date for the proposed final dividend is at the close of business on Monday, 24 December 2018. For determining the entitlement of the proposed final dividend, the Register of Members will be closed from Friday, 21 December 2018 to Monday, 24 December 2018 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Registrar for registration no later than 4:30 p.m. on Thursday, 20 December 2018.*

(6) *Concerning agenda item 3 of the Notice,*

(i) *in accordance with Article 100 of the Articles of Association, Ms. Lam Wai Shan, Vanessa ("**Ms. Lam**") (an Executive Director) will retire from office as a Director by rotation at the 2018 AGM and, being eligible, offers herself for re-election; and*

(ii) *in accordance with Rule 13.74 of the Listing Rules, the requisite details of Ms. Lam are set out in the section headed "Biographical Details of Directors and Senior Management" of the Report of the Directors of the Annual Report and Appendix II to the circular of the Company dated 16 November 2018 which will be despatched to Members together with the Annual Report ("**Circular**").*

(7) *Concerning agenda item 4 of the Notice, SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**"), was appointed the independent auditor of the Company to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu, Certified Public Accountants, with effect from 25 June 2018 to hold office until the conclusion of the 2018 AGM. A resolution to re-appoint SHINEWING will be proposed at the 2018 AGM. The Board (which concurs with the Audit Committee of the Company) has recommended that, subject to the approval of the Members at the 2018 AGM, SHINEWING will be re-appointed independent auditor of the Company for the year ending 31 July 2019 ("**Year 2019**"). Members should note that in practice, independent auditor's remuneration for the Year 2019 cannot be fixed at the 2018 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 determine the amount of such independent auditor's remuneration charged as operating expenses for the Year 2019, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2019 is required, and is hereby sought, at the 2018 AGM.*

(8) *Details concerning the Ordinary Resolutions (A), (B) and (C) under agenda item 5 of the Notice are set out in the Circular.*

(9) *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll at the 2018 AGM.*

(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 9:00 a.m. on the date of the 2018 AGM, the 2018 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.crocodile.com.hk) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2018 AGM.*

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 9:00 a.m. on the date of the 2018 AGM and where conditions permit, the 2018 AGM will be held as scheduled. The 2018 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the 2018 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

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