CROCODILE

2018-2019

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)

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

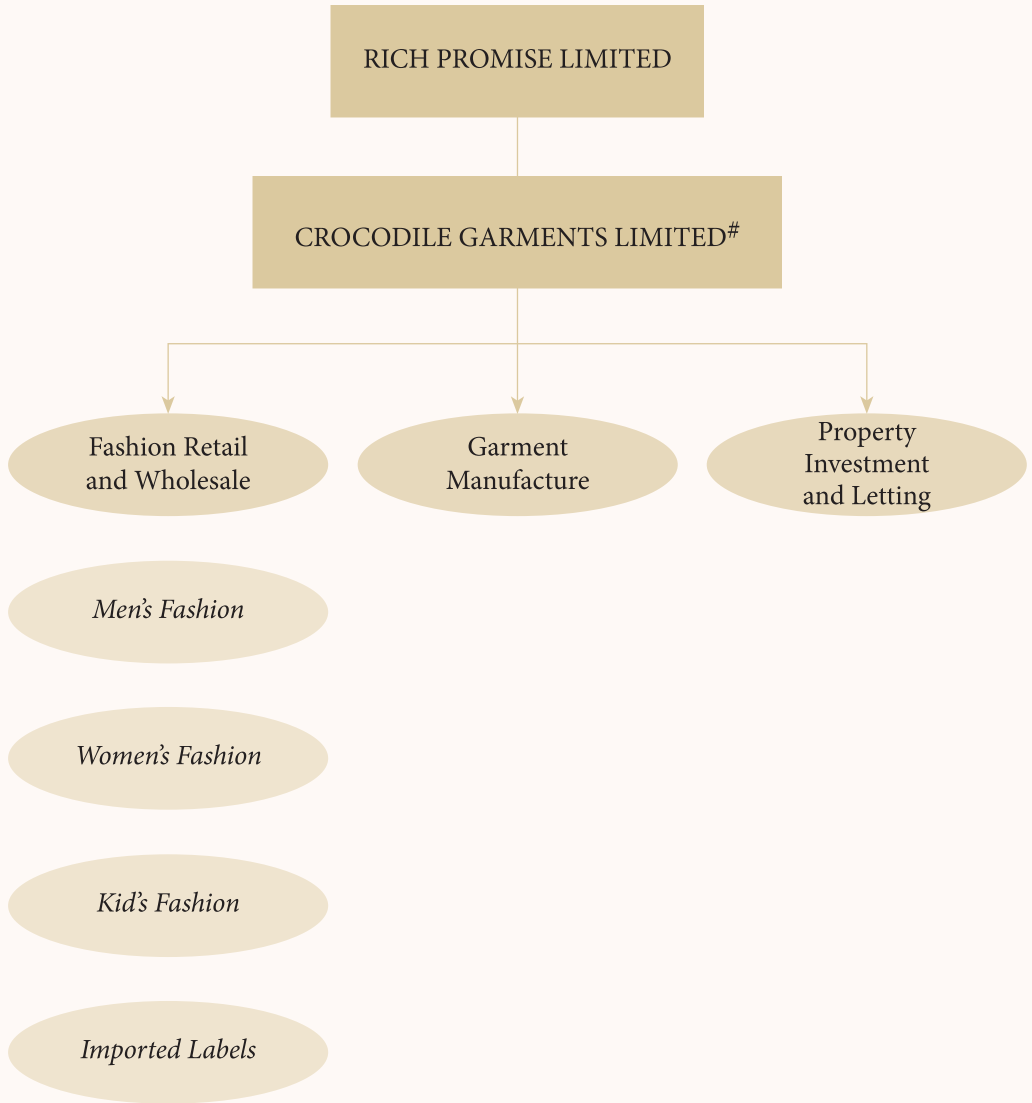
Tel: (852) 2785 3898 **Fax:** (852) 2786 0190
Website: www.crocodile.com.hk
E-mail: corpadmin@crocodile.com.hk

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

Brian Cheng, an artiste under Big Honor Entertainment Limited

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 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered PIE Auditor
SHINEWING (HK) CPA Limited
Certified Public Accountants

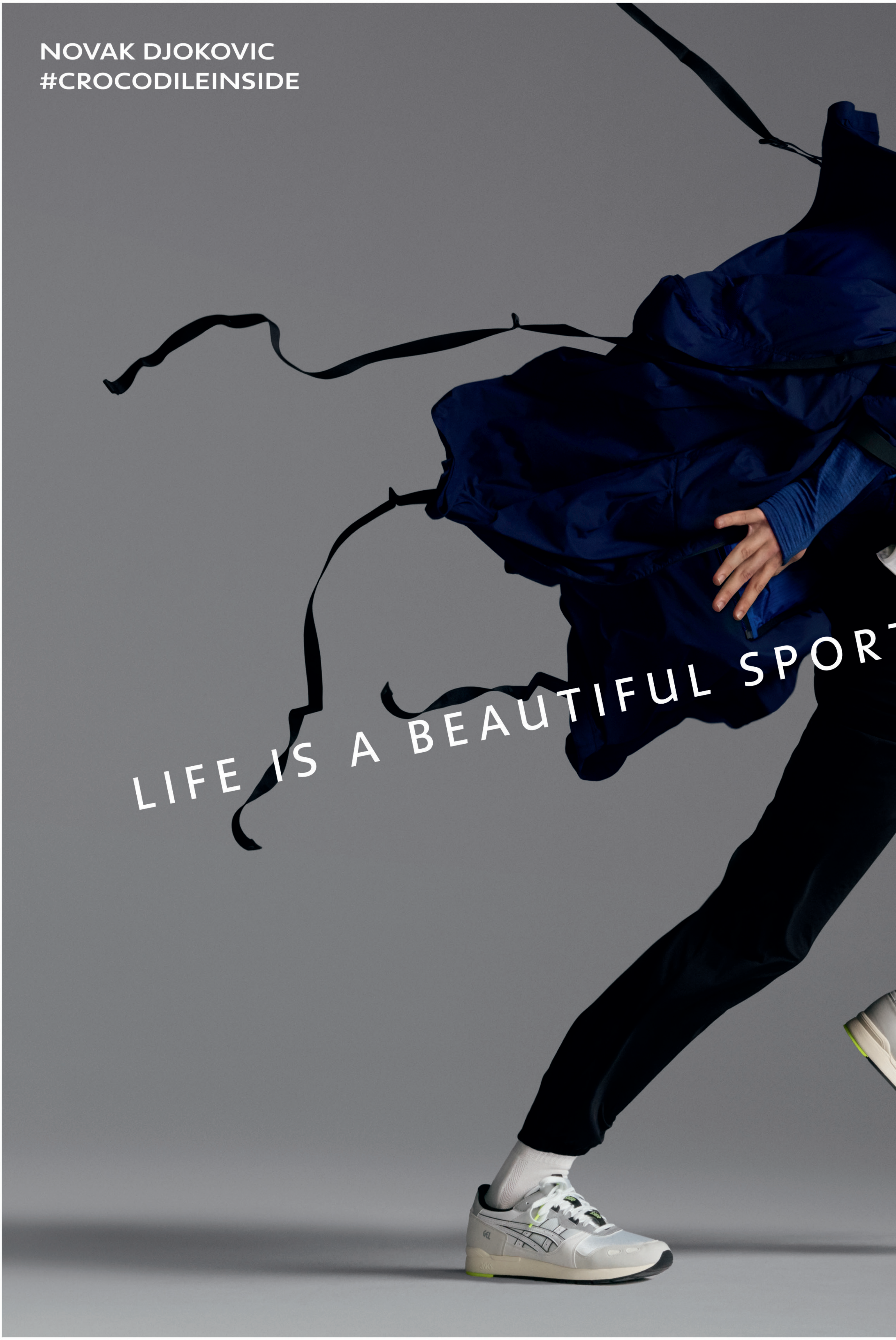
Solicitors
Deacons
Reed Smith Richards Butler
Vincent T.K. Cheung, Yap & Co.

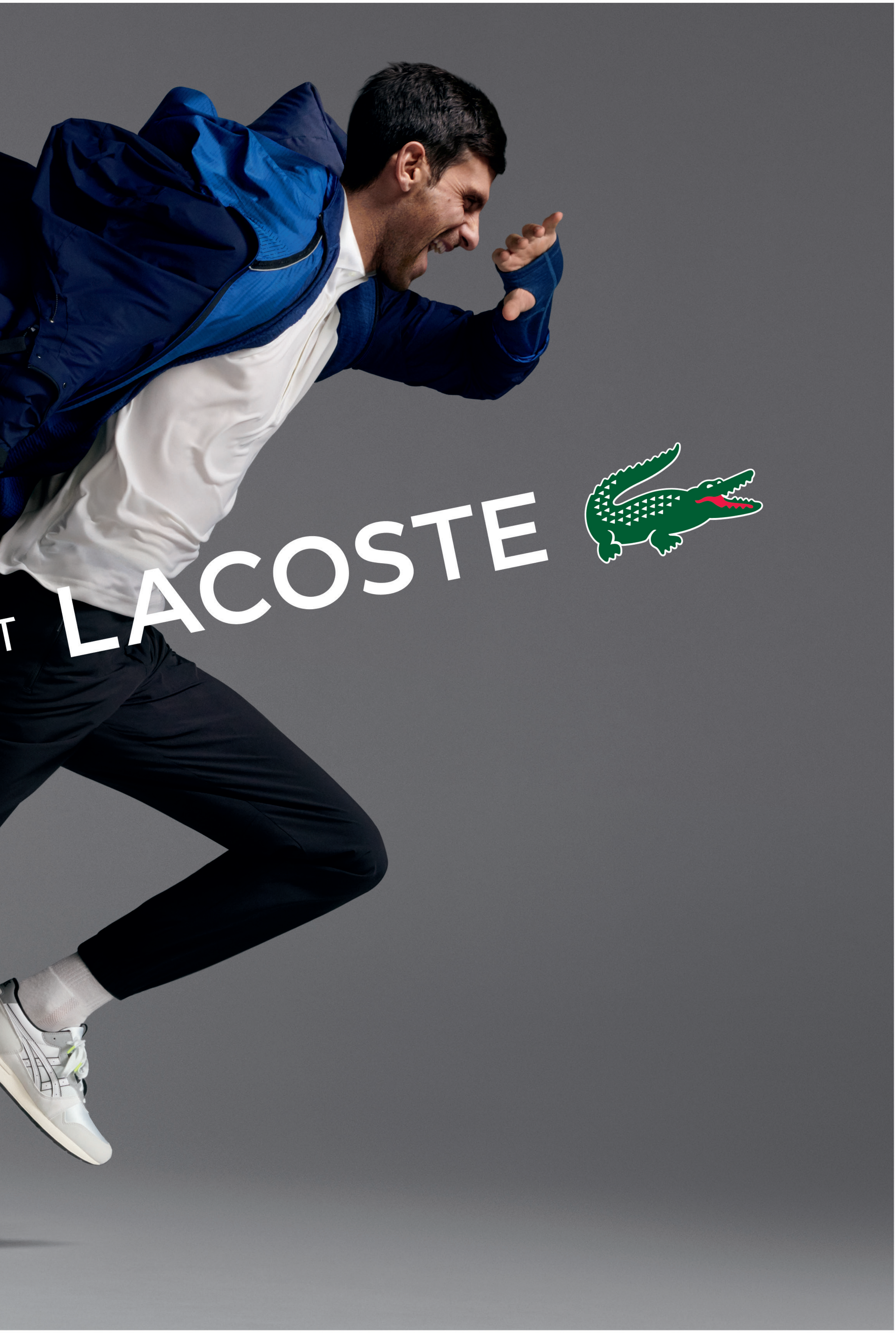
Principal Bankers
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

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


NOVAK DJOKOVIC
#CROCODILEINSIDE
LIFE IS A BEAUTIFUL SPORT



T LACOSTE

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 2019 slid to HK$235,348,000 (2018: HK$265,004,000), and the gross profit of the Group dropped by about 9%, to HK$163,334,000 (2018: HK$180,472,000).

Given Hong Kong as its principal place of operation, the "Garment and related accessories business" segment of the Group underwent a soggy path especially when the retail sector of Hong Kong deteriorated dramatically in gloomy markets in June and July 2019. The overall segment revenue, including the Mainland of China ("**Mainland**"), skid by 14% to HK$178,048,000 (2018: HK$207,814,000) with a loss of HK$24,486,000 (2018: HK$40,398,000). Albeit a decrease in revenue, the loss was mitigated by a net reversal of provision for doubtful debts on trade and other receivables, tightening cost controls and enhancement in operational efficiency.

The rental revenue generated by the "Property investment and letting business" segment was HK$57,300,000 for the year ended 31 July 2019 (2018: HK$57,190,000). The fair value gains on revaluation of the investment properties held by the Group were HK$57,414,000 as at 31 July 2019 (2018: HK$184,054,000), declined by 69%, as the robust uptrend of the property market in Hong Kong stalled.

In the first half of the financial year, the "Securities trading" segment suffered a loss of HK$4,059,000 under the volatile capital markets worldwide. Accredited to the Group's prompt reorganisation of the investment portfolios on hand and the unexpected shift of the monetary policy of the Federal Reserve of the United States ("**Federal Reserve**") thereafter, the performance of financial assets at fair value through profit and loss held by the Group greatly recovered since then. Finally, this segment recorded a profit of HK$5,857,000 for the year ended 31 July 2019 (2018: HK$5,446,000).

Chairman's Statement

FINANCIAL PERFORMANCE (continued)

Aggregating the results of the above three business segments with the share of profit of an associate of HK$3,528,000 (2018: HK$12,876,000) and the exchange differences arising on translation of foreign operations of loss of HK$1,958,000 (2018: gain of HK$157,000), the total comprehensive income attributable to the owners of the Company was HK$28,649,000 for the year ended 31 July 2019 (2018: HK$159,691,000).

FINAL DIVIDEND

The board of directors of the Company ("**Board**") has resolved not to recommend the payment of a final dividend for the year ended 31 July 2019 (2018: HK$0.01 per ordinary share of the Company).

No interim dividend was declared during the year (2018: Nil).

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

The spending ability and willingness of Hong Kong and overseas customers for the year ended 31 July 2019 dropped to nadir battered by various factors namely, the downturn of global economy, the devaluation of Renminbi, the absurd warm weather during the fall/winter season and the social chaos.

Under such a difficult and complex business environment of decades, the Group has persisted to realign the sales points by replacing under-performing shops with ones of reasonable rentals and footfall. As at 31 July 2019, the Group operated 21 (2018: 16) shops for "Crocodile" brand and 6 (2018: 6) shops for "Lacoste" brand. Moreover, the Group enhanced its merchandise mix with an aim of offering higher value-for-money apparels to our customers who have become more cautious at spending.

At the back-office aspect, the Group has streamlined the structure and workflow for saving administrative outlays.

The Mainland

The Mainland's economic growth experienced the biggest slowdown in decades. The uncertain economic outlook, the trade war with the United States, the years-long deleveraging of the financial system and the crackdown on shadow banking, all these suffocated the circulation of credit flows, undermining governmental stimulus measures that were designed to cushion the impact of slowing demand. As a result, the spending atmosphere has been becoming more lackluster. Consequentially, the Group's licensing business of the brand "Crocodile" in the Mainland was badly affected with royalty income of HK$740,000 for the year ended 31 July 2019 (2018: HK$908,000). On the other hand, the Group has deployed ample effort in chasing the recovery of royalty income from the licensees, and it led to a net reversal of provision for doubtful debts due from licensees of HK$13,620,000 for the year ended 31 July 2019 (2018: provision of HK$26,705,000).

The Group's years-long restructuring of its own sales channels effectively mollified the prevailing adversities. As at 31 July 2019, there were a total of 13 (2018: 16) shops in the Mainland, including self-operated shops of 5 (2018: 6) and those operated by the Group's consignees and franchisees of 8 (2018: 10). The revenue of this segment was HK$10,052,000 for the year ended 31 July 2019 (2018: HK$11,424,000).

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT (continued)

Seasonality

As its track record shows, the sales and results of the "Garment and related accessories business" segment bears heavy correlation 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 fall/winter collections of higher values and margins are rolled out, coupling with festive holidays — Christmas, New Year and Lunar New Year.

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

As disclosed in the Company's announcement dated 18 June 2019, an indirect wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase with an independent third party to dispose of an investment property ("**Disposed Property**") situated in Hong Kong ("**Disposal**"). As the Disposal was completed on 12 September 2019, after the current financial year end of 31 July 2019, any gain/loss on the Disposal would be realised thereafter. The rental income generated for the year ended 31 July 2019 by and the fair value gain on revaluation of the Disposed Property as at that date were included in the results for the year ended 31 July 2019.

The Group's investment property portfolio as at 31 July 2019, including the Disposed Property, had remained intact since the end of last financial year. The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the year ended 31 July 2019 of HK$56,018,000 (2018: HK$56,042,000) and HK$1,282,000 (2018: HK$1,148,000), respectively.

Under the decelerating global economy, especially the Mainland, and the enduring Hong Kong governmental cooling measures, the upside momentum of Hong Kong property market withered, and as at 31 July 2019, the fair value gains on revaluation of investment properties in Hong Kong were HK$57,150,000 (2018: HK$183,500,000) whereas in the Mainland were HK$264,000 (2018: HK$554,000).

"SECURITIES TRADING" SEGMENT

The global investment markets were in haphazard manners in the year ended 31 July 2019 compounded by the swinging trade relationship between China and the United States, the change in stance of the Federal Reserve on interest rates and balance sheet contraction, the deceleration of economic growths in the Mainland and Euro-zone and the dragging on of "Brexit".

After incurring a loss of HK$4,059,000 for the first half of the financial year ended 31 July 2019 amid such market fluctuations, the Group took remedial measures swiftly by diversifying the portfolios of financial assets at fair value through profit and loss and increasing the proportion of securities of more defensive nature. Buoyed by the Federal Reserve's looser monetary policy further, the Group's "Securities trading" segment turned around and at last made a profit of HK$5,857,000 for the year ended 31 July 2019 (2018: HK$5,446,000).

Chairman's Statement

PROSPECTS

A truce of trade war is apparently on the way after the recent meeting between the world's two largest economies which have been in a vicious circle of slapping tariffs retaliatorily on each other's exports. Nevertheless, the Mainland has gradually shifted towards a domestic consumption-driven growth model to boost economy in recent years, especially when the trade war with the United States has caused the country's exports to drop sharply and investor sentiment to weaken. However, poor income growth, an uncertain employment outlook as well as high and rising levels of existing debt are some key obstacles holding back the middle-class from spending.

Investors still fear that the trade war will prove protracted enough to shove the world into recession and spill over into currency arena following the designation of the Mainland as currency manipulator by the United States. Global markets remain on edge after the flurry of tit-for-tat moves between the Mainland and the United States, together with the bleak economy of the Euro-zone and lingering "Brexit".

The above adversities combined with the social unrest in Hong Kong pose enormous challenges for the Group's business segments, however crisis creates opportunities. Facing the severe headwind toward the "Garment and related accessories business" segment, the Group, being well prepared, will endeavor to burnish the prestige brand image of "Crocodile" with unvarying commitments to providing high value-for-money merchandises on upgraded display and premier customer services to our patrons. In addition, the Group pursues to revamp its sales network and logistic structure in a bid for boosting the operational efficiency. The Group will closely monitor the market conditions in Hong Kong and the Mainland and will continue to evaluate opportunities to further expand the footprint.

The "Property investment and letting business" segment is sluggish both in terms of the market value under falling worldwide economy, and rental income in fierce competition for tenants upon the increase in supply of office premises in Eastern Kowloon, Hong Kong. In response, the Group will promote its investment properties by highlighting their individual specific merits, to secure steady and promising rental incomes which at the same serve as a support for their market values.

Having experienced the elusiveness of the international capital market in the year ended 31 July 2019, the Group will preserve the vigilant strategy in managing the portfolio of financial assets at fair value through profit and loss to prevent the performance of the "Securities trading" segment from going awry, despite the major central banks in the world adopt easing monetary policies in the coming year.

CONTINGENT LIABILITIES

As at 31 July 2019, the Group had no material contingent liabilities.

Chairman's Statement

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

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to 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 2019.

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

Cash and cash equivalents held by the Group amounted to HK$105,570,000 as at 31 July 2019 (2018: HK$104,031,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$37,559,000 (2018: HK$7,169,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalents denominated in Renminbi as at 31 July 2019 were equivalent to HK$38,714,000 (2018: HK$35,666,000) 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 2019, the total outstanding borrowings including margin loans of the Group amounted to HK$619,618,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$9,354,000, secured bank mortgage loans of HK$18,097,000, secured margin loans of HK$23,206,000, secured long-term bank loan of HK$231,960,000 and secured short-term bank revolving loans of HK$337,001,000. 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$2,768,000 repayable within one year and long-term portion of HK$15,329,000 repayable in the second to ninth 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 2019.

As at 31 July 2019, the Group had mortgaged certain of its investment properties with carrying values of HK$1,866,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

Chairman's Statement

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

The Group's gearing revealed by the debt to equity ratio at 31 July 2019 was 34%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the uncertain worldwide economic landscape, the Group continues to be prudent for business development to rein its gearing within a suitable range for controlling its risk exposure and finance costs.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Having the Disposal been completed on 12 September 2019, the Group had no major investments, acquisitions or disposals in the year ended 31 July 2019.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 298 as at 31 July 2019 (2018: 274). 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.

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
28 October 2019

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 (collectively "**Group**") for the year ended 31 July 2019 ("**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 2019 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 30 to 46 and pages 47 to 55 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 2019 are set out in the Consolidated Financial Statements and their accompanying notes on pages 61 to 147.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2018: HK$0.01 per ordinary share of the Company). No interim dividend was paid or declared in respect of the Year (2018: 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**"), Mr. Wan Edward Yee Hwa (an Executive Director), Ms. Lam Suk Ying, Diana (a NED), Mr. Chow Bing Chiu and Mr. Yeung Sui Sang (both INEDs) (collectively, "**Retiring Directors**") will retire from office as Directors by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

Details of the Retiring Directors proposed for re-election at the forthcoming 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 15 November 2019.

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

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 INEDs to be independent.

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

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 82, 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**", the ultimate holding company of the Company). He holds an honorary doctoral degree from the International American University in the United States of America ("**USA**") and an Honorary Doctorate of Management of the Lincoln University in the USA. 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 48, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee. She holds a Bachelor of Arts Degree from Scripps College in California, USA and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 21 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 62, was appointed an Executive Director in October 1987. He 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 GEM of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts 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 Trade Development Council and a standing committee member of the 13th National Committee of the CPPCC. He is the chairman of Hong Kong Chamber of Films Limited, a life honorable president 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 vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of each of the Trade and Industry Advisory Board and the Lantau Development Advisory Committee, and a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority).

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 51, 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 Consumer Council, 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. He is also an Honorary Judge of Racing at the Hong Kong Jockey Club and 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 83, is an Executive Director and currently a member of both of the Executive Committee and the Remuneration Committee of the Company ("**Remuneration Committee**"). He 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.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 64, was appointed a NED in December 2006. Ms. Lam graduated from the Loyola University in California, USA 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, USA for two years and has been managing her personal investments continuously to date.

Ms. Lam 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).

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 68, 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 70, 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 81, 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.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this Report, the following Directors (together, "**Interested Directors**") are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules:

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.

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 Company's ordinary shares ("**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 2019 and the date of this Report, the Company has a total of 5,800,000 underlying Shares comprised in share options outstanding under the 2015 Scheme (representing approximately 0.61% of the total issued Shares as at those dates); and the Company might grant further options under the 2015 Scheme to subscribe for a maximum of 88,954,369 Shares (representing about 9.4% of the total issued Shares as at those dates (i.e. 947,543,695)).

Report of the Directors

SHARE OPTION SCHEMES (continued)

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 2018**	**Granted during the Year**	**Lapsed during the Year**	**As at 31 July 2019**	**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	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	2,000,000	—	—	2,000,000	27/03/2018 – 26/03/2021	0.842
Total		**5,800,000**	**—**	**—**	**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.*

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2019 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	Number of underlying Shares: Personal Interests *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Lam Kin Ming ("**Dr. KM Lam**")	Beneficial owner and owner of controlled corporation	19,003,000 *(Note 3)*	472,200,000 *(Note 4)*	1,800,000	493,003,000	52.03%
Lam Wai Shan, Vanessa ("**Ms. Lam**")	Beneficial owner	5,532,500 *(Note 5)*	Nil	4,000,000	9,532,500	1.01%
Wan Edward Yee Hwa	Beneficial Owner	610,000	Nil	Nil	610,000	0.06%

Notes:

1. *These interests in underlying Shares represent the interests in share options granted to the Directors under the 2015 Scheme. Details of which are shown in the section headed "Share Option Schemes" of this Report.*

2. *The total number of issued Shares as at 31 July 2019 (947,543,695 Shares) has been used in the calculation of the approximate percentage.*

3. *Dr. KM Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) had purchased an aggregate of 6,085,000 Shares during the Year.*

4. *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.*

5. *Ms. Lam (an Executive Director and the Deputy Chief Executive Officer of the Company) had disposed of 494,000 Shares during the Year.*

Report of the Directors

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 2019, none of the Directors and the chief executive of the Company and their respective close associates had or was deemed to have, any interest in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the Register of Directors and Chief Executive pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2019, 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	493,003,000 *(Note 2)*	52.03%
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 2019 (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 19,003,000 Shares and was granted share 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 2019, 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 2019, 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 29 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2019, 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$1,357,990,000.

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 2019 are set out in Note 25 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$22,000 (2018: HK$16,000).

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 29.1% and 9.8%, 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.

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2015 to 2019 is set out below:

	Year ended 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**235,348**	265,004	264,119	313,217	405,325
Profit for the year attributable to owners of the Company	**30,607**	162,493	88,118	455	51,145

	As at 31 July				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Total assets	**2,566,190**	2,769,161	2,377,674	2,293,167	2,261,596
Total liabilities	**747,425**	969,570	738,759	741,783	700,810
Total equity	**1,818,765**	1,799,591	1,638,915	1,551,384	1,560,786
	2,566,190	2,769,161	2,377,674	2,293,167	2,261,596

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 46 of this Annual Report.

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for share 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.

Report of the Directors

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Year have been audited by SHINEWING (HK) CPA Limited ("**SHINEWING**"), Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of SHINEWING as the independent auditor of the Company for the ensuing year will be put to the forthcoming AGM for Shareholder's approval.

On behalf of the Board

Lam Kin Ming
Chairman, Executive Director and Chief Executive Officer

Hong Kong
28 October 2019

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 2019 ("**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, 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 ("**Dr. KM Lam**") to assume the roles of both the Chairman and the Chief Executive Officer.

Under code provision A.4.1, 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 as a Director (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.

(1) CORPORATE GOVERNANCE PRACTICES (continued)

Under code provision A.5.1, 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. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its board meeting held on 28 January 2019 ("**Nomination Policy**") for improving transparency around the nomination process. 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.

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.1) Responsibilities and Delegation (continued)

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

(2.2) Composition of the Board

The Board currently comprises nine members, of whom five are 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 and senior management of the Company 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. KM Lam (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).

(2) BOARD OF DIRECTORS (continued)

(2.2) Composition of the Board (continued)

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.

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 also complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors 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 ("**Mr. Chow**") and Mr. Yeung Sui Sang ("**Mr. Yeung**") (both INEDs) will retire by rotation as Directors at the forthcoming AGM and, being eligible, offer themselves for re-election. Mr. Chow has served on the Board for 15 years since September 2004 and Mr. Yeung has served on the Board for 18 years since October 2001. Being long-serving Directors, both of them have developed an in-depth understanding of the Company's operations and business, and have expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long services of Mr. Chow and Mr. Yeung would impair their independent judgements. The Board is satisfied that each of Mr. Chow and Mr. Yeung will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of each of Mr. Chow and Mr. Yeung as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

(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.

Corporate Governance Report

(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.

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

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Dr. Lam Kin Ming *(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	✓	✓	✓	✓

Corporate Governance Report

(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.

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 of the Company, 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 review of the remuneration packages of and the payment of bonuses 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/her own remuneration at the meeting of/written resolutions of the Remuneration Committee.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee

On 31 March 2000, the Board established an Audit Committee which currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), 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. The Audit Committee is also responsible for performing the corporate governance functions and to oversight the Company's risk management and internal control systems.

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. 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 code provision C.3.2 of the CG Code which has come into effect on 1 January 2019, the terms of reference of the Audit Committee were revised by the Board on 28 January 2019 by extending the cooling-off period from one year to two years for appointing a former partner of the issuer's existing external auditor as a member of its audit committee. The revised 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.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(b) Work Performed by the Audit Committee

The Audit Committee held two meetings during the Year and has reviewed, among other things, the audited final results of the Company for the year ended 31 July 2018, the unaudited interim results of the Company for the six months ended 31 January 2019, the Company's internal control review report and 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 28 October 2019, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Company's independent auditor (i.e. SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**" or "**Independent Auditor**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report 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)*	4/4	—	—	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. The Chairman met all INEDs without the presence of the Executive Directors after the Board meeting held on 28 January 2019 in compliance with code provision A.2.7 of the CG Code.

(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. KM Lam 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 NED (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 Board adopted the Nomination Policy to set out the procedures and criteria for identifying and selecting potential candidates for the appointment of new Director(s) as well as for considering the renewal of director appointment. The Executive Directors will conduct the relevant selection process against the proposed candidate, make recommendations and furnish with the terms and conditions of the appointment for Board's consideration. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and experience in the industry(ies) which may be relevant to the businesses of the Company, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board with reference to the Board Diversity Policy (as defined below), and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc.

The Shareholders may also propose a person for election as a Director, details of which are set out in "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is available on the Company's website at www.crocodile.com.hk. 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 ("**Board Diversity 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 to implement the Board Diversity 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 Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

Corporate Governance Report

(9) BOARD DIVERSITY POLICY (continued)

In compliance with code provision A.5.2(a) of the CG Code, the Board had, at its Board meeting held in July 2019, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. 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. The current Directors have extensive experience and skills in, including but not limited to, garment and fashion industry, property development and investment, hospitality as well as media and entertainment businesses, laws, accounting and auditing services and corporate finance, etc.

(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.

(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 the Independent Auditor about its reporting and auditing responsibilities for the financial statements of the Group is set out in the section headed "*Independent Auditor's Report*" of this Annual Report.

(13) INDEPENDENT AUDITOR' S REMUNERATION

At the AGM held on 17 December 2018, SHINEWING was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by SHINEWING for the Year amounted to approximately HK$920,000 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.

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 the requirements of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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 financial reporting and investment properties 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. The Board considers that the Group's internal control system for the Year was effective and adequate.

Since March 2016, 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.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the Year, the Audit Committee supports 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.

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 28 October 2019 the Company's internal control review report and the assessment results contained in enterprise risk management report 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;

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.1) Shareholders' Communication Policy (continued)

(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.

(16.2) Details of the Last General Meeting

The last GM, being the AGM for 2018 ("**2018 AGM**"), was held at 11:00 a.m. on 17 December 2018 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2018 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 2018 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Ms. Lam Wai Shan, Vanessa as an Executive Director; (iii) the authorisation of the Board to fix the Directors' remuneration; (iv) the re-appointment of SHINEWING as the Independent Auditor for the Year and the authorisation of the Board to fix their 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 2018 AGM and the poll results announcement in respect of the 2018 AGM were published on the respective websites of the Company and the Stock Exchange on 16 November 2018 and 17 December 2018.

(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.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

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

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.

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) DIVIDEND POLICY

In compliance with code provision E.1.5 of the CG Code, the Board adopted a dividend policy ("**Dividend Policy**") on 28 January 2019 setting out the criteria and forms of dividend payout of the Company.

The Dividend Policy does not have any pre-determined dividend payout ratio. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account of factors such as (i) the Group's actual and expected underlying financial performance; (ii) the shareholders' interests; (iii) business condition and strategies; (iv) expected working capital requirements and future business growth plans; and (v) any other factors that the Board may consider appropriate.

There is no assurance that a dividend will be proposed or declared in any particular amount for any specific periods. Any declaration and payment of future dividends under the Dividend Policy will be subject to the Articles of Association and the Board's determination that the same would be in the best interests of the Group and the Shareholders as a whole. The Board will review the Dividend Policy from time to time and may adopt changes as appropriate at the relevant time to ensure the effectiveness of the Dividend Policy.

(19) 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.

Corporate Governance Report

(20) 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.

Key Dates

Shareholders and investors are advised to note the following key dates of the Company and take appropriate action:

	For Financial Year 2018/2019
Annual results announcement for the year ended 31 July 2019	28 October 2019
Latest time and date to lodge transfer documents with the Registrar for entitlement to attending and voting at the 2019 AGM	4:30 p.m. on 10 December 2019
2019 AGM	11:00 a.m. on 16 December 2019

	For Financial Year 2019/2020
Interim results announcement for the six months ending 31 January 2020	on or before 31 March 2020
Annual results announcement for the year ending 31 July 2020	on or before 31 October 2020
2020 AGM	December 2020

Environmental, Social and Governance Report

Having been a "caring company" for more than 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 2019 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.

<table>
<tr><th colspan="2">ESG Aspects</th><th>ESG Issues</th><th>Garment</th><th>Property</th></tr>
<tr><td colspan="2" rowspan="3">Environmental</td><td>Emissions</td><td>✓</td><td>✓</td></tr>
<tr><td>Use of resources</td><td>✓</td><td>✓</td></tr>
<tr><td>Environment and natural resources</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="11">Social</td><td rowspan="4">Employment and labour practices</td><td>Employment</td><td>✓</td><td>✓</td></tr>
<tr><td>Health and safety</td><td>✓</td><td>✓</td></tr>
<tr><td>Development and training</td><td>✓</td><td>✓</td></tr>
<tr><td>Labour standards</td><td>✓</td><td>✓</td></tr>
<tr><td rowspan="6">Operating practices</td><td>Supply chain management</td><td>✓</td><td></td></tr>
<tr><td>Product responsibility</td><td>✓</td><td>✓</td></tr>
<tr><td>Service responsibility</td><td>✓</td><td></td></tr>
<tr><td>Privacy protection</td><td>✓</td><td>✓</td></tr>
<tr><td>Intellectual property rights</td><td>✓</td><td></td></tr>
<tr><td>Anti-corruption</td><td>✓</td><td>✓</td></tr>
<tr><td>Community</td><td>Community investment</td><td>✓</td><td>✓</td></tr>
</table>

Environmental, Social and Governance Report

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 extensive use of environmental friendly clothing materials, so as to protect the environment and improve the air quality in the community.

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. fuel and electricity);

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

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

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

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

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

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

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

xii) documents are filed electronically whenever possible;

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

xiv) set the default mode of the printers and computers to black and white printing; and

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

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.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

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

1. Emissions

Air pollutant emission
The reduction of direct air pollutant emission is a priority issue for environmental protection and the Group is trying every effort to minimise the emission, consists of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**"). The air pollutants emitted by the Group were mainly generated from the use of Group's motor vehicles to deliver products to and from our stores and warehouses. The Group strives to realign the routes of transportation to maximise the cost effectiveness while keeping the emission of pollutant as low as feasible.

For the year ended 31 July 2019, air pollutant emission of NOx, SOx and PM were 151.02kg, 0.46kg and 7.17kg, respectively.

*Greenhouse gas ("**GHG**") emission*
The Group's GHG emissions produced in the business process mainly come from motor vehicles (Scope 1 — Direct GHG emissions); purchased electricity (Scope 2 — Energy indirect GHG emissions); and paper disposal at landfill, electricity use for fresh water and sewage processing by government departments (Scope 3 — Other indirect GHG emissions).

The table below sets forth the approximate volume of different scopes of GHG emission in carbon dioxide equivalent emissions ("**CO_2eq**"):

	Year ended 31 July	
GHG emission	**2019 Total approximate volume emitted (kg CO_2eq)**	2018 Total approximate volume emitted (kg CO_2eq)
Scope 1	**76,237**	75,761
Scope 2	**647,881**	785,218
Scope 3	**81,519** *(Note)*	36,993
Total GHG emission	**805,637**	897,972

Note: Notwithstanding the reduction in resources consumed, the subject scope of emission was increased for year ended 31 July 2019 due to a rise in emission factor.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

1. Emissions (continued)

*Greenhouse gas ("**GHG**") emission* (continued)
We were awarded the Wastewi$e Certificate for excellence level and recognised as a Hong Kong Green Organisation by the Environmental Campaign Committee for our effort in pursuing environmental initiatives and participation.

The Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air pollutant and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste during the year ended 31 July 2019.

2. Use of resources

Electricity
The major source of energy used by the Group was electricity. It was used in all areas of the Group's business operation, such as general lighting, powering of laptops, printers, Point-of-Sale systems and other electrical equipment in the office, stores and warehouse. The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, GHG emission.

Fuel
Petrol and diesel were used in the Group's several motor vehicles for goods and materials delivery and passenger transportation purposes. The usage of fuels was slightly increased and the Group is reshuffling the transportation timetables and routes to optimise the efficiency of its fleet of vehicles.

Water
Water was used in the pantries and toilets of the warehouse and office. The Group constantly reminds employees of the importance of saving water. 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 save this precious natural resource of the Earth.

Paper and packing material
There was largely reduced in the total weight of packing materials and paper used during the year ended 31 July 2019 as a burgeoning result of new packaging design. The Group also encourages our customers to bring their own bags instead of purchasing shopping bags.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

2. *Use of resources* (continued)

The following table summarised the amount of energy and resources used for the years ended 31 July 2019 and 2018:

		Year ended 31 July	
Energy and Resources	Units	**2019 Consumed**	2018 Consumed
Electricity	kWh	**1,129,503**	1,227,249
Fuel	Litre	**30,489**	28,967
Water	m^3	**15,677**	18,237
Paper and packing material	Kilogram	**15,599**	24,871

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.

The Group is also committed to complying with all applicable environmental laws and regulations. During the year ended 31 July 2019, the Group did not receive any related complaints nor had it breached any relevant environmental laws and regulations.

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 adopts a fair recruitment policy to offer open and equal opportunities, free of gender, race, family status and age discrimination, with a view to recruiting the best talents. 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. Such benefits include mandatory provident fund, employee insurance, staff discount on purchases, education subsidies and special leave.

The Group implements flexible working hours for employees to choose from that could best suit their work-life balance. Also, the Company limits the opening hours of the head office and warehouse so as to encourage employees to go home early.

Environmental, Social and Governance Report

SOCIAL (continued)

Employment and labour practices (continued)

1. Employment (continued)

In addition, the Group endeavours to promote equal opportunities and non-discrimination in the employment practices, it 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 2019. 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.

We believe that through these human resources practices, our employees could achieve a balanced work-family life which would enhance their job satisfaction and performance.

As at 31 July 2019, the total number of employees of the Group was 298 (2018: 274) with the following age combination:

	Year ended 31 July	
Age	**2019 Number of employees**	2018 Number of employees
Below 18	**3**	0
18 — 25	**59**	54
26 — 35	**78**	68
36 — 45	**79**	79
46 — 55	**49**	48
56 or above	**30**	25
Total employees	**298**	274

The annual staff turnover rate was 5% for the year ended 31 July 2019 (2018: 6%). There are no non-compliance cases in the employment laws and regulations during the reporting year.

2. Health and safety

The Group highly 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 4 cases of work related injury for the year ended 31 July 2019 (2018: 0) and consequentially, 101 working days were lost (2018: 0).

The Group is striving to raise employees' safety awareness by providing training programmes also guidelines are implemented to ensure the working environment is both healthy and safe in order to create a safe, effective and congenial work environment.

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 1,683 hours of training were conducted for the year ended 31 July 2019 (2018: 1,340 hours) with the total number of employees of 298 at 31 July 2019 (2018: 274).

4. Labour standards

The Group 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 2019.

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.

The Group is not aware of any non-compliance cases with relevant laws and regulations in Hong Kong during the year ended 31 July 2019.

3. Service responsibility

The Group cherishes customers' feedbacks for improving its services and it 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. We constantly provide training to our new staff, senior sales staff and supervisors to make them aware of the ever-changing customer needs and do our best to meet their expectations. The Group was awarded the Outstanding QTS Merchant Silver Award from the Quality Tourism Services Scheme, further recognising its excellent customer services.

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. The Group never sells, transfers or discloses any personal data to third parties unless with the consent from data owners. Sound security protection of the personal data is in place.

For the year ended 31 July 2019, 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 employees need to protect the Group's assets and uphold the privacy of confidential information of intellectual properties such as copyrights, trademarks, and patents. 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 2019.

SOCIAL (continued)

Operating practices (continued)

6. Anti-corruption

Doing business honestly and ethically is the Group's core value. It is the Group's paramount principle that all staff 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 previously, at the Group's invitation, the Independent Commission Against Corruption 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 2019, the Group was not aware of any corruption, frauds and money laundry within the operations.

Community

Community investment

In the year under review, the Group continued to be awarded "10 Years Plus Caring Company" Logo by the Hong Kong Council of Social Service for our commitment to caring employees, community and environment.

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 2019, donations and sponsorships had been provided to certain social and charitable organisations such as World Wide Fund for Nature Hong Kong, Yan Chai Hospital, Yan Chai Hospital Law's Foundation Child Care Centre cum Hostel, Hong Kong and Kowloon Chiu Chow Public Association Secondary School, Federation of Hong Kong Industries, Federation of All Sectors of Tsuen Wan Community Limited, Mong Kok District Cultural Recreational and Sport Association, Hong Kong Sports Press Association Limited and The Hong Kong Society For The Aged.

In addition to financial support for social and charitable activities, the Group has been encouraging its 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 Law's Foundation Child Care Centre cum Hostel for graduation ceremony, celebrating with the children with special educational needs for their graduation.

Independent Auditor's Report

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 61 to 147, which comprise the consolidated statement of financial position as at 31 July 2019, 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 2019, 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 21 to the consolidated financial statements and the accounting policies on page 81.

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$48,437,000, representing 11% of the Group's current assets as at 31 July 2019. 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 utilisation or release of previously recorded provisions and the net realisable value of inventories.

Valuation of investment properties

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 77 and 78.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2019, the carrying amount of investment properties and the investment properties under asset classified as held-for-sale were approximately HK$1,889,349,000 and HK$56,150,000 respectively with total fair value gain of approximately HK$57,414,000 recognised for the year ended 31 July 2019. 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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.

- 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.

Independent Auditor's Report

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
28 October 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Revenue	6	**235,348**	265,004
Cost of sales		**(72,014)**	(84,532)
Gross profit		**163,334**	180,472
Fair value gains on investment properties	17	**57,414**	184,054
Other income	6	**4,719**	5,329
Selling and distribution expenses		**(131,761)**	(145,512)
Administrative expenses		**(61,789)**	(64,318)
Other gains, net	8	**11,523**	3,674
Finance costs	9	**(17,052)**	(14,572)
Share of profit of an associate	20(b)	**3,528**	12,876
Profit before tax	11	**29,916**	162,003
Income tax credit	10	**691**	490
Profit for the year attributable to owners of the Company		**30,607**	162,493
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,958)**	157
Translation reserve released upon disposal of a subsidiary		**—**	(2,959)
Other comprehensive expense for the year		**(1,958)**	(2,802)
Total comprehensive income for the year attributable to owners of the Company		**28,649**	159,691
		HK cents	HK cents
Earnings per share			
— Basic	15	**3.23**	17.15
— Diluted	15	**3.23**	17.15

Consolidated Statement of Financial Position

As at 31 July 2019

	Notes	**2019 HK$'000**	2018 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	16	**114,482**	123,033
Prepayment for the acquisition of property, plant and equipment	22	**2,490**	—
Investment properties	17	**1,889,349**	1,888,489
Land lease prepayments	18	**11,600**	12,127
Available-for-sale investment	23(b)	—	33,000
Financial asset at fair value through profit or loss ("**FVTPL**")	23(b)	**32,013**	—
Amount due from an associate	20(a)	**8,878**	13,271
Interest in an associate	20(b)	**53,650**	50,622
Rental and utility deposits	22	**13,833**	11,679
		2,126,295	2,132,221
Current assets			
Inventories	21	**48,437**	39,660
Trade and other receivables, deposits and prepayments	22	**28,353**	35,215
Financial assets at FVTPL	23(a)	**163,826**	450,777
Amounts due from related companies	35(b)	—	88
Pledged bank deposits	24	**37,559**	7,169
Bank balances and cash	24	**105,570**	104,031
		383,745	636,940
Asset classified as held-for-sale	30	**56,150**	—
		439,895	636,940
Current liabilities			
Bank borrowings	25	**581,083**	551,471
Margin loans payable	26	**23,206**	50,526
Trade and other payables and deposits received	27	**72,472**	67,500
Other current liability	30	—	15,000
Amounts due to related companies	35(b)	**269**	2,266
Tax payable		**19,738**	20,087
		696,768	706,850
Liabilities associated with asset classified as held-for-sale	30	**20,615**	—
		717,383	706,850
Net current liabilities		**(277,488)**	(69,910)
Total assets less current liabilities		**1,848,807**	2,062,311

Consolidated Statement of Financial Position

As at 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Non-current liabilities			
Bank borrowings	25	**15,329**	250,048
Deposits received	27	**10,157**	7,355
Provision for long service payments		**2,266**	2,336
Deferred tax liabilities	28	**2,290**	2,981
		30,042	262,720
Net assets		**1,818,765**	1,799,591
Capital and reserves			
Share capital	29	**332,323**	332,323
Reserves		**1,486,442**	1,467,268
Total equity		**1,818,765**	1,799,591

The consolidated financial statements on pages 61 to 147 were approved and authorised for issue by the board of directors of the Company on 28 October 2019 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 2019

	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 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 and 1 August 2018	332,323	18,335	109,689	1,336,858	2,386	1,799,591
Profit for the year	—	—	—	30,607	—	30,607
Other comprehensive (expense) income:						
Exchange differences arising on translation of foreign operations	—	(1,958)	—	—	—	(1,958)
Total comprehensive (expense) income for the year	—	(1,958)	—	30,607	—	28,649
Dividend declared for the year *(Note 14)*	—	—	—	(9,475)	—	(9,475)
At 31 July 2019	**332,323**	**16,377**	**109,689**	**1,357,990**	**2,386**	**1,818,765**

Consolidated Statement of Cash Flows

For the year ended 31 July 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**29,916**	162,003
Adjustments for:		
Finance costs	**17,052**	14,572
Bank interest income	**(264)**	(223)
Interest income from an associate	**(607)**	(632)
Interest income on advances to independent third parties	**(840)**	(388)
Share of profit of an associate	**(3,528)**	(12,876)
Depreciation of property, plant and equipment	**12,021**	13,494
Amortisation of land lease prepayments	**321**	336
Impairment loss in respect of property, plant and equipment	**1,360**	1,032
Gain on disposal of property, plant and equipment	**—**	(14)
(Reversal of provision) Provision for doubtful debts for trade and other receivables	**(13,570)**	26,612
Provision (reversal of provision) for onerous contracts	**6,295**	(2,375)
Write-off of trade and other receivables	**159**	58
Provision (reversal of provision) for slow-moving inventories	**105**	(4,579)
Net gain on financial assets at FVTPL	**(4,870)**	(5,446)
Share-based payment expense	**—**	985
Gain on disposal of investment properties	**—**	(2,855)
Gain on disposal of a subsidiary	**—**	(19,525)
Fair value gain on investment properties	**(57,414)**	(184,054)
Operating cash flows before movements in working capital	**(13,864)**	(13,875)
(Increase) decrease in inventories	**(8,882)**	13,112
Decrease (increase) in financial assets at fair value through profit or loss	**292,808**	(291,349)
Increase in trade and other payables and deposits received	**1,479**	3,388
Decrease in trade and other receivables, deposits and prepayment	**18,119**	13,979
Increase in amounts due to related companies	**14**	27
Decrease (increase) in amount due from a related company	**88**	(11)
(Decrease) increase in provision for long service payments	**(70)**	21
Cash from operations	**289,692**	(274,708)
Interest paid	**(17,052)**	(13,722)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**272,640**	(288,430)

Consolidated Statement of Cash Flows

For the year ended 31 July 2019

	2019 **HK$'000**	2018 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	—	43,855
Deposit received from disposal of an investment property	**5,615**	—
Interest received	**1,104**	611
Proceeds from disposal of property, plant and equipment	—	22
Advances to independent third parties	—	(7,000)
(Placement) withdrawal of pledged bank deposits	**(30,390)**	7,030
Purchase of property, plant and equipment	**(5,977)**	(9,750)
Addition in prepayment of acquisition of property, plant and equipment	**(2,490)**	—
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	**500**	2,550
Repayments from an associate	**5,000**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(26,638)**	39,211
FINANCING ACTIVITIES		
New bank loans raised	**93,201**	289,721
Decrease in trust receipt loans	**(8)**	(1,849)
Repayments of bank loans	**(298,300)**	(73,841)
Repayments of margin loans	**(27,320)**	—
New margin loans raised	—	38,938
Repayments to related companies	**(2,008)**	(25,066)
Dividend paid	**(9,475)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(243,910)**	227,903
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,092**	(21,316)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**104,031**	125,908
Effect of foreign exchange rate changes	**(553)**	(561)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**105,570**	104,031

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

1. GENERAL

Crocodile Garments Limited (the "**Company**") is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**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$277,488,000 as at 31 July 2019.

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 2020 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (International Financial Reporting Interpretations Committee) ("**IFRIC**") — Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 August 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings where appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and related interpretations. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4 below.

The impact of transition to HKFRS 15 was insignificant on the Group's retained profits as at 1 August 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 August 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits as at 1 August 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 4 below.

Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 August 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

Investment in unlisted investment previously classified as available-for-sale investment carried at fair value:

The unlisted investment amounting to HK$33,000,000 was reclassified to financial assets at FVTPL upon the initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

*Loss allowance for expected credit losses ("**ECL**")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 August 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

It is concluded that, as at 1 August 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 Financial Instruments (continued)

*Loss allowance for expected credit losses ("**ECL**")* (continued)

The table below illustrates the reclassification of certain financial assets under HKFRS 9 from HKAS 39 at the date of initial application, 1 August 2018.

	Available-for-sale investment HK$'000	Financial assets at FVTPL HK$'000
Closing balance at 31 July 2018 — HKAS 39	33,000	450,777
Effect arising from initial application of HKFRS 9: Reclassification	(33,000)	33,000
Opening balance at 1 August 2018 under HKFRS 9	—	483,777

New and revised HKFRSs issued but not yet effective

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

New and revised HKFRSs issued but not yet effective (continued)

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.

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 Int(s) when it becomes effective.

As at 31 July 2019, the Group has non-cancellable operating lease commitments of HK$120,445,000, in which the details will be disclosed in Note 33 to the consolidated financial statements in the annual report, which are not reflected in the consolidated statement of financial position. Given that the total non-cancellable operating lease commitments account for 16% of the total liabilities of the Group as at 31 July 2019, the Directors expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. Upon application of HKFRS16, the Group will recognise a right-of-use asset and the corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases (continued)

The application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits as of 1 August 2019 and that comparatives will not be restated. The Directors determine the amounts of right-of-use assets of approximately HK$116,773,000 and lease liabilities of approximately HK$104,817,000 to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. Based on the preliminary assessment, the Directors expect HKFRS 16 will have material impact on the financial position as mentioned above with significant impact on the consolidated financial performance of the Group.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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 the applicable standard. 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

Policy applicable to the year ended 31 July 2019 (with application of HKFRS 15)

Revenue is recognised 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. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct or a series of distinct goods or services that are substantially same.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Policy applicable to the year ended 31 July 2019 (with application of HKFRS 15) (continued)

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Revenue from sale of garments is recognised at the point when the control of the goods is transferred to the customers.

Policy applicable to the year ended 31 July 2018

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

Revenue from the sale of goods is recognised when the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Policy applicable to the year ended 31 July 2019 (with application of HKFRS 15) (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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.

If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the general principles above.

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.

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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

Under HKFRS 9 (applicable on or after 1 August 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's financial assets are classified as financial assets at amortised cost and FVTPL.

<u>Financial assets at amortised cost (debt instruments)</u>

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Amortised cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (Note 6).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains, net' line item. Fair value is determined in the manner described in Note 23(b).

A financial asset is held for trading if:

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

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

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than one to two years past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two to three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial assets (continued)

Measurement and recognition of expected credit losses (continued)
If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets
The Group derecognises a financial asset 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 party. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

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

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

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policies set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKFRS 9 (applicable on or after 1 August 2018) (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination 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 HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'Other gains, net' line item in profit or loss.

Financial liabilities subsequently measured at amortised cost
Financial liabilities are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 August 2018)

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 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 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 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 August 2018) (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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 August 2018) (continued)

Financial assets (continued)

Impairment loss on financial assets (continued)
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 August 2018) (continued)

Financial liabilities and equity instruments (continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Under HKAS 39 (applicable before 1 August 2018) (continued)

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. 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 2019

5. CRITICAL ACCOUNTING JUDGEMENT AND 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.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is through sale, rather than to consume substantially all of the economic benefits embodied in the investment properties over time. In measuring the Group's deferred taxation on such investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale will not be rebutted.

Key sources of estimation uncertainty

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 2019, the fair values of investment properties were approximately HK$1,889,349,000 (2018: HK$1,888,489,000).

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 net 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 2019, the carrying amount of inventories of the Group was approximately HK$48,437,000 (2018: HK$39,660,000), net of allowance for inventories of approximately HK$17,893,000 (2018: HK$17,967,000).

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 2019, impairment loss recognised in respect of property, plant and equipment was approximately HK$1,360,000 (2018: HK$1,032,000). 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. At 31 July 2019, the net book value of property, plant and equipment of the Group was approximately HK$114,482,000 (2018: HK$123,033,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade and other receivables

Starting from 1 August 2018, the impairment provisions for trade and other receivables are based on ECL. The Group uses judgement in making assumptions and selecting the inputs to the ECL model, based on the ageing of trade and other receivables as well as the Group's historical loss rates and forward looking factors at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL on trade and other receivables is assessed collectively by using a provision matrix with appropriate groupings and/or an individual basis for debtors with significant balances. As at 31 July 2019, the carrying amounts of trade and other receivables of the Group were approximately HK$16,099,000, net of allowance for doubtful debts amounted to HK$49,584,000. During the year ended 31 July 2019, there was reversal of provision for doubtful debts amounted to HK$13,570,000.

The carrying amount of trade and other receivables as at 31 July 2018 was HK$23,596,000, net of allowance for doubtful debts amounted to HK$64,137,000. The Group assessed impairment loss based on HKAS 39. During the year ended 31 July 2018, there was provision for doubtful debts amounted to HK$26,612,000.

Before the adoption of HKFRS 9, the Group estimates allowance for doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade and other receivable balances, customers' credit-worthiness, and historical write-off experience. If the financial consideration of the customers were to deteriorate, actual write-offs would be higher than estimated.

Income tax

As at 31 July 2019, deferred tax asset in relation to unused tax losses of HK$438,044,000 (2018: HK$427,969,000) (see Note 28) 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 2019, provision for onerous contracts was approximately HK$14,920,000 (2018: HK$8,625,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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:

	2019 **HK$'000**	2018 HK$'000
Revenue from contracts with customer within the scope of HKFRS 15 for the year ended 31 July 2019		
Sale of goods#	**178,048**	207,814
Revenue from other sources		
Gross rental income	**57,300**	57,190
	235,348	265,004
Other income		
Royalty income	**740**	908
Bank interest income	**264**	223
Interest income on amount due from an associate	**607**	632
Interest income on advances to independent third parties *(Note 22(b))*	**840**	388
Others	**2,268**	3,178
	4,719	5,329
Gross rental income	**57,300**	57,190
Less: outgoings	**(715)**	(673)
	56,585	56,517

\# *The amounts for the year ended 31 July 2018 were recognised under HKAS 18.*

During the year ended 31 July 2019, sale of goods were recognised at a point in time in accordance with HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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

(a) 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		Securities trading		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Revenue from external customers	**178,048**	207,814	**57,300**	57,190	**–**	–	**235,348**	265,004
Other income from external customers *(Note)*	**2,700**	2,910	**915**	1,808	**–**	–	**3,615**	4,718
Group's total revenue and other income *(Note)*	**180,748**	210,724	**58,215**	58,998	**–**	–	**238,963**	269,722
Reportable segment (loss) profit	**(24,486)**	(40,398)	**110,838**	252,028	**5,857**	5,446	**92,209**	217,076
Unallocated corporate income							**1,104**	611
Unallocated corporate expenses							**(46,345)**	(41,112)
Finance costs							**(17,052)**	(14,572)
Profit before tax							**29,916**	162,003

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, interest income on advances to independent third parties, certain gain on financial assets at FVTPL, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

7. SEGMENT INFORMATION (continued)

(b) 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		Securities trading		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**208,553**	211,827	**2,011,669**	1,955,357	**163,826**	450,777	**2,384,048**	2,617,961
Unallocated corporate assets							**182,142**	151,200
Total consolidated assets							**2,566,190**	2,769,161
LIABILITIES								
Segment liabilities	**66,491**	59,490	**24,288**	19,967	**23,206**	50,526	**113,985**	129,983
Unallocated corporate liabilities							**633,440**	839,587
Total consolidated liabilities							**747,425**	969,570

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/certain financial assets at FVTPL, certain other receivables, 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 2019

7. SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**–**	–	**53,650**	50,622	**–**	–	**53,650**	50,622
Additions to non-current assets *(Note 1)*	**5,607**	9,697	**370**	53	**–**	–	**5,977**	9,750
Additions to prepayment for the acquisition of property, plant and equipment	**2,490**	–	**–**	–	**–**	–	**2,490**	–
Depreciation and amortisation	**11,970**	13,544	**372**	286	**–**	–	**12,342**	13,830
Provision (reversal of provision) for onerous contracts	**6,295**	(2,375)	**–**	–	**–**	–	**6,295**	(2,375)
(Reversal of) provision for doubtful debts	**(13,570)**	26,612	**–**	–	**–**	–	**(13,570)**	26,612
Provision (reversal of provision) for slow-moving inventories	**105**	(4,579)	**–**	–	**–**	–	**105**	(4,579)
Impairment loss recognised in respect of property, plant and equipment	**1,360**	1,032	**–**	–	**–**	–	**1,360**	1,032
Gain on disposal of property, plant and equipment	**–**	(14)	**–**	–	**–**	–	**–**	(14)
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	**159**	58	**–**	–	**–**	–	**159**	58
Fair value gains on investment properties	**–**	–	**(57,414)**	(184,054)	**–**	–	**(57,414)**	(184,054)
Net gain on financial assets at FVTPL *(Note 2)*	**–**	–	**–**	–	**(5,857)**	(5,446)	**(5,857)**	(5,446)
Share of profit of an associate	**–**	–	**(3,528)**	(12,876)	**–**	–	**(3,528)**	(12,876)
Interest income from an associate	**–**	–	**(607)**	(632)	**–**	–	**(607)**	(632)

Notes:

1. *Non-current assets exclude financial instruments.*

2. *The amount excludes loss from financial assets at FVTPL under non-current assets.*

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

7. SEGMENT INFORMATION (continued)

Disaggregation of revenue

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**224,015**	252,432	**1,972,603**	1,969,253
The PRC	**11,333**	12,572	**98,968**	105,018
	235,348	265,004	**2,071,571**	2,074,271

Note: Non-current assets exclude financial instruments.

(e) 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 (LOSS), NET

	2019	2018
	HK$'000	HK$'000
(Provision) reversal of provision for onerous contracts	**(6,295)**	2,375
Reversal of provision (provision) for doubtful debts on trade and other receivables	**13,570**	(26,612)
Write-off of trade and other receivables	**(159)**	(58)
Impairment loss recognised in respect of property, plant and equipment	**(1,360)**	(1,032)
Gain on disposal of property, plant and equipment	—	14
Net gain on financial assets at FVTPL	**4,870**	5,446
Gain on disposal of investment property *(Note)*	—	2,855
Gain on disposal of a subsidiary	—	19,525
Exchange gain, net	**210**	25
Others	**687**	1,136
	11,523	3,674

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

9. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on:		
Bank borrowings	**17,052**	13,722
Amount due to a related company	**—**	850
	17,052	14,572

10. INCOME TAX CREDIT

	2019	2018
	HK$'000	HK$'000
Current tax	**—**	—
Deferred tax *(Note 28)*	**(691)**	(490)
Income tax credit	**(691)**	(490)

No current tax has been provided for the years ended 31 July 2019 and 2018 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

10. INCOME TAX CREDIT (continued)

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:

For the year ended 31 July 2019

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before tax	**39,986**		**(10,070)**		**29,916**	
Tax at the domestic income tax rate	**6,598**	**16.5**	**(2,518)**	**25.0**	**4,080**	**13.6**
Tax effect of income not taxable for tax purpose	**(10,908)**	**(27.3)**	**(3,718)**	**36.9**	**(14,626)**	**(48.9)**
Tax effect of expenses not deductible for tax purposes	**2,120**	**5.3**	**392**	**(3.9)**	**2,512**	**8.4**
Tax effect of share of result of an associate	**(582)**	**(1.5)**	**—**	**—**	**(582)**	**(1.9)**
Tax effect of tax losses not recognised	**2,145**	**5.4**	**5,844**	**(58.0)**	**7,989**	**26.7**
Tax loss utilised during the year	**(1,327)**	**(3.3)**	**—**	**—**	**(1,327)**	**(4.4)**
Tax effect of deductible temporary differences not recognised	**1,263**	**3.2**	**—**	**—**	**1,263**	**4.2**
	(691)	**(1.7)**	**—**	**—**	**(691)**	**(2.3)**

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 deductible temporary differences not recognised	(222)	(0.1)	—	—	(222)	(0.1)
	(490)	(0.3)	—	—	(490)	(0.3)

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

11. PROFIT BEFORE TAX

	2019 HK$'000	2018 HK$'000
The Group's profit before tax has been arrived at after charging:		
Staff costs, including directors' remuneration *(Note 12)*:		
Wages and salaries	**61,307**	60,339
Retirement benefits schemes	**2,200**	2,233
Share-based payments	**—**	985
Others	**(7)**	130
	63,500	63,687
Cost of inventories recognised as an expense (including net provision for slow-moving inventories, of HK$105,000 (2018: reversal of provision for HK$4,579,000) *(Note)*	**71,299**	83,859
Depreciation of property, plant and equipment	**12,021**	13,494
Amortisation of land lease prepayments (included in administrative expenses)	**321**	336
Auditor's remuneration		
— Audit services	**930**	890
— Non-audit services	**68**	96
Operating lease payments in respect of rented land and buildings:		
— Minimum lease payments under operating leases	**50,919**	59,639
— Contingent rents	**4,015**	8,343
	54,934	67,982

Note: During the year ended 31 July 2018, an amount of approximately HK$4,579,000 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. There was no reversal in the year ended 31 July 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the nine (2018: nine) Directors including the chief executive officer are as follows:

	2019						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 (Note c)	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors (Note a)							
Lam Kin Ming	10	5,799	–	1,400	–	–	7,209
Lam Wai Shan, Vanessa	10	2,959	–	500	18	–	3,487
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	9,118	–	1,900	18	–	11,614

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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

	2018						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 (Note c)	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000	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

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.*

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 each of the years ended 31 July 2019 and 2018, (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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

13. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in Note 12. The remunerations of the remaining three (2018: three) highest paid employees are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**4,072**	3,768
Retirement benefits schemes	**54**	54
	4,126	3,822

Their remunerations are within the following bands:

	Number of employees	
	2019	2018
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 2019 and 2018, 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

	2019 **HK$'000**	2018 HK$'000
Final dividend of HK$0.01 per ordinary share paid in respect of the year ended 31 July 2018 (2018: no dividend paid in respect of the year ended 31 July 2017)	**9,475**	—

No dividend has been proposed by the Company since the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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:

	2019	2018
	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	**30,607**	162,493

	2019	2018
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	**—**	—
Number of ordinary shares for the purposes of diluted earnings per share	**947,543,695**	947,543,695

For the years ended 31 July 2019 and 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 those share options were higher than the average market price of Company's shares.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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 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
Additions	–	–	11	4,731	338	897	5,977
Disposal	–	–	–	(2)	–	–	(2)
Exchange realignment	–	(1,563)	(49)	(93)	(80)	(36)	(1,821)
At 31 July 2019	**42,900**	**95,424**	**3,362**	**91,530**	**16,451**	**10,331**	**259,998**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 August 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
Provided for the year	1,246	4,217	27	5,013	677	841	12,021
Impairment loss recognised in profit or loss	–	–	–	1,360	–	–	1,360
Eliminated on disposal	–	–	–	(2)	–	–	(2)
Exchange realignment	–	(425)	(47)	(93)	(80)	(29)	(674)
At 31 July 2019	**8,102**	**25,680**	**3,287**	**84,913**	**15,510**	**8,024**	**145,516**
CARRYING VALUES							
At 31 July 2019	**34,798**	**69,744**	**75**	**6,617**	**941**	**2,307**	**114,482**
At 31 July 2018	36,044	75,099	93	8,259	1,280	2,258	123,033

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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 2019 and 2018. The review led to the recognition of an impairment loss of HK$1,360,000 for the year ended 31 July 2019 (2018: HK$1,032,000), 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 discount rates in measuring the amounts of value in use were 3.5% in relation to furniture and fixtures and leasehold improvements.

The Group has pledged leasehold land and buildings with a carrying value of approximately HK$40,557,000 (2018: HK$42,010,000) to secure general banking facilities granted to the Group (Note 32).

17. INVESTMENT PROPERTIES

	2019 **HK$'000**	2018 HK$'000
FAIR VALUE		
At the beginning of the year	**1,888,489**	1,745,655
Disposal	—	(41,000)
Increase in fair value recognised in profit or loss	**57,414**	184,054
Transfer to asset classified as held-for-sale *(Note 30)*	**(56,150)**	—
Exchange realignment	**(404)**	(220)
At the end of the year	**1,889,349**	1,888,489

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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 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 ("**MEL**"), 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 2019 and 2018 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

17. INVESTMENT PROPERTIES (continued)

At 31 July 2019, certain investment properties, including the investment properties classified as held-for-sale (Note 30), of approximately HK$1,922,650,000 (2018: HK$1,865,500,000) of the Group were pledged to banks to secure the bank loans granted to the Group (Note 32).

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
	2019 HK$'000	2018 HK$'000				
Investment Properties						
Properties located in Hong Kong						
Retail	–	50,000	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	2018: 2.5%	The higher the reversionary yield, the lower the fair value.
				(ii) Reversionary rent	2018: HK$128 per square foot	The higher the market rent, the higher the fair value.
Office	**32,500**	32,500	Direct comparison approach	Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 97% to 113% (2018: ranging from 91% to 115%)	The higher the adjusting factor, the higher the fair value.
	1,750,000	1,700,000	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	3.0% (2018: 3.3%)	The higher the reversionary yield, the lower the fair value.
				(ii) Reversionary rent	HK$31 (2018: HK$32) per square foot	The higher the market rent, the higher the fair value.
Industrial	**84,000**	83,000	Direct comparison approach	Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 93% to 103% (2018: ranging from 93% to 112%)	The higher the adjusting factor, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

17. INVESTMENT PROPERTIES (continued)

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

Description	Fair value as at 31 July 2019 HK$'000	Fair value as at 31 July 2018 HK$'000	Valuation techniques	Unobservable inputs		Relationship of unobservable inputs to fair value
Properties located in the PRC						
Retail	**14,035**	14,134	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2018: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii) Reversionary rent	RMB273 (2018: RMB269) per square metre	The higher the market rent, the higher the fair value.
Office	**8,814**	8,855	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2018: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii) Reversionary rent	RMB76 (2018: RMB76) per square metre	The higher the market rent, the higher the fair value.
	1,889,349	1,888,489				
Investment property classified as held-for-sale						
Retail	**56,150**	–	Market approach	(i) Recent transaction price	HK$68,000 per square feet	The higher the market price, the higher the fair value.
Total	**1,945,499**	1,888,489				

18. LAND LEASE PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables, deposits and prepayments)	**316**	321
Non-current asset	**11,600**	12,127
	11,916	12,448

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries of the Company as 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
			2019	2018	
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited	Hong Kong	HK$1	**100**	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Crocodile Garments (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.*

Except for Crocodile (China) Limited and Pure Goal Limited which are directly held by the Company, all other principal subsidiaries are indirectly held.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

19. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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 Company 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

	2019 HK$'000	2018 HK$'000
Costs of investments in an associate	**—**	—
Share of post-acquisition profit and other comprehensive income, net of dividends received	**53,650**	50,622
	53,650	50,622

Details of the associate as at 31 July 2019 and 2018 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 MEL, however, the Group does not have joint control or control over MEL as LSG directs relevant activities of MEL through its control over the board of directors of MEL. The Directors consider that the Group exercises significant influence over MEL 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 MEL, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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.

	2019 HK$'000	2018 HK$'000
Current assets	**1,104**	9,950
Non-current assets — representing investment properties	**125,000**	119,000
Current liabilities	**(514)**	(266)
Non-current liabilities	**(18,289)**	(27,440)
Net assets	**107,301**	101,244
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**53,650**	50,622
Total revenue	**2,444**	2,298
Profit and total comprehensive income for the year	**7,057**	25,751
Group's share of profit of an associate for the year	**3,528**	12,876
Dividend shared by the Group and received from the associate during the year	**500**	2,550

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

21. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**185**	328
Finished goods	**48,252**	39,332
	48,437	39,660

The carrying amount of inventories of the Group was approximately HK$48,437,000 (2018: HK$39,660,000) net of allowance for inventories of approximately HK$17,893,000 (2018: HK$17,967,000).

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade receivables	**14,643**	13,415
Less: Allowance for doubtful debts	**(9,574)**	(9,684)
	5,069	3,731
Other receivables *(Notes (a) and (b))*	**51,040**	74,318
Less: Allowance for doubtful debts	**(40,010)**	(54,453)
	11,030	19,865
Deposits and prepayments *(Note (c))*	**28,577**	23,298
	44,676	46,894
Less: Rental and utility deposits shown under non-current assets	**(13,833)**	(11,679)
Less: Prepayment for acquisition of property, plant and equipment shown under non-current assets	**(2,490)**	—
	28,353	35,215

Notes:

(a) As at 31 July 2019, net royalty receivables of the Group of nil (2018: approximately HK$8,050,000), net of allowance for doubtful debt of approximately HK$40,007,000 (2018: HK$54,450,000) is 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 2019, the Group reversed provision for impairment of approximately HK$13,620,000 (2018: provision of HK$26,705,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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

(b) *As at 31 July 2019, included in other receivables of the Group was advance of HK$7,000,000 (2018: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2020 (2018: April 2019).*

(c) *As at 31 July 2019, land lease prepayments of the Group of approximately HK$316,000 (2018: HK$321,000) are included in the current portion of deposits and prepayments.*

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.

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:

	2019 **HK$'000**	2018 HK$'000
Trade receivables:		
0 to 90 days	**4,297**	3,379
91 to 180 days	**597**	81
181 to 365 days	**175**	271
	5,069	3,731

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:

	2019 **HK$'000**	2018 HK$'000
At the beginning of the year	**64,137**	38,467
(Reversal of) allowance provided, net	**(13,570)**	26,612
Exchange realignment	**(983)**	(942)
At the end of the year	**49,584**	64,137

As at 31 July 2018, 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. The impaired trade and other receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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

An aging analysis of trade receivables based on payment due date that is past due but not impaired as at 31 July 2018 is as follows:

	2018 HK$'000
Past due but not impaired	
Within 60 days	1,317
61 days to 150 days	81
Over 150 days	271
	1,669

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 debt 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.

Starting from 1 August 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

The Group's lifetime ECL for trade receivables based on the ageing of customers.

	Weighted average expected loss rate %	**Gross carrying amount** HK$'000	**Impairment loss allowance** HK$'000
Not credit-impaired:			
Within 60 days	*	4,297	—
61 days to 150 days	*	597	—
Over 150 days	*	175	—
		5,069	—
Credit-impaired:			
Default receivables	100%	9,574	9,574
		14,643	9,574

* *The weighted average expected loss rate is immaterial.*

The assessments on ECL of other receivables and deposits are set out in Note 38(b).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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

	2019 HK$'000	2018 HK$'000
Listed investments		
Equity securities listed in Hong Kong	**49,156**	2,468
Equity securities listed outside Hong Kong	**25,396**	22,144
Debt securities listed in Hong Kong	**7,213**	18,274
Debt securities listed outside Hong Kong	**12,695**	40,249
Perpetual securities listed in Hong Kong	**4,780**	12,789
Perpetual securities listed outside Hong Kong	**15,023**	22,732
	114,263	118,656
Unlisted investments		
Equity securities	**7,190**	12,859
Debt securities	**42,373**	319,262
	49,563	332,121
Total	**163,826**	450,777

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 2019, certain financial assets at FVTPL of approximately HK$133,823,000 (2018: HK$187,362,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$23,206,000 (2018: HK$50,526,000), details of which are set out in Note 26.

23(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENT

	31 July 2018 HK$'000
Available-for-sale investments comprise:	
Unlisted investment in Hong Kong, at fair value	33,000

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

23(b). FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENT (continued)

	2019 **HK$'000**	2018 HK$'000
Financial assets at FVTPL comprise:		
Unlisted investment in Hong Kong, at fair value	**32,013**	33,000

As at 31 July 2018, the above unlisted investment represents investment in preference shares issued by a private limited liability company established in the British Virgin Islands. The investee 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.

At 31 July 2018, the investment was stated at fair value. The investment was reclassified to financial assets at FVTPL upon adoption of HKFRS on 1 August 2018.

The valuation technique and significant unobservable inputs are disclosed in Note 38.

24. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2019 **HK$'000**	2018 HK$'000
Bank balances and cash	**105,570**	100,055
Short-term time deposits	**—**	3,976
	105,570	104,031
Pledged bank deposits	**37,559**	7,169

As at 31 July 2019 and 31 July 2018, 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$37,559,000 (2018: HK$7,169,000) have been pledged to secure margin loans payable and bank loan respectively 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

25. BANK BORROWINGS

	2019		2018	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Bank loans, secured	**587,058**	**0.88 - 3.81**	792,157	1.42 - 3.65
Trust receipt loans, secured	**9,354**	**3.37 - 4.28**	9,362	2.81 - 3.29
	596,412		801,519	

	2019	2018
	HK$'000	HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	**581,083**	551,471
Beyond one year, but not exceeding two years	**2,297**	234,737
Beyond two years, but not exceeding five years	**5,529**	5,948
Beyond five years	**7,503**	9,363
	596,412	801,519
Less: Amounts shown under current liabilities	**(581,083)**	(551,471)
Amounts shown under non-current liabilities	**15,329**	250,048

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 plus 1.00% to 1.75% (2018: 1.25% to 1.75%).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

26. MARGIN LOANS PAYABLE

For the year ended 31 July 2019, 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$133,823,000 (2018: HK$187,362,000) (Note 23(a)) and pledged bank deposits of approximately HK$37,559,000 (2018: HK$7,169,000) (Note 24).

	2019		2018	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Within one year	**23,206**	**0.82 - 3.17**	50,526	0.68 - 3.34

The Group's variable-rate margin loans payable are mainly subject to interest range between 0.82% to 3.17% (2018: 0.68% to 3.34%). The range of effective interest rates are equal to contractual interest rates.

27. 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 deposits received, other payables and accruals:

	2019 **HK$'000**	2018 HK$'000 (Restated)
Trade payables:		
0 to 90 days	**13,435**	8,413
91 to 180 days	**235**	187
181 to 365 days	**951**	527
Over 365 days	**903**	2,292
	15,524	11,419
Other deposits	**19,758**	20,081
Provision for onerous contracts	**14,920**	8,625
Payable for acquisition of unlisted equity investment	**1,342**	2,070
Other payables and accruals	**31,085**	32,660
	82,629	74,855
Less: Deposits received shown under non-current liabilities	**(10,157)**	(7,355)
	72,472	67,500

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

27. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED (continued)

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

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**8,625**	11,000
Provision (reversal of provision)	**6,295**	(2,375)
At the end of the year	**14,920**	8,625

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 2019, the provision for onerous contracts was approximately HK$14,920,000 (2018: HK$8,625,000).

28. DEFERRED TAX

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**12,022**	10,008
Deferred tax liabilities	**(14,312)**	(12,989)
	(2,290)	(2,981)

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

28. 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 HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
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)
Credit (charge) to profit or loss	2,014	(1,323)	691
At 31 July 2019	**12,022**	**(14,312)**	**(2,290)**

As at 31 July 2019, the Group has unutilised tax losses of approximately HK$510,904,000 (2018: HK$488,624,000). 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$58,891,000 (2018: HK$53,770,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$72,860,000 (2018: HK$60,655,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$438,044,000 (2018: HK$427,969,000) 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$19,612,000 (2018: deductible temporary difference of approximately HK$11,957,000). 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 (2018: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

29. SHARE CAPITAL

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2017, 31 July 2018 and 31 July 2019	**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.

30. OTHER CURRENT LIABILITY/ASSET CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD-FOR-SALE

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 (the "**Property**"). 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 in 2018 since there has been no material change in fair value of the relevant investment property. The carrying amount of the other current liability as at 31 July 2018 amounted to HK$15,000,000.

On 18 June 2019, the Group entered into a provisional agreement with an independent third party for the disposal of the Property at a cash consideration of HK$56,150,000, subject to certain adjustments on completion. HK$5,615,000 was received as a deposit of the sale. The transaction was subsequently completed on 13 September 2019.

Accordingly, as at 31 July 2019, the Property was classified as asset classified as held-for-sale, the loan and the deposit received were classified as liabilities associated with asset classified as held-for-sale. No fair value change is recognised in respect of the liability in 2019 since based on the preliminary calculation of the profit or loss from the disposal of the Property, no material gain or loss is to be shared to the Investor.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

30. OTHER CURRENT LIABILITY/ASSET CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD-FOR-SALE (continued)

	As at 31 July 2019 HK$'000
Asset	
Investment property	**56,150**
Total asset classified as held-for-sale	**56,150**
Liabilities	
Deposit received	**5,615**
Other current liability	**15,000**
Total liabilities associated with assets classified as held-for-sale	**20,615**
Net assets classified as held-for-sale	**35,535**

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 2019, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the 2015 Scheme was 5,800,000 (2018: 5,800,000), representing 0.61% (2018: 0.61%) of the shares of the Company in issue at that date). The total number of shares in respect of which share 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 share 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 share 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share 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. Share 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.

The following table discloses movements of the Company's share options, which are all held by Directors, during the years ended 31 July 2018 and 2019:

				Number of underlying shares comprised in share options			
Category of participants	Date of grant	Exercise price of options per share HK$	Exercise period	Outstanding at 1 August 2017	Granted during the year	Exercised during the year	Outstanding at 31 July 2018, 1 August 2018 and 31 July 2019
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							5,800,000
Weighted average exercise price (HK$)				0.9940	0.8420	–	0.9180

During the year ended 31 July 2019, there was no movement in the Company's share options. During the year ended 31 July 2018, the share options were granted on 27 March 2018 and vested immediately, with the estimated fair value of the share options granted amounted to HK$985,000.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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%

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 a share 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 a share option.

The Group recognised the total expenses of HK$985,000 (2019: nil) for the year ended 31 July 2018 in relation to share options granted by the Company.

32. PLEDGE OF ASSETS

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

	2019 **HK$'000**	2018 HK$'000
Leasehold land and building	**40,557**	42,010
Investment properties	**1,866,500**	1,865,500
Asset classified as held-for-sale	**56,150**	—
Financial assets at FVTPL	**133,823**	187,362
Pledged bank deposits	**37,559**	7,169
	2,134,589	2,102,041

33. OPERATING LEASE ARRANGEMENTS

As lessor

Gross property rental income earned during the year was approximately HK$57,300,000 (2018: HK$57,190,000). The Group leases out its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally require the tenants to pay security deposits. During the year, the investment properties generated rental yields of 2.9% (2018: 3.0%).

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**45,669**	46,468
In the second to fifth years, inclusive	**55,399**	23,843
	101,068	70,311

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 period, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**56,738**	47,525
In the second to fifth years, inclusive	**63,707**	42,408
	120,445	89,933

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$6,397,000 (2018: HK$9,713,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

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:

	2019 **HK$'000**	2018 HK$'000
Contracted, but not provided for:		
Expenditure on shops and office decorations in Hong Kong	**314**	—

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	**2019** **HK$'000**	2018 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vii)	**3,641**	3,571
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii), & (vii)	**975**	764
— Honor Lamp Investments Limited	(i), (ii), (vi) & (vii)	**811**	797
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (vi)	**432**	419
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (vi)	**—**	850
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii) & (iii)	**1,113**	1,011
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(iv)	**740**	908
Rental income and building management fee:			
— Big Honor Asia Limited	(i) & (ii)	**2,172**	2,128
Interest income:			
— Mass Energy Limited	(v)	**607**	632

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

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 which was disposed of on 26 February 2018. After the disposal, it ceased to be a related party.

(v) MEL 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.

(b) Outstanding balances with related parties

Amounts due from related parties

			Maximum amount outstanding during the year ended 31 July	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Related companies				
Lai Fung Holdings Limited *(Note)*	—	11	**11**	11
Guangzhou Beautifirm Cosmetic Ltd.	—	77	**77**	77
	—	88		

Note: Dr Lam Kin Ming and Mr. Lam Kin Hong, Matthew are the directors of Lai Fung Holdings Limited.

Amounts due to related parties

	2019 HK$'000	2018 HK$'000
Related companies		
Big Honor Asia Limited	**10**	15
Lai Sun Development Company Limited	**259**	240
Guangzhou Besto Real Estate Development Company Limited ("**GZ Besto**")	—	2,011
	269	2,266

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

35. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties (continued)

The amounts due to related companies are trade in nature, unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	2019 **HK$'000**	2018 HK$'000
Short-term employee benefits	**14,750**	16,320
Post-employment benefits	**72**	72
	14,822	16,392

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

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 2019, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,200,000 (2018: HK$2,233,000).

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 25, 26 and 35 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

37. CAPITAL RISK MANAGEMENT (continued)

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 period was as follows:

	Notes	**2019 HK$'000**	2018 HK$'000
Debts	(i)	**619,618**	852,045
Equity	(ii)	**1,818,765**	1,799,591
Debt to equity ratio		**34.1%**	47.3%

Notes:

(i) Debt is defined as bank borrowings and margin loans payable as detailed in Notes 25 and 26.

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

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 2019 and 2018 are categorised as follows:

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**195,839**	450,777
Available-for-sale investment	—	33,000
Financial assets at amortised cost/Loans and receivables (including pledged bank deposits and bank balances and cash)	**189,791**	167,704
	385,630	651,481
Financial liabilities		
Financial liabilities at FVTPL	**15,000**	15,000
Financial liabilities at amortised cost	**670,470**	902,152
	685,470	917,152

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale investment, trade and other receivables, 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:

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**124,902**	258,230	**17,465**	—
RMB	**665**	7,038	**—**	—
JPY	**39,735**	69,469	**9,422**	30,244
EUR	**2,552**	10,079	**—**	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% (2018: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2018: 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% (2018: 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% (2018: 5%) against the relevant foreign currency. For a 5% (2018: 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.

38. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk (continued)
Foreign currency risk (continued)

Sensitivity analysis (continued)

	Effect on profit or loss	
	2019	2018
	HK$'000	HK$'000
RMB	**33**	352
JPY	**1,516**	1,961
EUR	**128**	376

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 24, 25 and 26 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 (2018: 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 (2018: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 July 2019 would decrease/increase by HK$5,821,000 (2018: HK$8,449,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

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

Other price risk (continued)

Price sensitivity analysis

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

If the prices had been 10% higher/lower while holding all other variables constant, post-tax profit for the year ended 31 July 2019 would increase/decrease by approximately HK$19,584,000 (2018: HK$45,078,000). This is mainly due to the change in fair value of held-for-trading investments.

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 2019, as the exposure spread over a number of counterparties. As at 31 July 2019, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 64.0% (2018: 67.8%) 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.

As at 31 July 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 July 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

For non-trade related receivable, deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amounts due from associate to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

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

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management of the Group to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management of the Group using public available financial information and the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)
The Group's exposure to credit risk (continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 July 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	Performing	Lifetime ECL	5,069	—	5,069
	Default	Lifetime ECL	9,574	9,574	—
Other receivables	Performing	12-month	11,030	—	11,030
	Default	Lifetime ECL	40,010	40,010	—
Amount due from an associate	Performing	12-month	8,878	—	8,878
Pledged bank deposits	Performing	12-month	37,559	—	37,559
Deposits	Performing	12-month	24,175	—	24,175

In respect of cash and cash equivalents, the Group will place its cash at banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

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

Liquidity risk

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

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 2019

	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$'000	Carrying amount 31 July 2019 HK$'000
Non-derivative instruments						
Bank borrowings	588,834	2,643	6,285	7,856	605,618	596,412
Margin loans payable	23,217	–	–	–	23,217	23,206
Trade and other payables and deposits received	50,583	–	–	–	50,583	50,583
Amounts due to related companies	269	–	–	–	269	269
	662,903	2,643	6,285	7,856	679,687	670,470
Derivative instrument						
Liabilities associated with assets classified as held-for-sale	15,000	–	–	–	15,000	15,000

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

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

Liquidity risk (continued)

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

(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 period. The fair value of unlisted investments was based on the value quoted by the brokers and an independent valuer at the end of the reporting period (see Note 23 for details). The fair value of the Group's financial liability at FVTPL, being the other current liability, is disclosed in Note 30.

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

Fair value hierarchy as at 31 July 2019

	31 July 2019			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL	**114,263**	**49,563**	**32,013**	**195,839**
Other current liability included in liabilities associated with asset classified as held-for-sale	**—**	**—**	**15,000**	**15,000**

38. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

Fair value hierarchy as at 31 July 2018

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

The valuation techniques and inputs used in the fair value measurements of the financial instrument on a recurring basis are set out below:

Financial Instruments	Fair value hierarchy	Fair value as at 31 July 2019 HK$'000	Fair value as at 31 July 2018 HK$'000	Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted investment in preference shares	Level 3	32,013	33,000	Option pricing model backsolve valuation method for equity compensation	(i) Expected term of the instrument (ii) Anticipated volatility	The higher the expected term, the higher the fair value The higher the anticipated volatility, the higher the fair value

Reconciliation of Level 3 fair value measurements of financial asset on recurring basis:

	Unlisted investment in preference shares HK$'000
At 1 August 2017	—
Subscription of investment	33,000
At 31 July 2018 and 1 August 2018	33,000
Fair value losses recognised in profit or loss	(987)
At 31 July 2019	**32,013**

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

38. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

The above total gains or losses for the year ended 31 July 2019 recognised in profit or loss of HK$987,000 (2018: nil) are included in other gain and losses that is attributable to the change in unrealised gains or losses relating to financial assets held at the end of the reporting period.

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.

For the year ended 31 July 2019

	1 August 2018 HK$'000	**Financing cash flows HK$'000**	**Exchange difference HK$'000**	**31 July 2019 HK$'000**
Bank borrowings *(Note 25)*	**792,157**	**(205,099)**	**—**	**587,058**
Trust receipt loans *(Note 25)*	**9,362**	**(8)**	**—**	**9,354**
Margin loans payable *(Note 26)*	**50,526**	**(27,320)**	**—**	**23,206**
Other current liability/Liability associated with asset classified as held-for-sales *(Note 30)*	**15,000**	**—**	**—**	**15,000**
Amount due to GZ Besto *(Note 35 (b))*	**2,011**	**(2,008)**	**(3)**	**—**
	869,056	**(234,435)**	**(3)**	**634,618**

For the year ended 31 July 2018

	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 25)*	576,277	215,880	—	—	792,157
Trust receipt loans *(Note 25)*	11,211	(1,849)	—	—	9,362
Margin loans payable *(Note 26)*	11,588	38,938	—	—	50,526
Other current liability *(Note 30)*	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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

40. DISPOSAL OF SUBSIDIARIES

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	
Cash consideration received	32,824
Cash and cash equivalents disposed of	(1)
	32,823

41. COMPARATIVE FIGURES

As at 31 July 2018, the Group had deposits received from tenants of its investment properties of HK$7,355,000 that were related to leases that will not expire within twelve months from the end of the reporting period and such amount was included in trade and other payables and deposits received under current liabilities. Such amount was reclassified to non-current liabilities to conform with the current year's presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2019

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**6,854**	8,467
Prepayment for acquisition of property, plant and equipment		**2,490**	—
Investment in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries	(b)	**735,503**	762,076
Rental and utility deposits		**13,808**	11,648
		762,705	786,241
Current assets			
Inventories		**44,933**	34,059
Trade and other receivables, deposits and prepayments		**19,233**	19,750
Amounts due from subsidiaries	(b)	**465**	8,236
Amount due from a related company	(b)	—	11
Financial assets at fair value through profit or loss		**163,826**	450,777
Pledged bank deposits		**37,559**	7,169
Bank balances and cash		**43,667**	36,165
		309,683	556,167
Current liabilities			
Bank borrowings		**578,315**	548,763
Margin loans payable		**23,206**	50,526
Trade and other payables and deposits received		**39,286**	28,096
Other current liability		**15,000**	15,000
Amounts due to subsidiaries	(b)	**40,846**	41,557
Amount due to a related company	(b)	**258**	240
		696,911	684,182
Net current liabilities		**(387,228)**	(128,015)
Total assets less current liabilities		**375,477**	658,226
Non-current liabilities			
Bank borrowings		—	231,960
Provision for long service payments		**2,216**	2,315
		2,216	234,275
Net assets		**373,261**	423,951
Capital and reserves			
Share capital		**332,323**	332,323
Reserves	(a)	**40,938**	91,628
Total equity		**373,261**	423,951

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 28 October 2019 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 2019

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

Notes:

(a) *The reserves of the Company as at 31 July 2019 and 31 July 2018 are as follows:*

	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 August 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 and 1 August 2018	89,242	2,386	91,628
Loss and total comprehensive loss for the year	(41,215)	—	(41,215)
Dividend	(9,475)	—	(9,475)
At 31 July 2019	**38,552**	**2,386**	**40,938**

(b) *The amounts are unsecured, non-interest bearing and repayable on demand. The Directors do not expect repayments from subsidiaries within the next twelve months from the end of the reporting period.*

Particulars of Investment Properties

As at 31 July 2019

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%

* *As disclosed in the Company's announcement dated 18 June 2019, the disposal of this property was completed on 12 September 2019.*

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, 16 December 2019 at 11:00 a.m. ("**2019 AGM**") for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2019 and the reports of the directors and the independent auditor thereon.

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

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

4. 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 the ordinary 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 which is recognised by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange 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

Notice of Annual General Meeting

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

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

(C) "**THAT** subject to the passing of the Ordinary Resolutions Nos. (A) and (B) set out in agenda item 4 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, 15 November 2019

Notes:

*(1) A form of proxy for use at 2019 AGM or its adjournment (as the case may be) is enclosed with the Company's Annual Report for the year ended 31 July 2019 ("**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 2019 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 2019 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding 2019 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 2019 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 2019 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, 10 December 2019 for registration.

Notice of Annual General Meeting

(4) *Where there are joint registered holders of any Share, any one of such joint holders may attend and vote at 2019 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 2019 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 of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.*

(5) *Concerning agenda item 2 of the Notice,*

(i) *in accordance with Article 100 of the Articles of Association, Mr. Wan Edward Yee Hwa (an Executive Director), Ms. Lam Suk Ying, Diana (a Non-executive Director), Mr. Chow Bing Chiu and Mr. Yeung Sui Sang (both Independent Non-executive Directors) (collectively, "**Retiring Directors**") will retire from office as Directors by rotation at 2019 AGM and, being eligible, offers themselves for re-election; and*

(ii) *in accordance with Rule 13.74 of the Listing Rules, the requisite details of the Retiring Directors 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 date 15 November 2019 which will be despatched to Members together with the Annual Report ("**Circular**").*

(6) *Concerning agenda item 3 of the Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of the Members at 2019 AGM, SHINEWING will be re-appointed independent auditor of the Company for the year ending 31 July 2020 ("**Year 2020**"). Members should note that in practice, independent auditor's remuneration for the Year 2020 cannot be fixed at 2019 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 2020, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2020 is required, and is hereby sought, at 2019 AGM.*

(7) *Details concerning Ordinary Resolutions (A), (B) and (C) under agenda item 4 of the Notice are set out in the Circular.*

(8) *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 2019 AGM.*

(9) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time after 9:00 a.m. on the date of 2019 AGM, 2019 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 2019 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 2019 AGM and where conditions permit, 2019 AGM will be held as scheduled. 2019 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 2019 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

CROCODILE