CROCODILE
2011-2012

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

SINCE 1952

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CROCODILE

Stock Code | 股份代號 122

Contents

Crocodile Garments Limited
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Stock code on the Hong Kong Stock Exchange: ***122***

THE LEGEND OF CROCODILE

SINCE 1952

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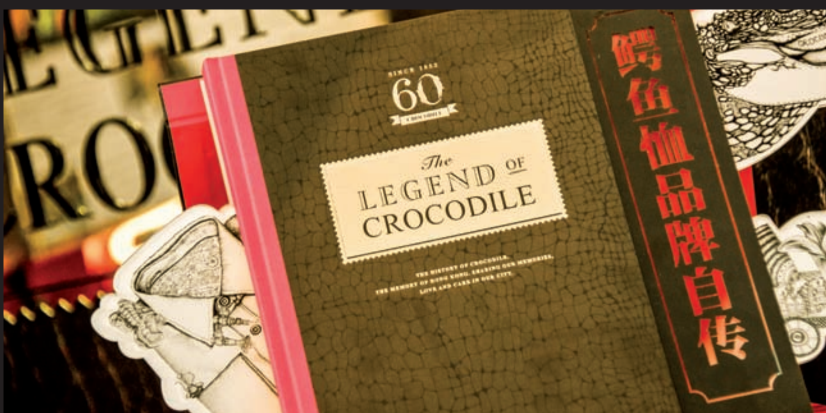
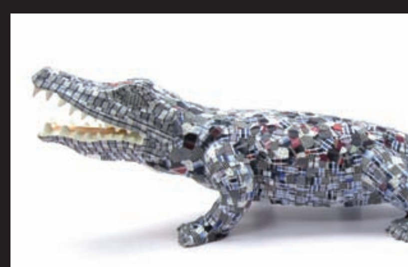
ANNIVERSARY





60年，我們一起撐的香港精神！

60 Years of Support to Hong Kong Spirit !

六十年，社會成就了鱷魚恤。為慶祝品牌週年誌慶特別以「六十年，我們一起撐的香港精神！」為主題，並舉行一連串的慶祝活動，帶動全城響應。為紀念這60年的點點滴滴，出版了一本精美的品牌自傳，重溫過去的故事之餘，也收藏了無數從未曝光的珍貴相片。

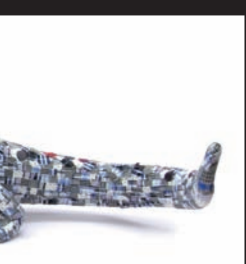
今年的慶祝活動包括「與香港一同成長」設計展，邀請城中設計師及名人設計了60條具香港特色的鱷魚模型，林建名博士更親自以多年的恤衫布造成其中一條模型，配合「恤衫專家」的美譽。此外，還有全港首個3D立體鱷魚潭畫作「金鱷本色」，分別在中港兩地展出。

60週年慶祝活動亦不忘「取諸社會，用諸社會」的精神，義賣慈善紀念郵票外，也冠名贊助明年1月舉行的「慈善星輝仁濟夜」，更拍賣以施華洛世奇水晶製作的鱷魚模型作慈善用途。

Crocodile's sixty years of success has been owed to the support of the community. To celebrate its anniversary, Crocodile has held a series of events with the theme of "60 Years of Support to Hong Kong Spirit!", which have been well-received by the public. To commemorate our six decades of history, we have compiled an exquisite brand book writing about our story and sharing our valuable photos which have never been published.

The celebration activities for the year include the "Growing Up with Hong Kong" design exhibition. Famous designers and celebrities in the city are invited to design 60 crocodile sculptures with Hong Kong characteristics. Renowned as "The Expert of Shirts", Dr. Lam Kin Ming made one of the crocodile sculptures with different pieces of fabric from the old shirts. We also exhibit a 3D painting of crocodile pond, the first of its kind in Hong Kong, titled "The Natural Qualities of a Golden Crocodile" in the Mainland and Hong Kong.

With our give-and-take philosophy in heart and as part of our 60th anniversary celebration activities, we have held a charity sale of commemorative stamps, contracted to act as the title sponsor of the Yan Chai annual charity show to be held in January next year and to raise fund from the auction of a crystal crocodile made with SWAROVSKI ELEMENTS for charity purposes.



Corporate Profile

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

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

SINCE 1952
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CROCODILE
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WWW.CROCODILE.COM.HK

Corporate Information

Place of Incorporation
Hong Kong

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

Non-executive Director
Lam Suk Ying, Diana

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

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

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

Company Secretary
Kwok Siu Man

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

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

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

Independent Auditor
SHINEWING (HK) CPA Limited
Certified Public Accountants

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

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

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

Stock Code
122

Board Lot
1,000 shares

Website
www.crocodile.com.hk


SMART CROCO
WWW.SMARTCROCO.COM

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

Crocodile, having been in the apparel business for 60 years, this prestigious brand name is the most valuable asset to the "Garment and Related Accessories Business" segment of the Group. To commemorate its 60th anniversary in 2012 and pursue the long-term strategy of enhancing the brand image and unique brand identity, the Group has been launching a series of effective and targeted marketing and promotional activities. Through the above marketing events, the Group also wishes to share with its customers the theme of 60th anniversary celebration — "Hong Kong Spirit". With the "Hong Kong Spirit", the Group managed to weather the difficult business environment, as further narrated below, for the "Garment and Related Accessories Business" segment in the year ended 31 July 2012. The revenue was HK$481,341,000 (2011: HK$492,444,000) which represented a moderate drop of 2%.

Giving the robust property market in Hong Kong, the "Property Investment and Letting Business" segment remained the major contributor for the overall performance of the Group for the year ended 31 July 2012. Besides the rental income of HK$24,299,000 (2011: HK$22,076,000), the fair value gains on investment properties were HK$77,127,000 (2011: HK$76,453,000).

Aggregating the performances of the two business segments above, the Group recorded a drop in revenue of 2% to HK$505,640,000 for the year ended 31 July 2012 (2011: HK$514,520,000). Gross profit decreased by 3% to HK$327,199,000 (2011: HK$337,264,000).

After taking into account the share of profit of an associated company of HK$2,327,000 (2011: HK$1,443,000) and the exchange differences arising from the translation of foreign operations of HK$1,359,000 (2011: HK$8,448,000), the total comprehensive income for the year ended 31 July 2012 attributable to the owners of the Company was HK$72,784,000 (2011: HK$93,627,000).

As thanks to the shareholders for their long-term support and trust for more than half a century, the Company issued bonus shares on 6 June 2012.

Chairman's Statement

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 July 2012 (2011: Nil).

OPERATIONS IN HONG KONG AND MACAU

The gloomy business atmosphere worldwide and the weakening economic growth in the Mainland China since the beginning of 2012 aggravated the consuming power of the tourists to the territories. On the other hand, the Group has been restructuring the sales network by repositioning certain shops of the "Garment and Related Accessories Business" segment to tackle the ever-raising rental expenses. As at 31 July 2012, the Group operated 25 shops for Crocodile line (2011: 26) and 8 shops for Lacoste line (2011: 8). The benefit derived from the new sales network needs time to be materialized. In addition, the unexpected late coming of the chilly weather also dragged down the sales of high-end fall/winter items. As a consequence, there was a decline in revenue by 2% in the year ended 31 July 2012.

As contrary to the tough retail business environment, the performance of the "Property Investment and Letting Business" segment was encouraging and provided a stable revenue stream to the Group. The rental revenue remained steady in the year under review and was HK$24,299,000 (2011: HK$22,076,000). In addition, the fair value gains on investment properties amounted to HK$77,127,000 as at 31 July 2012.

OPERATIONS IN THE MAINLAND OF CHINA ("MAINLAND")

Because of the globalization effect, the Mainland cannot be immune from the dim economic atmosphere worldwide. As evidenced by the current economic indexes, the economy in the Mainland is now under strong headwind. The economic growth has decelerated and it consequently has weakened the consumer demand. Coupled with the keen competition from both the renowned foreign and local brands, the business condition in the Mainland became particularly thorny. Responsively, the Group hastened its pace of consolidating the sales channels, and implemented conservative means on inventory management for franchisees, in order to avoid the risk of stock obsolescence. The Group also maximized its operating efficiencies by fortifying stringent controls over costs and outlays.

As at 31 July 2012, there were a total of 296 shops in the Mainland (2011: 282), including self-operated shops of 95 (2011: 86) and those operated by the Group's franchisees of 201 (2011: 196).

The royalty income from licensees for the year ended 31 July 2012 was HK$47,073,000 and was the major component of the other income. However, certain of the royalty agreements will expire in the forthcoming financial year and under the prevailing downside business conditions in the Mainland, the negotiation process is expected to be much harder. Nevertheless, the Group will endeavour to bargain for securing the royalty income to be its steady income stream.

Chairman's Statement

PROSPECTS

The European sovereign debt crisis is twisting and turning. Though the economy of the United States appears to have recovered, it is uncertain this upside trend will sustain after the Presidential Election, and the forthcoming Fiscal Cliff in the 4th quarter of 2012. Despite the governmental measures of stimulating the domestic consumption, the Mainland is still heavily dependent on the sectors of export and investment for its economic growth. As a result, the market sentiment of the Mainland is highly susceptible to the bleak economic conditions overseas. The Mainland Government has eased the liquidity to fuel the economic growth. However, whether the fund can substantially reach the entities of the real economy, it is yet to be proved. The case is even more complicated as the above nascent expansionary monetary policy might be halted to prevent any possible hyperinflation occurred in the Mainland as a consequence of the further Quantitative Easings successively adopted by the Eurozone, the United States and Japan recently.

The faltering consumer power in the Mainland has definitely hampered the apparel business of the Group there and also in Hong Kong, as reflected in the sluggish tourist spending. In view of the deteriorating operation environment of the apparel business, its major cash generating segment, the Group has been vigilant on the cash management in order to preserve liquidity for the prevailing challenges. Moreover, the Group will deploy more resources to the "Property Investment and Letting Business" segment and explore other investment opportunities for boarding the revenue base and diversifying the business risk.

Facing all the ramifications ahead, the Group will, in the unwavering "Hong Kong Spirit", strive in every aspect to deliver the best to its shareholders and customers, as in the past sixty years.

CONTINGENT LIABILITIES

As at 31 July 2012, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2012.

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

Chairman's Statement

Cash and cash equivalents held by the Group amounted to HK$49,651,000 as at 31 July 2012 (2011: HK$80,045,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$42,493,000 (2011: Nil) represent deposits pledged to banks to secure banking facilities and margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2012 amounted to HK$24,778,000 (2011: HK$56,070,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 July 2012, the total outstanding borrowings including margin loans of the Group amounted to HK$269,459,000. The total outstanding borrowings comprised unsecured short-term bank trust receipt loans of HK$721,000, secured long-term bank mortgage loan of HK$8,437,000, secured margin loans of HK$34,301,000 and secured long-term bank revolving loans of HK$226,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured long-term bank mortgage loan was repayable by instalments with its current portion of HK$928,000 repayable within one year and long-term portion of HK$7,509,000 repayable in the second to ninth years. Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2012.

As at 31 July 2012, the Group had mortgaged certain of its investment properties with carrying values of HK$868,000,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2012 was 25.2%, expressed as a percentage of margin loans payable and total bank borrowings to total net assets.

As at 31 July 2012, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,216,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,476,000 and acquisition of available-for-sale financial asset of HK$11,155,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Except for the acquisition of the property and the investment in the property project fund as disclosed in the announcements dated 12 and 29 March 2012, respectively, the Group had no significant investments, material acquisitions or disposals in the year ended 31 July 2012.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 843 as at 31 July 2012 (2011: 868). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies.

APPRECIATION

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

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
26 October 2012

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2012 ("**Year**").

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

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

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Company for the Year and the state of affairs of the Company and of the Group as at 31 July 2012 are set out in the financial statements and their accompanying notes on pages 41 to 110.

The board of Directors ("**Board**") does not recommend the payment of a final dividend for the Year (2011: Nil). No interim dividend was paid or declared in respect of the Year (2011: Nil).

SHARE CAPITAL

In early June 2012, the Company issued 311,914,565 shares of HK$0.25 each pursuant to a 1-for-2 bonus issue.

Details of the movements in the Company's share capital during the Year, together with the reasons therefor, are set out in Note 33 to the financial statements.

DIRECTORS

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

Executive Directors
Lam Kin Ming
(Chairman and Chief Executive Officer)
Lam Wai Shan, Vanessa
(Deputy Chief Executive Officer)
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Yee Hwa, Edward
Tong Ka Wing, Carl (resigned on 22 February 2012)

Report of the Directors

DIRECTORS (continued)

Non-executive Director
Lam Suk Ying, Diana

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

In accordance with Article 100 of the Articles of Association of the Company ("**Articles of Association**"), Ms. Lam Wai Shan, Vanessa (an executive Director and the Deputy Chief Executive Officer of the Company) will retire by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and being eligible, offers herself for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out below:

Executive Directors

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

Dr. Lam Kin Ming, Chairman and Chief Executive Officer, aged 75, was appointed an Executive Director in December 1993 and is a member of the Executive Committee of the Company. He is also the chairman and an executive director of Lai Sun Garment (International) Limited ("**LSG**"), a non-executive director of Lai Sun Development Company Limited ("**LSD**") and the deputy chairman and an executive director of Lai Fung Holdings Limited ("**LFH**"). The issued shares of LSG, LSD and LFH are listed and traded on the Main Board of the Stock Exchange. In addition, Dr. Lam is the sole director and sole shareholder of Rich Promise Limited (a substantial shareholder of the Company). He received an honorary doctoral degree from the International American University in the United States of America in 2009. Dr. Lam has been involved in the garment business since 1958.

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Ms. Lam Wai Shan, Vanessa will retire and has offered herself for re-election as Director at the forthcoming AGM.

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 41, was appointed an Executive Director in February 2006 and is a member of the Executive Committee of the Company. Ms. Lam does not hold any other directorships in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas. She holds a Bachelor of Arts degree from Scripps College in California, United States of America and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has about 15 years of experience in the fashion industry. Prior to joining the Group in March 1998 as Vice-President, she worked for two famous London-based design houses, namely Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work.

She is a daughter of Dr. Lam Kin Ming (Chairman, Chief Executive Officer and Executive Director of the Company) and a niece of Ms. Lam Suk Ying, Diana (Non-executive Director), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being Executive Directors). Apart from the aforesaid, Ms. Lam does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

The Company and Ms. Lam have entered into a service contract with no fixed term of service. However, in accordance with the provisions of the Articles of Association, Ms. Lam will be subject to retirement as Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. She presently receives a monthly salary and allowance of HK$220,239.50 and an annual director's fee of HK$10,000 and such other remuneration and discretionary bonus as may be determined by the Board from time to time with reference to the results of the Company, her performance, duties and responsibilities as well as the prevailing market conditions.

As at the date of this Report, she is interested or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("**SFO**"), in a total of 2,827,500 shares in the Company, representing approximately 0.30% of the issued share capital of the Company. Save as aforesaid, Ms. Lam does not have any interests or short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO.

For the purpose of her re-election as a Director at the forthcoming AGM in accordance with the Articles of Association, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company, and there is no information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Dr. Lam Kin Ngok, Peter, aged 55, was appointed an Executive Director in October 1987. Dr. Lam is the deputy chairman and an executive director of LSG, the chairman and an executive director of LSD, LFH and Media Asia Group Holdings Limited ("**MAGH**"), and an executive director of eSun Holdings Limited ("**eSun**"). The issued shares of LSG, LSD, LFH and eSun are listed and traded on the Main Board of the Stock Exchange and MAGH's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts.

Currently, Dr. Lam is a director of The Real Estate Developers Association of Hong Kong. He is also chairman of Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, honorary chairman of Hong Kong Motion Picture Industry Association Limited, vice chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. In addition, Dr. Lam is also a trustee of The Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**"), a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. He is a younger brother of Dr. Lam Kin Ming (Executive Director, Chairman and Chief Executive Officer of the Company) and Ms. Lam Suk Ying, Diana (Non-executive Director), an elder brother of Mr. Lam Kin Hong, Matthew (Executive Director), and an uncle of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Mr. Lam Kin Hong, Matthew, aged 44, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and an executive director and the executive deputy chairman of LFH. The issued shares of LSG and LFH are listed and traded on the Main Board of the Stock Exchange. He graduated from the University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent training as a solicitor with an international law firm, Reed Smith Richards Butler. Mr. Lam is a founding partner of a Hong Kong law firm, CWL Partners and he is a member of The Law Society of Hong Kong and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and the Mainland China. He is the chairman of the Yangtze River Delta Region of the Hong Kong Real Estate Association and he is a committee member of the CPPCC in Shanghai and a standing committee member of the CPPCC in Shantou, Guangdong Province.

Mr. Lam also serves as the honorary consul of the Republic of Estonia in Hong Kong, a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong and a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region.

Mr. Lam is the younger brother of Dr. Lam Kin Ming (Executive Director, Chairman and Chief Executive Officer of the Company), Ms. Lam Suk Ying, Diana (Non-executive Director) and Dr. Lam Kin Ngok, Peter (Executive Director), and an uncle of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Mr. Wan Yee Hwa, Edward, aged 76, is an Executive Director and a member of both of the Company's Executive Committee and Remuneration Committee. Mr. Wan first joined the Board as an independent non-executive director of the Company ("**Independent Non-executive Director**") in December 1993 and was re-designated as an Executive Director in February 2011. Mr. Wan was the chairman of the Audit Committee and the Remuneration Committee of the Company until 31 January 2011. He had also been an independent non-executive director of LSG (from March 2002 to January 2011) and LSD (from September 2008 to January 2011) before he was re-designated as a non-executive director of LSG and LSD in February 2011. The issued shares of LSG and LSD are listed and traded on the Main Board of the Stock Exchange. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 57, was appointed a Non-executive Director in December 2006. Ms. Lam graduated from the Loyola University in California, United States of America with a Bachelor of Business Administration degree. She also holds a Master's degree in Public Administration from the Pepperdine University in California. Ms. Lam had worked for Metropolitan Life Insurance Company in California for two years and has been managing her personal investments continuously to date. She is a younger sister of Dr. Lam Kin Ming (Executive Director, Chairman and Chief Executive Officer of the Company), an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both being Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Independent Non-executive Directors

Mr. Yeung Sui Sang, aged 74, was appointed an Independent Non-executive Director in October 2001 and is a member of the Audit Committee and the Remuneration Committee of the Company. Before serving the Lai Sun Group, he had worked in the Hong Kong civil service for over 30 years. Mr. Yeung first joined LSG in March 1988 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. The issued shares of LSG and eSun are listed and traded on the Main Board of the Stock Exchange. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various members of such group.

Mr. Chow Bing Chiu, aged 61, was appointed an Independent Non-executive Director in September 2004 and is a member of the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of LSG, the issued shares of which are listed and traded on the Main Board of the Stock Exchange. 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 63, was appointed an Independent Non-executive Director as well as the chairman of both the Audit Committee and the Remuneration Committee of the Company in February 2011. Mr. Leung is also an independent non-executive director of LSG, LSD and Mainland Headwear Holdings Limited ("**HHL**"). The issued shares of LSG, LSD and HHL 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 Hong Kong Institute of Certified Public Accountants. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

The director's fee of the Non-executive Director and each of the Independent Non-executive Directors named above has been increased from HK$60,000 to HK$96,000 per annum since 1 April 2012.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Ms. Lam Wai Shan, Vanessa is the only Director proposed for re-election at the forthcoming AGM and she does not have a service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 38 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 38 to the financial statements headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" of this Report below, at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Dr. Lam Kin Ming, Ms. Lam Wai Shan, Vanessa, Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Mr. Wan Yee Hwa, Edward and Mr. Tong Ka Wing, Carl (up to 22 February 2012 when he resigned as a Director) (together, "**Interested Directors**") held shareholding or other interests and/or directorships in companies/entities engaged in the businesses of garment manufacturing and/or sale of garments in Hong Kong, Macau and/or the Mainland, and/or property investment in Hong Kong and/or the Mainland.

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

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are included in Note 32 to the financial statements.

Report of the Directors

DIRECTORS' INTERESTS

The Directors and chief executive of the Company who held office on 31 July 2012 and their respective associates (as defined in the Listing Rules) had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company:

(1) The Company

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

Name of Directors	Capacity	Personal Interests	Corporate Interests	Total Interests	Approximate Percentage of Total Interests to Total Issued Shares
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	4,458,000	472,200,000 *(Note 1)*	476,658,000 *(Note 2)*	50.94%
Lam Wai Shan, Vanessa	Beneficial owner	2,827,500	Nil	2,827,500 *(Note 2)*	0.30%

Notes:

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

2. *A bonus issue of Shares on the basis of one bonus Share for every two Shares in issue held by Shareholders on 1 June 2012 was approved by Shareholders at the extraordinary general meeting of the Company held on 25 May 2012. Accordingly, 1,486,000 bonus Shares and 942,500 bonus Shares being the respective entitlements of Dr. Lam Kin Ming and Ms. Lam Wai Shan, Vanessa were allotted to them in June 2012, respectively.*

Report of the Directors

DIRECTORS' INTERESTS (continued)

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

Long positions in the ordinary shares of US$1.00 each

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

Save as disclosed above, as at 31 July 2012, none of the Directors or the chief executive of the Company was interested or was deemed to be interested in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register of Directors and Chief Executive.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2012, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or persons (one being a Director and the Chief Executive Officer of the Company) who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS (continued)

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate Percentage of Total Interests to Total Issued Shares
Rich Promise Limited ("**RPL**")	Beneficial owner	Corporate	472,200,000 *(Note 1)*	50.46%
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	Personal/ Corporate	476,658,000 *(Notes 1 and 2)*	50.94%

Notes:

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

2. *Dr. Lam Kin Ming was personally interested in 4,458,000 Shares.*

Save as disclosed above, the Directors are not aware of any other corporation or person who, as at 31 July 2012, 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.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

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

1. RMB69,882 from 1 January 2012 to 31 October 2013; and

2. RMB75,472 from 1 November 2013 to 30 September 2014.

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

The CCTs listed above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions had been entered into:

(a) in the ordinary and usual course of business of the Company and its subsidiaries;

(b) on normal commercial terms after arm's length negotiations between the parties; and

(c) on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

PUBLIC FLOAT

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

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the Year, the Company did not redeem any of its Shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such Shares.

BONUS SHARES ISSUED

With the approval of the Shareholders at the extraordinary general meeting of the Company held on 25 May 2012, a bonus issue of Shares ("**Bonus Issue**") was made on the basis of one bonus Share ("**Bonus Share**") for every two Shares in issue held by the Shareholders whose names appeared on the register of members of the Company on 1 June 2012 ("**Bonus Issue Record Date**"). As at the Bonus Issue Record Date, there were 623,829,130 Shares in issue and accordingly 311,914,565 Bonus Shares were issued in early June 2012. The Bonus Shares, which rank pari passu in all respects with the then issued Shares, were credited as fully paid by way of capitalisation of HK$77,978,641, being the aggregate nominal amount of such Bonus Shares, standing to the credit of the share premium account of the Company. Further information of the Bonus Issue is set out in a circular of the Company dated 26 April 2012 and the announcements of the Company dated 27 March and 26 April 2012, respectively.

ACCOUNTING POLICIES

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 July 2012 are set out in Note 19 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at 31 July 2012 are set out in Note 27 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 44 and Note 34 to the financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 July 2012, the Company had reserves available for distribution in accordance with the provision of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

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 39.8% and 22.6%, respectively of the Group's total purchases for the Year.

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

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$721,000 (2011: HK$7,642,000).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2008 to 2012 is set out below:

	Year ended 31 July				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**505,640**	514,520	457,608	432,080	450,007
Profit for the year attributable to owners of the Company	**71,425**	85,179	163,484	143,078	21,216

	As at 31 July				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,528,666**	1,208,444	1,075,692	910,636	761,111
Total liabilities	**460,954**	213,516	178,947	180,090	154,696
Total equity	**1,067,712**	994,928	896,745	730,546	606,415
	1,528,666	1,208,444	1,075,692	910,636	761,111

Report of the Directors

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 26 to 38 of this Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three members, namely Messrs. Leung Shu Yin, William, Yeung Sui Sang and Chow Bing Chiu, all being Independent Non-executive Directors. The Audit Committee has reviewed with the management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITOR

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

On Behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
26 October 2012

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**" and "**Listing Rules**", respectively) under Appendix 14 (the Code on Corporate Governance Practices ("**former CG Code**") which was amended as the Corporate Governance Code ("**CG Code**") with most of the amended provisions becoming effective on 1 April 2012).

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions respectively set out in (a) the former CG Code for the period from 1 August 2011 to 31 March 2012 and (b) the CG Code for the period from 1 April 2012 to 31 July 2012 save for the deviations from code provisions A.2.1 and A.4.1 of the former CG Code and the CG Code as well as A.5.1 and A.6.7 of the CG Code.

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

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

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

None of the existing Non-executive Directors ("**NEDs**") (including the independent non-executive Directors ("**INEDs**")) of the Company is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a NED) will hold office only until the next annual general meeting of the Company ("**AGM**") and will then be eligible for re-election. Further, in line with the relevant code provision of the former CG Code and the CG Code, each of the Directors appointed to fill a casual vacancy would/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 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

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

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by Ms. Lam Suk Ying, Diana (NED) and Mr. Yeung Sui Sang (INED), they were not present at the extraordinary general meeting ("**EGM**") of the Company held on 25 May 2012. The aforesaid Directors were not the chairmen of any Board committees.

(2) RECOMMENDED BEST PRACTICES

The Company and its subsidiaries ("**Group**") had implemented some of the recommended best practices contained in the former CG Code during the period from 1 August 2011 to 31 March 2012 for further enhancement of the Group's corporate governance standard as follows:

(a) the Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The insurance coverage is reviewed on an annual basis; and

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

The Company will use its reasonable efforts to identify and implement the best governance practices suitable to the Company's needs.

Corporate Governance Report

(3) BOARD OF DIRECTORS

(3.1) Responsibilities and delegation

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

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

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

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

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.

(3.2) Composition of the Board

The Board currently comprises nine members, of whom five are EDs, one is NED and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) (i.e. at least 3 INEDs) and Rule 3.10A (i.e. INEDs representing at least one-third of the Board by not later than 31 December 2012) of the Listing Rules. The Directors who served the Board during the year ended 31 July 2012 ("**Year**") and up to the date of this Report are named as follows:

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.2) Composition of the Board (continued)

Executive Directors
Lam Kin Ming
(Chairman and Chief Executive Officer)
Lam Wai Shan, Vanessa
(Deputy Chief Executive Officer)
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Yee Hwa, Edward
Tong Ka Wing, Carl (resigned on 22 February 2012)

Non-executive Director
Lam Suk Ying, Diana

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

The brief biographical particulars of the existing Directors are set out in the section headed "Biographical Details of Directors" of the Report of the Directors on pages 14 to 17.

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

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

(3.3) INEDs

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

(4) 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.

Corporate Governance Report

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organised by professional bodies, independent auditors and/or chambers 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; the company secretary of the Company ("**Company Secretary**") also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in discharging their duties. During the Year, the Company organised for the Directors and executives a workshop on the Listing Rules conducted by a leading international solicitor's firm, and arranged for the Directors to attend seminars organised by other organisations, professional bodies and chamber(s) in Hong Kong.

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 new requirement of the CG Code on continuous professional development during the period from 1 April to 31 July 2012:

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

Corporate Governance Report

(5) BOARD COMMITTEES

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

(5.1) Remuneration Committee

On 18 November 2005, the Board established a Remuneration Committee which currently comprises four members, including three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Yeung Sui Sang and Chow Bing Chiu and an ED, Mr. Wan Yee Hwa, Edward. Mr. Tong Ka Wing, Carl was a member until the effective date of his resignation as an ED and therefore his cessation as a member of the Remuneration Committee on 22 February 2012.

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

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

(b) *Work performed by the Remuneration Committee*
The Remuneration Committee held two meetings during the Year to discuss remuneration-related matters including fees for the INEDs and the NED. All members of the Remuneration Committee had also deliberated on matters relating to the payment of bonus for senior management by way of circular resolutions.

Corporate Governance Report

(5) BOARD COMMITTEES (continued)

(5.2) Audit Committee

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

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

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

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

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process.

(5) BOARD COMMITTEES (continued)

(5.2) Audit Committee (continued)

(b) *Work performed by the Audit Committee*

The Audit Committee held three meetings during the Year. It has reviewed the audited final results of the Company for the year ended 31 July 2011, the unaudited interim results of the Company for the six months ended 31 January 2012 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it has reviewed the arrangements for employees to raise concerns about improprieties in financial reporting, internal control or other matters, and the arrangements for the fair and independent investigation of these matters as well as the Group's audit plan covering the Year.

On 26 October 2012, 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 independent auditor of the Company ("**Independent Auditor**"). It also reviewed this Corporate Governance Report.

(6) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(7) NON-EXECUTIVE DIRECTORS

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

(8) NOMINATION OF DIRECTORS

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

Corporate Governance Report

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

Subsequent to the Year-end, Dr. Lam Kin Ming notified the Company that:

(i) in about late September 2012, due to his wrong impression of the commencement of the black out period ("**Black Out Period**", i.e. the period of 60 days immediately preceding the publication date of the Company's annual results) during which the Directors were not allowed to deal in the shares of the Company ("**Shares**") under the Securities Code, he had disposed of an aggregate of 1,000,000 Shares in the Black Out Period without having first notified in writing and received a dated written acknowledgement from the designated Director (who was out of town) in accordance with the Securities Code; and

(ii) he had notified the Stock Exchange in writing in early October 2012 of his inadvertent and unintentional non-compliance with the dealing and notification provisions of the Securities Code as mentioned above, and confirmed that he had not possessed or made use of any unpublished price-sensitive information of the Company and had no intention of not complying with the relevant provisions of the Model Code.

With a view to avoiding such recurrence, the Audit Committee and the Board have reminded him of his obligations under the Securities Code and the Model Code.

(10) INDEPENDENT AUDITOR'S REMUNERATION

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

(11) FINANCIAL REPORTING

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

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

Corporate Governance Report

(12) ATTENDANCE RECORD AT MEETINGS

The attendance record of each Director at the Board meetings, Audit Committee meetings, Remuneration Committee meetings and an EGM 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 Meetings	Extraordinary General Meeting *(Note 1)*
				01/04/2012 to 31/07/2012
Number of Meetings held	4	3	2	1
	Number of meetings attended/ Number of meetings held			
Executive Directors				
Dr. Lam Kin Ming	4/4	—	—	1/1
Ms. Lam Wai Shan, Vanessa	4/4	—	—	1/1
Dr. Lam Kin Ngok, Peter	2/4	—	—	0/1
Mr. Lam Kin Hong, Matthew	1/4	—	—	0/1
Mr. Wan Yee Hwa, Edward	4/4	—	2/2	1/1
Mr. Tong Ka Wing, Carl *(Note 2)*	1/2	—	—	—
Non-executive Director				
Ms. Lam Suk Ying, Diana	3/4	—	—	0/1
Independent Non-executive Directors				
Mr. Yeung Sui Sang	4/4	3/3	2/2	0/1
Mr. Chow Bing Chiu	4/4	3/3	2/2	1/1
Mr. Leung Shu Yin, William	4/4	3/3	2/2	1/1

Notes:

(1) INEDs and other NEDs are required to attend general meetings pursuant to code provision A.6.7 of the CG Code effective from 1 April 2012.

(2) Mr. Tong resigned as an ED and ceased to be a member of the Remuneration Committee on 22 February 2012.

Corporate Governance Report

(13) INTERNAL CONTROLS

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

During the Year, Annie Chiu & Co., Certified Public Accountants (Practising), has been engaged to assist the Board in evaluating (i) the various components of the internal control system of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring; and (ii) the revenue and purchase cycles of Crocodile Garments (Zhong Shan) Limited — Shaqi Operation Unit.

(14) COMMUNICATION WITH SHAREHOLDERS

(14.1) Shareholders' Communication Policy

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

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

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

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

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

(iv) AGMs and EGMs provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

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

Corporate Governance Report

(14) COMMUNICATION WITH SHAREHOLDERS (continued)

(14.2) Details of the last general meeting

The last general meeting of the Company was an EGM held at 11:00 a.m. on 25 May 2012 at Holiday Inn Golden Mile Hong Kong, Tsimshatsui, Kowloon, Hong Kong ("**2012 EGM**"). At the 2012 EGM, Shareholders representing approximately 91.53% of the total votes cast approved the proposed 1-for-2 bonus issue of Shares and authorised the Directors to do all acts and things as may be necessary and expedient in connection therewith. Further details of the 2012 EGM contained in the Company's circular dated 26 April 2012 and the announcement dated 25 May 2012 regarding the poll results of the 2012 EGM were published on both the websites of the Company and the Stock Exchange.

(15) SHAREHOLDERS' RIGHTS

(15.1) Procedures for Shareholders to convene an EGM

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

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

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

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

Corporate Governance Report

(15) SHAREHOLDERS' RIGHTS (continued)

(15.2) Procedures for putting forward proposals at a general meeting

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

The requisition signed by all the Requisitionists may consist of several documents in like form, each signed by one or more of the Requisitionists; and it must be deposited at the Registered Office stated in paragraph (15.1) above with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if an AGM is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

(15.3) 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.

(15.4) 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
Email: corpadmin@crocodile.com.hk

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

(16) INVESTOR RELATIONS

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

Independent Auditor's Report

信永中和
ShineWing

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

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

We have audited the financial statements of Crocodile Garments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 41 to 110, which comprise the consolidated and Company's statements of financial position as at 31 July 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

Independent Auditor's Report

BASIS FOR QUALIFIED OPINION

As disclosed and explained in Note 21 to the financial statements, included in the deposits paid as land lease prepayments, an amount of approximately RMB14,721,000 (equivalent to HK$17,960,000) (the "**Vendor Deposit**") was paid to Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司). In respect of this Vendor Deposit, the directors of the Company (the "**Directors**") believe that the Group will either be able to recover the amount in full, or obtain the land use right certificate in the near future, therefore no impairment was considered necessary by the Directors on such balance as at 31 July 2012.

We were unable to obtain sufficient appropriate audit evidence we consider necessary in order to assess whether the Vendor Deposit paid would be recovered in full or the land use right certificate would be successfully obtained by the Group. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to the recoverability of the Vendor Deposit as at 31 July 2012 and the related impairment loss, if any, required to be provided for the year ended 31 July 2012.

Any adjustments to the amount of the Vendor Deposit paid found to be necessary would affect the Group's net assets as at 31 July 2012 and the Group's profit for the year then ended and related note disclosures to the financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Hong Kong
26 October 2012

Consolidated Statement of Comprehensive Income

For the Year ended 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	6	**505,640**	514,520
Cost of sales		**(178,441)**	(177,256)
Gross profit		**327,199**	337,264
Fair value gains on investment properties	16	**77,127**	76,453
Other income	6	**55,077**	47,532
Selling and distribution expenses		**(307,602)**	(290,547)
Administrative expenses		**(62,424)**	(66,124)
Other operating expenses, net	7	**(1,273)**	(792)
Finance costs	11	**(1,847)**	(599)
Share of profit of an associate	20	**2,327**	1,443
Profit before income tax	7	**88,584**	104,630
Income tax expense	12	**(17,159)**	(19,451)
Profit for the year attributable to owners of the Company		**71,425**	85,179
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**1,359**	8,448
Total comprehensive income for the year attributable to owners of the Company		**72,784**	93,627
Dividends	8	**—**	—
		HK Cents	HK Cents (Restated)
Earnings per share	14		
— Basic		**7.63**	9.14
— Diluted		**7.63**	9.14

Consolidated Statement of Financial Position

As at 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**63,588**	43,961
Investment properties	16	**930,700**	791,000
Construction in progress	17	**43,197**	35,586
Land lease prepayments	18	**19,199**	15,463
Interest in an associate	20	**20,561**	17,762
Rental and utility deposits		**22,407**	25,082
Deposits for acquisition and construction of property, plant and equipment		**2,196**	10,873
Deposits for land lease prepayments	21	**34,823**	34,537
Available-for-sale financial asset	22	**20,045**	—
		1,156,716	974,264
Current assets			
Inventories	23	**99,708**	73,376
Trade and other receivables, deposits and prepayments	24	**103,964**	80,610
Amounts due from related companies	38(c)	**177**	149
Financial assets at fair value through profit or loss	25	**75,957**	—
Pledged bank deposits	26	**42,493**	—
Cash and cash equivalents	26	**49,651**	80,045
		371,950	234,180
Current liabilities			
Borrowings	27	**1,648**	15,946
Margin loans payable	28	**34,301**	—
Trade and other payables and deposits received	29	**83,584**	80,432
Amounts due to related companies	38(c)	**801**	352
Tax payable		**21,361**	19,948
		141,695	116,678
Net current assets		**230,255**	117,502
Total assets less current liabilities		**1,386,971**	1,091,766
Non-current liabilities			
Borrowings	27	**233,510**	24,434
Provision for long service payments	30	**2,952**	2,854
Deferred tax liabilities	31	**82,797**	69,550
		319,259	96,838
Net assets		**1,067,712**	994,928
Capital and reserves			
Share capital	33	**233,936**	155,957
Reserves		**833,776**	838,971
Total equity		**1,067,712**	994,928

The consolidated financial statements on pages 41 to 110 were approved and authorised for issue by the board of directors on 26 October 2012 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Statement of Financial Position

As at 31 July 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**9,132**	7,808
Interests in subsidiaries	19	**445,189**	550,658
Rental and utility deposits		**17,200**	16,926
		471,521	575,392
Current assets			
Inventories	23	**58,981**	43,214
Trade and other receivables, deposits and prepayments	24	**33,434**	29,427
Amounts due from related companies	38(c)	**64**	—
Financial assets at fair value through profit or loss	25	**75,957**	—
Pledged bank deposits	26	**42,493**	—
Cash and cash equivalents	26	**20,951**	17,709
		231,880	90,350
Current liabilities			
Borrowings	27	**721**	15,033
Margin loans payable	28	**34,301**	—
Trade and other payables and deposits received	29	**33,453**	25,594
Amounts due to related companies	38(c)	**496**	100
		68,971	40,727
Net current assets		**162,909**	49,623
Total assets less current liabilities		**634,430**	625,015
Non-current liability			
Provision for long service payments	30	**2,812**	2,770
Net assets		**631,618**	622,245
Capital and reserves			
Share capital	33	**233,936**	155,957
Reserves	34	**397,682**	466,288
Total equity		**631,618**	622,245

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 July 2012

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2010	154,282	164,921	1,738	19,019	109,090	447,695	896,745
Profit for the year	—	—	—	—	—	85,179	85,179
Other comprehensive income							
Exchange differences arising on translation of foreign operations	—	—	—	8,448	—	—	8,448
Total comprehensive income for the year	—	—	—	8,448	—	85,179	93,627
Shares issued upon exercise of share options	1,675	3,807	(926)	—	—	—	4,556
Transfer upon lapse of share options	—	—	(812)	—	—	812	—
At 31 July 2011 and 1 August 2011	155,957	168,728	—	27,467	109,090	533,686	994,928
Profit for the year	—	—	—	—	—	71,425	71,425
Other comprehensive income							
Exchange differences arising on translation of foreign operations	—	—	—	1,359	—	—	1,359
Total comprehensive income for the year	—	—	—	1,359	—	71,425	72,784
Bonus shares issued	77,979	(77,979)	—	—	—	—	—
At 31 July 2012	**233,936**	**90,749**	**—**	**28,826**	**109,090**	**605,111**	**1,067,712**

Note:

The capital reserve comprises the fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments. No share option was outstanding as at 31 July 2012 and 2011 and therefore the capital reserve became nil for both year end dates.

Consolidated Statement of Cash Flows

For the Year ended 31 July 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before income tax	**88,584**	104,630
Adjustments for:		
Finance costs	**1,847**	599
Bank interest income	**(295)**	(572)
Interest income from an associate	**(472)**	(601)
Share of profit of an associate	**(2,327)**	(1,443)
Depreciation of property, plant and equipment	**16,105**	12,930
Amortisation of land lease prepayments	**341**	329
Loss on disposal/write-off of property, plant and equipment	**675**	769
(Write-back of) provision for bad and doubtful debts	**(505)**	102
Bad debts write-off	**—**	94
Other receivables write-off	**966**	1,253
Provision for (write-back of) slow-moving inventories	**172**	(2,016)
Write-back of long outstanding trade payables	**(1,032)**	(831)
Net gain on financial assets at fair value through profit or loss	**(3,631)**	—
Fair value gains on investment properties	**(77,127)**	(76,453)
Operating cash flows before movements in working capital	**23,301**	38,790
(Increase) decrease in inventories	**(26,504)**	2,610
Increase in trade and other receivables, deposits and prepayments	**(21,135)**	(9,700)
Increase in financial assets at fair value through profit or loss	**(72,326)**	—
Increase in trade and other payables and deposits received	**4,184**	13,857
Increase in amounts due from related companies	**(28)**	(137)
Increase (decrease) in amounts due to related companies	**449**	(233)
Increase (decrease) in provision for long service payments	**98**	(470)
Exchange differences on working capital	**168**	1,249
Cash (used in) generated from operations	**(91,793)**	45,966
Income taxes paid	**(2,705)**	(3,827)
Interest paid	**(1,847)**	(599)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(96,345)**	41,540

Consolidated Statement of Cash Flows

For the Year ended 31 July 2012

	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES		
Interest received	**295**	572
Purchase of property, plant and equipment	**(17,654)**	(16,147)
Proceeds from disposal of property, plant and equipment	**309**	193
Payments for deposits for acquisition and construction of property, plant and equipment	—	(8,695)
Purchase of investment properties	**(62,573)**	(14,547)
Purchase of available-for-sale financial asset	**(20,045)**	—
Payments for construction in progress	**(21,380)**	(33,428)
Placement of pledged bank deposits	**(42,493)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(163,541)**	(72,052)
FINANCING ACTIVITIES		
New bank loans raised	**222,000**	25,347
Repayments of bank loans	**(12,910)**	(22,000)
Increase in margin loans payable	**34,301**	—
Proceeds from exercise of share options	—	4,556
(Decrease) increase in trust receipt loans	**(14,312)**	2,417
NET CASH GENERATED FROM FINANCING ACTIVITIES	**229,079**	10,320
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(30,807)**	(20,192)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**80,045**	96,985
Effect of foreign exchange rate changes	**413**	3,252
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**49,651**	80,045
Represented by		
Cash and bank balances	**49,051**	65,431
Non-pledged time deposits with original maturity of less than 3 months when acquired	**600**	14,614
	49,651	80,045

Notes to the Financial Statements

For the Year ended 31 July 2012

1. CORPORATE INFORMATION

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

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current or prior accounting periods and/or disclosures set out in these financial statements.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these financial statements have been modified to reflect the change.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

New and revised HKFRSs issued but not yet effective

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

Amendment to HKFRSs	Annual Improvements 2009-2011 Cycle[3]
Amendments to HKFRS 1	First-time Adoption of HKFRSs — Government Loans[3]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosures of Interests in Other Entities[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[3]
HKFRS 13	Fair Value Measurement[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[1]
HKAS 19 (as revised in 2011)	Employee Benefits[3]
HKAS 27 (as revised in 2011)	Separate Financial Statements[3]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

Notes to the Financial Statements

For the Year ended 31 July 2012

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

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

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

— HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

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

HKFRS 9 Financial Instruments (continued)

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

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

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities.

However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC)-Int 12 "Consolidation — Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC)-Int 13 "Jointly Controlled Entities — Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

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

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 August 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors anticipate that the application of the amendments to HKAS 12 will have significant impact on the results and the financial position of the Group. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Investments in subsidiaries

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

Investment in an associate

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

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

Revenue recognition

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

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

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

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

— the amount of revenue can be measured reliably;

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

Investment properties

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land for own use

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

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

Foreign currencies

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Borrowing costs

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

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utlilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees which are carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of the reporting period.

Retirement benefits costs

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to directors and employees

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

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Cash and cash equivalents

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss 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 incorporates any dividend or interest earned on the financial assets and is included in the 'other income' line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 41(c).

Available-for-sale financial asset

Available-for-sale financial asset is non-derivative that is either designated as available-for-sale or is not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

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

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 equity investments which are classified as available-for-sale financial asset, a significant or prolonged decline in the fair value of the investment below its cost is considered to be an objective evidence of impairment.

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

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

For certain categories of financial asset, such as trade and other receivables and amounts due from related companies, assets that are assessed not to be impaired individually are, 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 is recognised in profit or loss when there is objective evidence that the asset is impaired, is measured as 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.

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

In respect of available-for-sale financial asset equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derecognition

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

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

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

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.

Notes to the Financial Statements

For the Year ended 31 July 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (continued)

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

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgement in applying the entity's accounting policies

Ownership of buildings and land lease prepayments

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

Notes to the Financial Statements

For the Year ended 31 July 2012

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

Key sources of estimation uncertainty

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

Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. The Directors consider information from current prices in an active market for similar properties and use assumptions that are mainly based on market conditions existing at the end of each reporting period. This conclusion is supported by a valuation performed by an independent professional valuer on the Group's investment properties. The fair values of investment properties were approximately HK$930,700,000 as at 31 July 2012 (2011: HK$791,000,000).

Provision for obsolete and slow-moving inventories

The Group's and the Company's inventories are stated at the lower of cost and net realisable value. The Group and the Company make provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2012, the carrying amounts of inventories of the Group and the Company were approximately HK$99,708,000 (2011: 73,376,000) and approximately HK$58,981,000 (2011: HK$43,214,000) respectively, net of allowance for inventories of approximately HK$15,420,000 (2011: HK$15,248,000) and approximately HK$4,599,000 (2011: HK$4,798,000), respectively.

Provision for long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The Group's provision for long service payment is determined with reference to statutory requirements, the employees' remuneration, their years of service and age profile, and demographic assumptions including: pre-retirement termination, involuntary termination, early retirement, normal retirement, death and disability. The basis of estimation is reviewed on an on-going basis and revised where appropriate. Any changes to these assumptions will impact the carrying amount of provision for long service payments and the results and financial position of the Group. For the year ended 31 July 2012, the carrying amounts of provisions for long service payments of the Group and the Company were approximately HK$2,952,000 (2011: HK$2,854,000) and approximately HK$2,812,000 (2011: HK$2,770,000), respectively.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

Key sources of estimation uncertainty (continued)

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

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

Impairment loss on deposits for land lease prepayments

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

Management's judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business.

Estimated impairment loss on available-for-sale financial asset

For the available-for-sale financial asset not quoted in an active market and measured at cost, the management uses their judgement in selecting an appropriate valuation technique. Valuation techniques commonly used by the market practitioners are applied. The Group's unlisted equity investment with carrying amount of approximately HK$20,045,000 (2011: nil) is valued using a discounted cash flow analysis based on the assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of this equity investment also includes some assumptions not supported by observable market prices or rates.

Estimated impairment of trade and other receivables

The Group and the Company make impairment based on assessment of the recoverability of trade and other receivables. The Group and the Company make estimates based on the aging of trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of debtors was deteriorated, and resulted in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 July 2012, the carrying amounts of trade receivables of the Group and the Company were approximately HK$23,740,000 (2011: HK$12,976,000) and approximately HK$1,491,000 (2011: HK$478,000), respectively, net of allowance for bad and doubtful debts of approximately HK$1,141,000 (2011: HK$1,641,000) and approximately HK$148,000 (2011: HK$156,000), respectively.

Notes to the Financial Statements

For the Year ended 31 July 2012

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

Key sources of estimation uncertainty (continued)

Estimated impairment of trade and other receivables (continued)

As at 31 July 2012, the carrying amounts of other receivables of the Group and the Company were approximately HK$43,618,000 (2011: HK$36,185,000) and approximately HK$18,951,000 (2011: HK$15,018,000), respectively, and no allowance for bad and doubtful debts was recognised in respect of other receivables for both years. During the year ended 31 July 2012, the Group had written off the other receivables of approximately HK$966,000 (2011: HK$1,253,000) and such amount was recognised in the consolidated statement of comprehensive income.

Income tax

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

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

As at 31 July 2012, the Group had recognised the deferred tax assets of approximately HK$7,284,000 (2011: HK$6,922,000) in relation to unused tax losses in the consolidated statement of financial position.

Impairment loss of amounts due from subsidiaries

For the amounts due from subsidiaries, the Company makes impairment based on the assessment of the recoverability of these amounts. Impairment loss is applied to amounts due from subsidiaries where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the amounts is less than their respective carrying amounts. The identification of impairment loss requires the use of judgement and estimates where the expectation on the recoverability of the amounts due from subsidiaries has been changed. As at 31 July 2012, the carrying amount of amounts due from subsidiaries was approximately HK$455,102,000 (2011: HK$559,808,000), net of allowance for amounts due from subsidiaries of approximately HK$44,437,000 (2011: HK$34,772,000).

Notes to the Financial Statements

For the Year ended 31 July 2012

5. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Revenue from external customers	**481,341**	492,444	**24,299**	22,076	**—**	—	**505,640**	514,520
Other revenue from external customers	**49,136**	46,359	**2,015**	601	**3,631**	—	**54,782**	46,960
Group's total revenue	**530,477**	538,803	**26,314**	22,677	**3,631**	—	**560,422**	561,480
Reportable segment (loss) profit	**(11,968)**	11,243	**98,522**	93,458	**3,631**	—	**90,185**	104,701
Unallocated corporate income							**295**	572
Unallocated corporate expenses							**(49)**	(44)
Finance costs							**(1,847)**	(599)
Profit before income tax							**88,584**	104,630

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

Notes to the Financial Statements

For the Year ended 31 July 2012

5. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
ASSETS								
Segment assets	**382,651**	310,835	**957,869**	817,564	**75,957**	—	**1,416,477**	1,128,399
Unallocated corporate assets							**112,189**	80,045
Total consolidated assets							**1,528,666**	1,208,444
LIABILITIES								
Segment liabilities	**78,052**	74,159	**9,285**	9,479	**34,301**	—	**121,638**	83,638
Unallocated corporate liabilities							**339,316**	129,878
Total consolidated liabilities							**460,954**	213,516

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

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

5. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	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:								
Additions and transfer to non-current assets (Note)	**47,803**	45,451	**62,583**	18,671	**—**	—	**110,386**	64,122
Additions to deposits for acquisition and construction of property, plant and equipment	**—**	8,695	**—**	—	**—**	—	**—**	8,695
Interest in an associate	**—**	—	**20,561**	17,762	**—**	—	**20,561**	17,762
Depreciation and amortisation	**14,695**	12,117	**1,751**	1,142	**—**	—	**16,446**	13,259
Provision for (write-back of) slow-moving inventories	**172**	(2,016)	**—**	—	**—**	—	**172**	(2,016)
(Write-back of) provision for bad and doubtful debts	**(531)**	102	**26**	—	**—**	—	**(505)**	102
Bad debts write-off	**—**	94	**—**	—	**—**	—	**—**	94
Loss on disposal/write-off of property, plant and equipment	**675**	769	**—**	—	**—**	—	**675**	769
Write-back of long outstanding trade payables	**(1,032)**	(831)	**—**	—	**—**	—	**(1,032)**	(831)
Other receivables write-off	**966**	1,253	**—**	—	**—**	—	**966**	1,253
Fair value gains on investment properties	**—**	—	**(77,127)**	(76,453)	**—**	—	**(77,127)**	(76,453)
Net gain on financial assets at fair value through profit or loss	**—**	—	**—**	—	**(3,631)**	—	**(3,631)**	—
Share of profit of an associate	**—**	—	**(2,327)**	(1,443)	**—**	—	**(2,327)**	(1,443)
Interest income from an associate	**—**	—	**(472)**	(601)	**—**	—	**(472)**	(601)
Amounts regularly provided to the chief operation decision maker but not included in measure of segment profit or loss or segment assets:								
Bank interest income	**(295)**	(572)	**—**	—	**—**	—	**(295)**	(572)
Interest expense	**104**	439	**1,743**	160	**—**	—	**1,847**	599
Income tax expense	**3,912**	7,361	**13,247**	12,090	**—**	—	**17,159**	19,451

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

Notes to the Financial Statements

For the Year ended 31 July 2012

5. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**390,921**	381,465	**1,009,667**	851,537
The PRC	**165,870**	180,015	**147,049**	122,727
	556,791	561,480	**1,156,716**	974,264

Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the two years ended 31 July 2012 and 2011.

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:

	2012	2011
	HK$'000	HK$'000
Revenue		
Sale of goods	**481,341**	492,444
Gross rental income	**24,299**	22,076
	505,640	514,520
Other income		
Royalty income	**47,073**	44,115
Bank interest income	**295**	572
Interest income from an associate	**472**	601
Net gain on financial assets at fair value through profit or loss	**3,631**	—
Others	**3,606**	2,244
	55,077	47,532

Notes to the Financial Statements

For the Year ended 31 July 2012

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

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

	2012 HK$'000	2011 HK$'000
Staff costs, including directors' remuneration (Note 9):		
Wages and salaries	**86,495**	82,080
Pension scheme contributions	**2,544**	2,543
Others	**1,074**	(193)
	90,113	84,430
Cost of inventories recognised as an expense	**178,009**	178,470
Depreciation of property, plant and equipment	**16,105**	12,930
Amortisation of land lease prepayments (included in administrative expenses)	**341**	329
Auditors' remuneration	**730**	580
Operating lease payments in respect of rented land and buildings:		
Minimum lease payments under operating leases	**113,821**	114,598
Contingent rents	**6,600**	5,832
	120,421	120,430
Gross rental income	**(24,299)**	(22,076)
Less: outgoings	**260**	802
	(24,039)	(21,274)
Provision for (write-back of) slow-moving inventories (included in cost of sales)	**172**	(2,016)
Other operating expenses, net:		
Other staff costs	**1,074**	(193)
(Write-back of) provision for bad and doubtful debts	**(505)**	102
Bad debts write-off	**—**	94
Loss on disposal/write-off of property, plant and equipment	**675**	769
Other receivables write-off	**966**	1,253
Write-back of long outstanding trade payables	**(1,032)**	(831)
Exchange loss (gain), net	**95**	(402)
	1,273	792

Notes to the Financial Statements

For the Year ended 31 July 2012

8. DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2012 (2011: nil) nor has any dividend been proposed by the Company since the end of the reporting period (2011: nil).

9. DIRECTORS' REMUNERATION

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

	Executive directors		Non-executive directors	
	2012	2011	**2012**	2011
	HK\$'000	HK\$'000	**HK\$'000**	HK\$'000
			(Note)	(Note)
Fees	**56**	51	**288**	430
Other emoluments:				
Salaries, allowances and benefits in kind	**11,105**	10,951	**—**	—
Pension schemes contributions	**20**	21	**—**	—
	11,125	10,972	**—**	—
	11,181	11,023	**288**	430

Note: Amount includes the remuneration paid to independent non-executive directors during the year of HK\$216,000 (2011: HK\$180,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 July 2012 and 2011.

During the years ended 31 July 2012 and 2011, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Notes to the Financial Statements

For the Year ended 31 July 2012

9. DIRECTORS' REMUNERATION (continued)

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director for the year ended 31 July 2011 is set out below:

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

Notes to the Financial Statements

For the Year ended 31 July 2012

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2011: two) directors, details of whose remuneration are set out in Note 9 above. The remuneration of the remaining three (2011: three), highest paid employees is set out below:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**3,282**	2,675
Pension scheme contributions	**38**	36
	3,320	2,711

The remuneration is within the following bands:

	Number of employees 2012	 2011
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	—
	3	3

During the years ended 31 July 2012 and 2011, no remuneration was paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on borrowings		
— wholly repayable within five years	**1,689**	510
— not wholly repayable within five years	**158**	89
	1,847	599

Notes to the Financial Statements

For the Year ended 31 July 2012

12. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax		
— PRC Enterprise Income Tax	**3,912**	7,361
Deferred tax (Note 31)	**13,247**	12,090
Income tax expense	**17,159**	19,451

No current Hong Kong Profits Tax has been provided for the year ended 31 July 2012 (2011: nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

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

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

For the year ended 31 July 2012

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before income tax	91,595		(3,011)		88,584	
Tax at the statutory tax rate	15,113	16.5	(753)	25.0	14,360	16.2
Income not subject to tax	(710)	(0.7)	(48)	1.6	(758)	(0.9)
Expenses not deductible for tax purposes	1,321	1.4	1,186	(39.4)	2,507	2.8
Tax effect of share of result of an associate	(384)	(0.4)	—	—	(384)	(0.4)
Tax effect of tax losses not recognised	1,404	1.5	3,527	(117.1)	4,931	5.6
Utilisation of tax losses previously not recognised	(3,497)	(3.8)	—	—	(3,497)	(3.9)
	13,247	14.5	3,912	(129.9)	17,159	19.4

Notes to the Financial Statements

For the Year ended 31 July 2012

12. INCOME TAX EXPENSE (continued)

For the year ended 31 July 2011

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before income tax	92,632		11,998		104,630	
Tax at the statutory tax rate	15,284	16.5	3,000	25.0	18,284	17.5
Income not subject to tax	(443)	(0.5)	—	—	(443)	(0.4)
Expenses not deductible for tax purposes	1,863	2.0	2,509	20.9	4,372	4.1
Tax effect of share of result of an associate	(238)	(0.3)	—	—	(238)	(0.2)
Tax effect of tax losses not recognised	549	0.6	1,852	15.4	2,401	2.3
Utilisation of tax losses previously not recognised	(4,925)	(5.3)	—	—	(4,925)	(4.7)
	12,090	13.0	7,361	61.3	19,451	18.6

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

The consolidated profit includes a profit of approximately HK$9,373,000 (2011: HK$24,414,000) which has been dealt with in the financial statements of the Company.

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For the Year ended 31 July 2012

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share for the year ended 31 July 2012 is based on the consolidated profit attributable to owners of the Company of approximately HK$71,425,000 (2011: HK$85,179,000) and the number of ordinary shares in issue of 935,743,695 (2011: weighted average number of shares in issue of 931,691,111 (as restated)), and is calculated as follows:

Number of ordinary shares

	2012	2011 (Restated)
Issued ordinary shares at 1 August	**623,829,130**	617,127,130
Effect of share options exercised (Note 32)	—	4,000,277
Effect of bonus share issued (Note)	**311,914,565**	310,563,704
Number of ordinary shares in issue for the year ended 31 July (2011: weighted average number)	**935,743,695**	931,691,111

(b) Diluted earnings per share

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

The calculation of diluted earnings per share for the year ended 31 July 2011 is based on the consolidated profit attributable to owners of the Company of approximately HK$85,179,000 and the restated weighted average number of ordinary shares (diluted) of 932,214,902, and is calculated as follows:

Number of ordinary shares

	2012	2011 (Restated)
Number of ordinary shares for the purpose of basic earnings per share (2011: weighted average number) (Note)	**935,743,695**	931,691,111
Effect of deemed exercise of outstanding share options under the Company's share option scheme (Note 32)	—	523,791
Number of ordinary shares for the purpose of diluted earnings per share (2011: weighted average number)	**935,743,695**	932,214,902

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share and diluted earnings per share for the year ended 31 July 2011 had been adjusted to reflect the effect of the Bonus Share Issue (as defined and disclosed in Note 33) in June 2012 on the basis of one bonus share for every two ordinary shares held.

Notes to the Financial Statements

For the Year ended 31 July 2012

15. PROPERTY, PLANT AND EQUIPMENT

The Group	Leasehold buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 August 2010	—	4,299	62,121	13,026	11,064	90,510
Additions	—	17	13,943	848	1,339	16,147
Disposals/write-off	—	—	(3,422)	(88)	(2,089)	(5,599)
Transfer from construction in progress	19,486	—	—	—	—	19,486
Exchange realignment	496	192	713	304	102	1,807
At 31 July 2011 and 1 August 2011	19,982	4,508	73,355	14,090	10,416	122,351
Additions	267	50	15,614	1,618	105	17,654
Disposals/write-off	—	—	(3,183)	(80)	(478)	(3,741)
Transfer from deposits	4,826	—	—	—	—	4,826
Transfer from construction in progress	14,053	—	—	—	—	14,053
Exchange realignment	139	32	124	52	20	367
At 31 July 2012	**39,267**	**4,590**	**85,910**	**15,680**	**10,063**	**155,510**
ACCUMULATED DEPRECIATION						
At 1 August 2010	—	3,929	47,595	9,599	7,895	69,018
Provided for the year	—	128	10,174	1,409	1,219	12,930
Eliminated on disposals/write-off	—	—	(2,549)	(84)	(2,004)	(4,637)
Exchange realignment	—	178	580	237	84	1,079
At 31 July 2011 and 1 August 2011	—	4,235	55,800	11,161	7,194	78,390
Provided for the year	908	110	12,866	1,199	1,022	16,105
Eliminated on disposals/write-off	—	—	(2,507)	(74)	(176)	(2,757)
Exchange realignment	—	31	97	42	14	184
At 31 July 2012	**908**	**4,376**	**66,256**	**12,328**	**8,054**	**91,922**
CARRYING VALUES						
At 31 July 2012	**38,359**	**214**	**19,654**	**3,352**	**2,009**	**63,588**
At 31 July 2011	19,982	273	17,555	2,929	3,222	43,961

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For the Year ended 31 July 2012

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Furniture and fixtures, including leasehold improvements	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 August 2010	44,683	7,144	7,920	59,747
Additions	2,612	306	—	2,918
Disposals/write-off	(1,342)	—	(1,508)	(2,850)
At 31 July 2011 and 1 August 2011	45,953	7,450	6,412	59,815
Additions	5,531	520	—	6,051
Disposals/write-off	(309)	—	—	(309)
At 31 July 2012	**51,175**	**7,970**	**6,412**	**65,557**
ACCUMULATED DEPRECIATION				
At 1 August 2010	37,648	5,496	5,302	48,446
Provided for the year	4,862	524	884	6,270
Eliminated on disposals/write-off	(1,201)	—	(1,508)	(2,709)
At 31 July 2011 and 1 August 2011	41,309	6,020	4,678	52,007
Provided for the year	3,365	550	633	4,548
Eliminated on disposals/write-off	(130)	—	—	(130)
At 31 July 2012	**44,544**	**6,570**	**5,311**	**56,425**
CARRYING VALUES				
At 31 July 2012	**6,631**	**1,400**	**1,101**	**9,132**
At 31 July 2011	4,644	1,430	1,734	7,808

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

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

As at 31 July 2012, the Group has not yet obtained the building ownership certificates for buildings with carrying value of approximately HK$38,359,000 (2011: HK$19,982,000). The buildings are situated on the land under medium-term land lease in the PRC (Note 18). In the opinion of the Directors, the absence of building ownership certificates to these buildings does not impair the value of the buildings to the Group.

Notes to the Financial Statements

For the Year ended 31 July 2012

16. INVESTMENT PROPERTIES

	The Group	
	2012	2011
FAIR VALUE	**HK$'000**	HK$'000
At the beginning of the year	**791,000**	700,000
Additions	**62,573**	14,547
Fair value gains	**77,127**	76,453
At the end of the year	**930,700**	791,000

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

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

At 31 July 2012 and 2011, certain investment properties (2011: all) of the Group were pledged to banks to secure the bank loans granted to the Group, details of which are set out in Note 27.

The Group's investment properties were revalued on 31 July 2012 and 2011 by Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected with the Group, at HK$930,700,000 (2011: HK$791,000,000) on an open market basis, which has taken into account the sales evidence as available in the market and on the basis of capitalisation of the net income with allowance for outgoings and reversionary income potential.

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

As at 31 July 2012 and 2011, the investment properties are situated on the land under medium-term land lease in Hong Kong. Further details of the Group's investment properties are disclosed on page 111 of the Company's annual report.

Notes to the Financial Statements

For the Year ended 31 July 2012

17. CONSTRUCTION IN PROGRESS

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**35,586**	20,234
Additions	**21,380**	33,428
Transfer to property, plant and equipment	**(14,053)**	(19,486)
Exchange realignment	**284**	1,410
At the end of the year	**43,197**	35,586

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

18. LAND LEASE PREPAYMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**15,801**	15,339
Transfer from deposits	**3,953**	—
Amortisation	**(341)**	(329)
Exchange realignment	**127**	791
At the end of the year	**19,540**	15,801

	The Group	
	2012	2011
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset, included in trade and other receivables, deposits and prepayments	**341**	338
Non-current asset	**19,199**	15,463
	19,540	15,801

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

As at 31 July 2012, the Group has not yet obtained the land use right certificate issued by relevant local government authority with carrying value of approximately HK$3,948,000 (2011: nil). In the opinion of Directors, the rights and interest in respect of such land lot will not as a result of such be severely prejudiced to the Group.

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19. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**499,539**	594,580
Amounts due to subsidiaries	**(13,963)**	(13,200)
	489,626	585,430
Less: Provision for impairment	**(44,437)**	(34,772)
	445,189	550,658

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

Except for amounts due from certain subsidiaries of approximately HK$234,466,000 (2011: HK$358,203,000) as at 31 July 2012 which bear interest at Hong Kong dollar prime rate per annum, the remaining balances with subsidiaries are interest-free.

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

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited ("**Crocodile KT**")	Hong Kong	HK$1	**100**	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Crocodile Garments (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	Garment trading
Zhong Shan Crocodile Garments Limited* (中山鱷魚恤服飾有限公司)	The PRC	HK$8,000,000	**100**	100	Property investment
Crocodile Garments (Zhong Shan) Limited* ("**Crocodile Zhong Shan**") (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	**100**	100	Garment manufacturing and trading
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	**100**	100	Garment trading

Notes to the Financial Statements

For the Year ended 31 July 2012

19. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
Stargem Limited	Hong Kong	HK$1	**100**	—	Property investment
Public Global Investments Limited	Hong Kong	HK$1	**100**	—	Property investment
Pure Goal Limited	British Virgin Islands	US$1	**100**	—	Investment holding

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

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

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years. The above summary lists the principal subsidiaries of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

20. INTEREST IN AN ASSOCIATE

	The Group 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	—	—
Share of post acquisition profits	**10,657**	8,330
	10,657	8,330
Amount due from an associate	**9,904**	9,432
	20,561	17,762

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

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For the Year ended 31 July 2012

20. INTEREST IN AN ASSOCIATE (continued)

Details of the associate as at 31 July 2012 and 2011 are as follows:

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

Note:

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

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

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

	2012 **HK$'000**	2011 HK$'000
Total assets	**45,851**	39,360
Total liabilities	**(24,537)**	(22,700)
Net assets	**21,314**	16,660
Group's share of net assets of an associate	**10,657**	8,330
Total revenue	**1,668**	1,491
Total profit for the year	**4,654**	2,886
Group's share of profit of an associate for the year	**2,327**	1,443

21. DEPOSITS FOR LAND LEASE PREPAYMENTS

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

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

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

The Group has obtained legal opinion from an independent PRC law firm (the "**Lawyer**") and has received the legal advice that whilst the other letters had not specified or confirmed the whole amount of the Land Lease Prepayments (the "**Whole Amount**") or timing of commitment by the Local Government to repay, however, based on the undertaking given in the letter issued by the Local Government to the Group in October 2010, the Group would have reasonable grounds to recover the Whole Amount paid with interest from the Local Government, regardless whether the Vendor is able to repay its part as the Vendor Deposit or not, despite the associated risk and uncertainty which may happen during the course of legal action taken. The Lawyer further advised that appropriate legal action shall be taken within the valid time bar under the PRC law and regulations, which is before the end of February 2013, in order to secure and support the Group's right to recover the Whole Amount from the Local Government.

After considering the circumstances and the legal opinion, the Directors resolved not to take immediate legal action but to further negotiate with the Local Government and the Vendor with a view to obtain in near future the land use right certificate of the Land, as the Directors have reason to believe that there has been appreciation in the value of the Land, though that it may exceed the valid time bar to recover the Whole Amount with interest from the Local Government if legal action is to be taken later on. The Directors believe that the Group would either be able to recover the Whole Amount or to obtain the relevant land use right certificate in the near future. No impairment loss on the deposits paid is considered necessary by the Directors at this stage.

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22. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group	
	2012	2011
	HK$'000	HK$'000
Unlisted equity investment in Hong Kong, at cost	**20,045**	—

The above unlisted equity investment represents investment in unlisted equity interest in a private limited partnership established in Hong Kong. The investment is measured at cost less impairment at the end of the reporting period since in the opinion of the Directors, the range of reasonable fair value estimates is so significant that fair value of the investment cannot be reliably measured. As at the reporting date, the unpaid amount of approximately HK$11,155,000 and details of the capital commitments are set out in Note 37 to the financial statements.

23. INVENTORIES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**2,784**	1,209	**2,371**	816
Finished goods	**96,924**	72,167	**56,610**	42,398
	99,708	73,376	**58,981**	43,214

During the year ended 31 July 2011, write-back of provision for slow-moving inventories of approximately HK$2,016,000 (2012: nil) has been recognised and included in the cost of sales upon the sales of the relevant inventories.

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**24,881**	14,617	**1,639**	634
Less: Allowance for bad and doubtful debts	**(1,141)**	(1,641)	**(148)**	(156)
	23,740	12,976	**1,491**	478
Other receivables	**43,618**	36,185	**18,951**	15,018
Deposits and prepayments	**36,606**	31,449	**12,992**	13,931
	103,964	80,610	**33,434**	29,427

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

(i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has been set with a maximum credit limit. The Group and the Company do not hold any collateral over these balances.

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables				
0 to 90 days	**17,042**	9,571	**1,372**	423
91 to 180 days	**2,120**	2,681	**27**	14
181 to 365 days	**4,578**	724	**92**	41
	23,740	12,976	**1,491**	478

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**1,641**	15,352	**156**	14,081
(Reversed) allowance provided	**(505)**	102	**(8)**	(41)
Write-off as uncollectable	**—**	(13,884)	**—**	(13,884)
Exchange realignment	**5**	71	**—**	—
At the end of the year	**1,141**	1,641	**148**	156

Included in allowance for bad and doubtful debts of the Group and the Company are individually impaired trade receivables with an aggregate balance of approximately HK$1,141,000 (2011: HK$1,641,000) and approximately HK$148,000 (2011: HK$156,000) respectively. The impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised.

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

(iv) An aging analysis of trade receivables that are past due but not impaired as at the end of the reporting period is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 60 days	**12,341**	5,662	**1,364**	275
61 days to 150 days	**2,120**	2,681	**27**	14
Over 150 days	**4,578**	724	**92**	41
	19,039	9,067	**1,483**	330

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

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Listed investments		
— Equity securities listed in Hong Kong	**1,893**	—
— Debt securities listed in Hong Kong	**13,953**	—
— Debt securities listed outside Hong Kong	**13,662**	—
	29,508	—
Unlisted investments		
— Debt securities	**46,449**	—
Total	**75,957**	—

Key terms of debt securities are summarised as below:

	2012	2011
Coupon interest rate	**1.00% to 9.65%**	Nil
Maturity	**2012 to 2021 or perpetual**	Nil

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

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

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

At 31 July 2012, the carrying amount of financial assets at fair value through profit or loss which have been pledged as security for the margin loans payable is approximately HK$34,301,000 (2011: nil), details of which are set out in Note 28.

26. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**49,051**	65,431	**20,351**	15,209
Time deposits	**600**	14,614	**600**	2,500
Cash and cash equivalents	**49,651**	80,045	**20,951**	17,709
Pledged bank deposits	**42,493**	—	**42,493**	—

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

	The Group		The Company	
	2012	2011	**2012**	2011
Currency	**HK$'000**	HK$'000	**HK$'000**	HK$'000
RMB	**50,810**	56,070	**26,020**	1,000
US dollars ("**US$**")	**9,831**	109	**9,831**	109

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB to other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

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

The pledged bank deposits of the Group and the Company of approximately HK$24,394,000 (2011: nil) are carried at fixed rate of 2.9% per annum for the year ended 31 July 2012 and therefore are subject to fair value interest rate risk which the Directors of the Company considered not significant. The remaining pledged bank deposits of the Group and the Company carry interest at market rates and are therefore exposed to cash flow interest rate risk.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group and the Company. Deposits amounting to approximately HK$42,493,000 (2011: nil) have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets.

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

27. BORROWINGS

	The Group			
	2012		2011	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Bank loans, secured	**234,437**	**1.35 – 1.81**	25,347	1.29 - 1.71
Trust receipt loans, unsecured	**721**	**1.90**	15,033	1.44 - 5.75
	235,158		40,380	

	The Company			
	2012		2011	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Trust receipt loans, unsecured	**721**	**1.90**	15,033	1.44 - 5.75

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27. BORROWINGS (continued)

	The Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount repayable:		
On demand or within one year	**1,648**	15,946
Beyond one year, but not exceeding two years	**226,944**	930
Beyond two years, but not exceeding five years	**2,934**	18,886
Beyond five years	**3,632**	4,618
	235,158	40,380
Less: Amounts shown under current liabilities	**(1,648)**	(15,946)
Amounts shown under non-current liabilities	**233,510**	24,434

	The Company	
	2012	2011
	HK$'000	HK$'000
Carrying amount repayable:		
On demand or within one year	**721**	15,033

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

As at 31 July 2012, certain investment properties of the Group with carrying value of approximately HK$868,000,000 (2011: HK$791,000,000) (Note 16) were pledged to secure bank loans of approximately HK$234,437,000 (2011: HK$25,347,000).

As at 31 July 2012, the Company had provided guarantee to the borrowings of its subsidiary companies for an aggregate amount of approximately HK$234,437,000 (2011: HK$25,347,000).

28. MARGIN LOANS PAYABLE

For the year ended 31 July 2012, 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$75,957,000 (2011: nil) (Note 25).

	The Group			
	2012		2011	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Within one year	**34,301**	**1.24 – 1.37**	—	N/A

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For the Year ended 31 July 2012

28. MARGIN LOANS PAYABLE (continued)

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

	The Group		The Company	
	2012	2011	**2012**	2011
Currency	**HK$'000**	HK$'000	**HK$'000**	HK$'000
US$	**31,925**	—	**31,925**	—
Singapore dollars	**1,572**	—	**1,572**	—

29. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
0 to 90 days	**17,488**	16,544	**12,164**	12,581
91 to 180 days	**2,722**	2,717	**1,767**	516
181 to 365 days	**635**	1,589	**123**	522
Over 365 days	**636**	1,148	**396**	250
	21,481	21,998	**14,450**	13,869
Advance from customers	**14,957**	16,862	**—**	—
Deposits received	**7,275**	7,127	**41**	40
Other payables and accruals	**39,871**	34,445	**18,962**	11,685
	83,584	80,432	**33,453**	25,594

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

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30. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At the beginning of the year	**2,854**	3,324	**2,770**	3,258
Amounts provided (reversed) during the year	**98**	(193)	**42**	(211)
Amounts utilised during the year	**—**	(277)	**—**	(277)
At the end of the year	**2,952**	2,854	**2,812**	2,770

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

The provision represents the management's best estimate of the Group and the Company's liability at the end of the reporting period. As at 31 July 2012 and 2011, the amount is calculated based on the principal assumptions stated as below:

	2012	2011
Annual salary increment	**3.6%**	3.8%
Turnover rate	**5.6%**	5.6%
Mandatory Provident Fund return rate	**2.7%**	5.1%
Discount rate	**3.7%**	5.8%

31. DEFERRED TAX LIABILITIES

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

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**69,550**	57,460
Deferred tax charged during the year (Note 12)	**13,247**	12,090
At the end of the year	**82,797**	69,550

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31. DEFERRED TAX LIABILITIES (continued)

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

Deferred tax asset

The Group	Losses available for offsetting against future taxable profits	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**6,922**	3,261
Deferred tax credited during the year	**362**	3,661
At the end of the year	**7,284**	6,922

Deferred tax liabilities

The Group	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 August 2010	(1,507)	(59,214)	(60,721)
Deferred tax charged during the year	(3,159)	(12,592)	(15,751)
At 31 July 2011 and 1 August 2011	(4,666)	(71,806)	(76,472)
Deferred tax charged during the year	(773)	(12,836)	(13,609)
At 31 July 2012	**(5,439)**	**(84,642)**	**(90,081)**

As at 31 July 2012, the Group has unutilised Hong Kong and PRC tax losses of approximately HK$176,900,000 (2011: HK$173,284,000). 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 unutlilised as at 31 July 2012 will expire in the years between 2013 and 2016.

Deferred tax asset has been recognised in respect of approximately HK$44,145,000 (2011: HK$41,952,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses and the PRC tax losses of approximately HK$132,755,000 (2011: HK$131,332,000) in aggregate due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation had not been provided for in the consolidated financial statements in respect of the temporary difference attributable to retained profits of the PRC subsidiaries amounting to approximately HK$20,613,000 (2011: HK$10,153,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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For the Year ended 31 July 2012

32. EQUITY-SETTLED SHARE-BASED PAYMENTS

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

a) No share option was granted during the year ended 31 July 2012 (2011: nil). As at 31 July 2012, the Company has no outstanding share options under the Share Option Scheme (2011: nil).

b) The share options exercised during the year ended 31 July 2011 were exercised at the price of HK$0.68 and the weighted average share price, based on the share price at the dates of exercise of the option is HK$0.91.

33. SHARE CAPITAL

	The Company			
	2012		2011	
	No. of Shares	**HK$'000**	No. of shares	HK$'000
Ordinary share of HK$0.25 each				
Authorised:				
At 1 August	**800,000,000**	**200,000**	800,000,000	200,000
Increase in shares	**400,000,000**	**100,000**	—	—
At 31 July	**1,200,000,000**	**300,000**	800,000,000	200,000
Issued and fully paid:				
At 1 August	**623,829,130**	**155,957**	617,127,130	154,282
Shares issued under share option scheme *(Note 32)*	—	—	6,702,000	1,675
Bonus shares issued	**311,914,565**	**77,979**	—	—
At 31 July	**935,743,695**	**233,936**	623,829,130	155,957

During the year ended 31 July 2012, the authorised share capital of the Company was increased from HK$200,000,000 divided into 800,000,000 shares of HK$0.25 each to HK$300,000,000 divided into 1,200,000,000 shares of HK$0.25 each by the creation of an additional 400,000,000 new shares of HK$0.25 each ranking pari passu in all respects to all the issued shares.

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33. SHARE CAPITAL (continued)

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

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

34. RESERVES

The Company

	Share premium HK$'000	**Capital reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
At 1 August 2010	164,921	1,738	272,334	438,993
Profit for the year *(Note 13)*	—	—	24,414	24,414
Shares issued upon exercise of share options	3,807	(926)	—	2,881
Transfer upon lapse of share options	—	(812)	812	—
At 31 July 2011 and 1 August 2011	168,728	—	297,560	466,288
Profit for the year *(Note 13)*	—	—	9,373	9,373
Bonus shares issued	(77,979)	—	—	(77,979)
At 31 July 2012	**90,749**	**—**	**306,933**	**397,682**

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For the Year ended 31 July 2012

35. PLEDGE OF ASSETS

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment properties	**868,000**	791,000	**—**	—
Financial assets at fair value through profit or loss	**75,957**	—	**75,957**	—
Pledged bank deposits	**42,493**	—	**42,493**	—
	986,450	791,000	**118,450**	—

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

Gross property rental income earned during the year was approximately HK$24,299,000 (2011: HK$22,076,000). The Group leases out its investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from three to four years. The terms of the leases generally require the tenants to pay security deposits. The investment properties are expected to generate rental yields of 2.6% (2011: 2.8%) on an ongoing basis.

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**24,144**	24,672
In the second to fifth years, inclusive	**3,666**	27,192
	27,810	51,864

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For the Year ended 31 July 2012

36. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**109,191**	107,269	**78,727**	68,902
In the second to fifth years, inclusive	**108,070**	85,362	**91,675**	42,286
	217,261	192,631	**170,402**	111,188

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.

37. CAPITAL COMMITMENTS

In addition to the operating lease commitments disclosed in Note 36 above, the Group had the following capital commitments at the end of the reporting period:

	The Group	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Land lease prepayments in the PRC	**4,216**	4,181
Acquisition and construction of property, plant and equipment in the PRC	**2,476**	4,473
Acquisition of available-for-sale financial asset	**11,155**	—
	17,847	8,654

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38. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	**2012** HK$'000	2011 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i)	**2,704**	2,704
— Lai Sun Development Company Limited	(ii)	**3,453**	2,703
Rental expenses:			
— Guangzhou Besto Real Estate Development Company Limited	(iii)	**2,289**	1,343
Company secretarial fee:			
— Lai Sun Development Company Limited	(iv)	**776**	594
Car parking expense:			
— Lai Sun Development Company Limited	(v)	**37**	36
Royalty income:			
— Guangzhou Beautifirm Cosmetic Limited	(vi)	**682**	588
Rental income:			
— Big Honor Asia Limited	(vii)	**1,151**	1,061
Interest income:			
— Mass Energy Limited	(viii)	**472**	601

Notes:

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

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

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

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

(v) The car parking expense was charged by a related company of which an executive director of the Company is also its director.

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

Notes to the Financial Statements

For the Year ended 31 July 2012

38. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

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

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

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

(b) Other transactions with related parties

As at 31 July 2012, the Company has provided guarantee to the borrowings of approximately HK$234,437,000 (2011: HK$25,347,000) incurred by its subsidiaries.

(c) Outstanding balances with related parties

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

(d) Compensation of key management personnel of the Group

	2012	2011
	HK$'000	HK$'000
Short-term employee benefits	**14,443**	13,677
Post-employment benefits	**58**	57
	14,501	13,734

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

39. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs 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 statutorily specified contributions. During the year ended 31 July 2012, the total retirement benefits scheme contributions charged to the consolidated statement of comprehensive income amounted to approximately HK$2,544,000 (2011: HK$2,543,000).

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40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group and the Company consists of margin loans payable and borrowings disclosed in Notes 27 and 28 respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

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

The Group

	2012	2011
	HK$'000	HK$'000
Debts (i)	**269,459**	40,380
Equity (ii)	**1,067,712**	994,928
Debt to equity ratio	**25.2%**	4.1%

The Company

	2012	2011
	HK$'000	HK$'000
Debts (i)	**35,022**	15,033
Equity (ii)	**631,618**	622,245
Debt to equity ratio	**5.5%**	2.4%

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

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

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41. FINANCIAL RISK MANAGEMENT

a. Categories of financial instruments

The carrying amounts of the Group's and the Company's financial assets and financial liabilities as recognised at 31 July 2012 and 2011 are categorised as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss		
— Held for trading	**75,957**	—
Available-for-sale financial asset	**20,045**	—
Loans and receivables (including pledged bank deposits and cash and cash equivalents)	**211,480**	180,988
	307,482	180,988
Financial liabilities measured at amortised cost	**338,887**	104,302

	The Company	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss		
— Held for trading	**75,957**	—
Loans and receivables (including pledged bank deposits and cash and cash equivalents)	**110,883**	61,396
	186,840	61,396
Financial liabilities measured at amortised cost	**68,971**	40,727

Notes to the Financial Statements

For the Year ended 31 July 2012

41. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include financial assets at fair value through profit or loss, available-for-sale financial asset, trade and other receivables and deposits, amounts due from related companies, pledged bank deposits, cash and cash equivalents, trade and other payables and deposits received, borrowings and amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

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

Interest rate risk

The Group and the Company were exposed to cash flow interest rate risk in relation to variable-rate borrowings, margin loans payable, financial assets at fair value through profit or loss, pledged bank deposits and cash and cash equivalents. Details of pledged bank deposits, bank balances and time deposits, margin loans payable and borrowings are disclosed in Notes 25, 26, 27 and 28 respectively. It is the Group's policy to keep its pledged bank deposits, bank balances and time deposits, margin loans payable and borrowings at floating rate of interests so as to minimise the fair value interest rate risk. Debt securities including the financial assets at fair value through profit or loss and pledged bank deposits carried at fixed rates expose the Group to fair value interest-rate risk.

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

Sensitivity analysis

At 31 July 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profit by approximately HK$1,552,000 (2011: HK$111,000).

The sensitivity analysis above have been determined assuming that the change in interest rates had occurred at end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next financial year. The analysis is performed on the same basis for the year ended 31 July 2011.

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41. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Other price risk

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

Price sensitivity analysis

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

If the prices had been 10% higher/lower:

— Post-tax profit for the year ended 31 July 2012 would increase/decrease by approximately HK$2,464,000 (2011: increase/decrease by Nil). This is mainly due to the change in fair value of held-for-trading investments.

Credit risk

The Group's and the Company's maximum exposure to credit risk is primarily attributable to its trade receivables and other receivables and is arising from the carrying amount of such financial asset. There are policies in place to ensure that goods are sold to customers with appropriate credit history and the Group and the Company perform credit evaluation of its customers. The Company is also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in Note 38. The Group also has policies that limit the amount of credit exposure to any financial institution.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 77.1% (2011: 84.1%) of the total trade receivables as at 31 July 2012. The Company does not have significant concentration of credit risk as at 31 July 2012 and 2011.

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

Notes to the Financial Statements

For the Year ended 31 July 2012

41. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

41. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

The Group	Less than 1 year HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July 2011 HK$'000
Non-derivative financial liabilities					
Borrowings	16,325	20,526	4,803	41,654	40,380
Trade and other payables and deposits received	63,570	—	—	63,570	63,570
Amounts due to related companies	352	—	—	352	352
	80,247	20,526	4,803	105,576	104,302

Notes to the Financial Statements

For the Year ended 31 July 2012

41. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The Company	**Less than 1 year HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 July 2012 HK$'000**
Non-derivative financial liabilities			
Borrowings	**722**	**722**	**721**
Margin loans payable	**34,332**	**34,332**	**34,301**
Trade and other payables and deposits received	**33,453**	**33,453**	**33,453**
Amounts due to related companies	**496**	**496**	**496**
Financial guarantee contracts	**239,003**	**239,003**	**—**
	308,006	**308,006**	**68,971**

The Company	Less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 July 2011 HK$'000
Non-derivative financial liabilities			
Borrowings	15,042	15,042	15,033
Trade and other payables and deposits received	25,594	25,594	25,594
Amounts due to related companies	100	100	100
Financial guarantee contracts	26,612	26,612	—
	67,348	67,348	40,727

c. Fair values

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

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

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

Notes to the Financial Statements

For the Year ended 31 July 2012

41. FINANCIAL RISK MANAGEMENT (continued)

c. Fair values (continued)

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

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

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

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

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	75,957	—	—	75,957

Particulars of Investment Properties

At 31 July 2012

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

Location	Use	Lease term	Attributable interest of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Medium	100%
Unit E on 2nd Floor, Yip Fat Factory Building Phase 2, 75 (formerly 73 and 75) Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
12th Floor, Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of the members of Crocodile Garments Limited ("**Company**") will be held at Crystal Rooms 1 and 2, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 17 December 2012 at 10:00 a.m. for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2012 and the reports of the directors and the independent auditor thereon;

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

3. To re-appoint SHINEWING (HK) CPA Limited as the independent auditor of the Company and to authorise the Board to fix its remuneration;

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

   (A) "**THAT**:

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

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

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

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

Notice of Annual General Meeting

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

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

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

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of 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 passing of this Resolution until whichever is the earliest of:

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

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

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

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

Notice of Annual General Meeting

(B) "**THAT** the authorised share capital of the Company be and is hereby increased from HK$300,000,000.00 divided into 1,200,000,000 shares with a par value of HK$0.25 each ("**Shares**") to HK$425,000,000.00 divided into 1,700,000,000 Shares by the creation of an additional 500,000,000 Shares, each ranking pari passu in all respects with the existing Shares in the Company and **THAT** any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts, deeds or things deemed by the Director to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the above increase of the authorised share capital of the Company.".

By Order of the Board
Crocodile Garments Limited
Kwok Siu Man
Company Secretary

Hong Kong, 16 November 2012

Notice of Annual General Meeting

Notes:

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

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

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

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

4. *To ascertain the entitlements to attend and vote at the AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrars not later than 4:30 p.m. on Wednesday, 12 December 2012 for registration.*

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

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

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

   (ii) *in accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), details of the aforesaid Director are set out in the section headed "Biographical Details of Directors" of the Report of the Directors of the 2011-2012 Annual Report of the Company.*

7. *Concerning agenda item 3 of this Notice, the Board (which concurs with the Audit Committee of the Company) has recommended that subject to the approval of the Members at the AGM, SHINEWING (HK) CPA Limited will be re-appointed independent auditor of the Company for the year ending 31 July 2013 ("**Year 2013**"). Members should note that in practice, independent auditor's remuneration for Year 2013 cannot be fixed at the AGM because such remuneration varies by reference to the scope and extent of audit and other works which the independent auditor is being called upon to undertake in any given year. To enable the Company to charge the amount of such auditor's remuneration as operating expenses for Year 2013, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for Year 2013 is required, and is hereby sought, at the AGM.*

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

Notice of Annual General Meeting

9. *Concerning agenda item 4(B) of this Notice, as at the date of this Notice, the authorised share capital of the Company was HK$300,000,000.00 divided into 1,200,000,000 Shares. To provide for greater flexibility and accommodate future expansion and growth of the Company, a resolution will be proposed at the AGM to consider and, if thought fit, approve the increase in the authorised share capital of the Company from HK$300,000,000.00 to HK$425,000,000.00 by the creation of additional 500,000,000 Shares. The additional new Shares will rank pari passu in all respects with the existing Shares. The Directors have no present intention to allot and issue such new Shares.*

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

11. *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 between 9:00 a.m. and 5:00 p.m. on the date of the AGM, the AGM will be postponed and Members will be informed of the date, time and venue of the postponed AGM by a supplementary notice posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.*

    If a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is cancelled at or before 9:00 a.m. on the date of the AGM and where conditions permit, the AGM will be held as scheduled.

    The AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

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

CROCODILE