CROCODILE
2014-2015
Crocodile Garments Limited Annual Report | 鱷魚恤有限公司年報

Stock Code | 股份代號 122

Contents

4	Corporate Profile
5	Corporate Information
8	Chairman's Statement
13	Report of the Directors
31	Corporate Governance Report
45	Independent Auditor's Report
47	Consolidated Statement of Profit or Loss and Other Comprehensive Income
48	Consolidated Statement of Financial Position
50	Consolidated Statement of Changes in Equity
51	Consolidated Statement of Cash Flows
53	Notes to the Consolidated Financial Statements
117	Particulars of Investment Properties
119	Notice of Annual General Meeting

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

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Kowloon, Hong Kong

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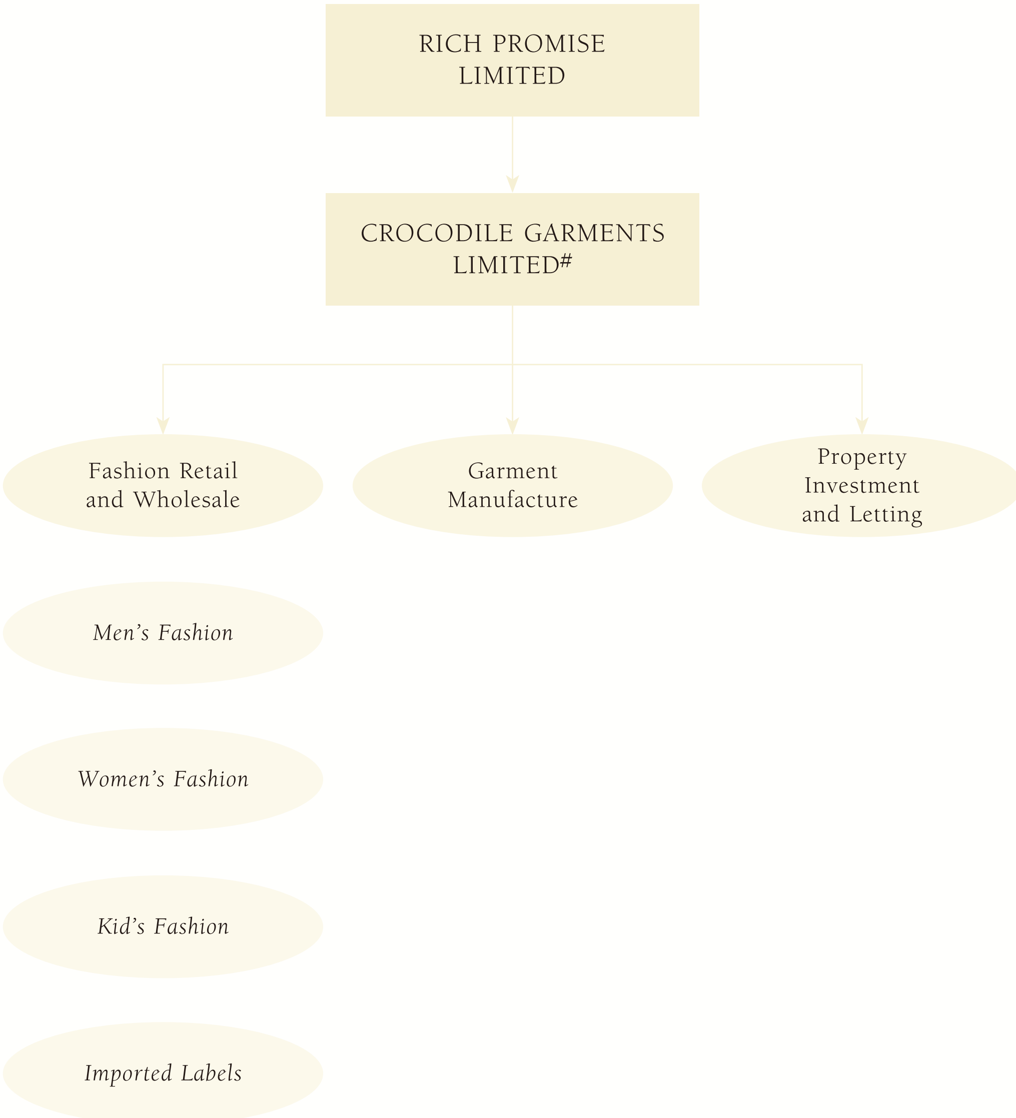
E-mail: corpadmin@crocodile.com.hk

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

Corporate Profile

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



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

Corporate Information

Place of Incorporation
Hong Kong

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

Non-executive Director
Lam Suk Ying, Diana

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

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

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

Company Secretary
Ko Ming Kin

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

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

Stock Code
122

Board Lot
1,000 shares

Share Registrar and Transfer Office
Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Independent Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants

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

Principal Bankers
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited

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

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

Website
www.crocodile.com.hk

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

The revenue of the Company and its subsidiaries (collectively "**Group**") for the year ended 31 July 2015 was HK$405,325,000 (2014: HK$501,813,000) and the gross profit of the Group was HK$251,908,000 (2014: HK$302,910,000).

Against the backdrop of poor market sentiment, deep sales discounts offered by competitors to grasp the already-underwhelming retail market and protracted sales network restructuring taken by the Group, the "Garment and Related Accessories Business" segment plodded on through a nadir in the year ended 31 July 2015. The segment revenue slid by 22% to HK$354,162,000 with a loss of HK$43,981,000.

The "Property Investment and Letting Business" segment contributed the rental revenue of HK$51,163,000 for the year ended 31 July 2015 (2014: HK$46,851,000). The fair value gains on investment properties faltered to HK$97,493,000 as at 31 July 2015 (2014: HK$143,008,000), attributed to the property cooling down measures implemented by the Hong Kong SAR Government.

Integrating the results of the two business segments above with the share of profit from an associate of HK$6,829,000 (2014: HK$2,828,000) and the exchange loss arising on translation of foreign operations of HK$1,696,000 (2014: gain of HK$30,000), the total comprehensive income attributable to the owners of the Company was HK$49,449,000 for the year ended 31 July 2015 (2014: HK$106,062,000).

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2015 (2014: Nil).

Chairman's Statement

OPERATIONS IN HONG KONG AND MACAU

The difficulty faced by the "Garment and Related Accessories Business" segment was full-blown. The devaluation of currencies of nearby regions eclipsed the appeal of Hong Kong as a consumer paradise. Coupled with the lingering social unrest, the number of inbound visitors, especially those from the Mainland of China ("**Mainland**"), was tumbling. The bizarre warm weather during the Christmas and New Year period impeded the sales of outerwear products of high profit margins. In view of the above woes, the competitors had offered startling sales discounts, even at a very early stage of new season, to avoid the risk of stockpiles. All these factors placed the "Garment and Related Accessories Business" segment of the Group in the spiral of poorer sales, worsening profit margins. To tackle the above challenges, the Group had tautened the rental expenses, the major operating outlays, by realignment of its shop portfolio in order to improve the sales efficiency at reduced rental costs. The process of sales network restructuring was lumbering as it took time to locate premises with satisfactory pedestrian flows at acceptable rents. As at 31 July 2015, the Group operated 20 shops for Crocodile line (2014: 22) and 6 shops for Lacoste line (2014: 9).

The rental revenue generated by the "Property Investment and Letting Business" segment was HK$51,163,000 in the year ended 31 July 2015. The fair value gains on investment properties were HK$97,493,000 as at 31 July 2015.

OPERATIONS IN THE MAINLAND

The "Garment and Related Accessories Business" segment was operating under an extremely intricate environment in the Mainland. The economy was facing an accelerating downside risk as evidenced by the deteriorating data released. To balance the slump of growth in exports and productions, the Mainland Government planned to boost domestic spending through the wealth-effect created by a prosperous stock market; however, it was derailed by the abrupt plunge. The consequential murky economic ambience battered the retail market sentiment and the consumption power of general public further, which materially curbed the sales and gross profit margins of the "Garment and Related Accessories Business" segment. As a cushion against the above tailspin, the Group had rationalised its sales channel to ratchet up the brand presence and, at the same time, constrained the rental expenses. Stringent inventory discipline had been enforced to keep the stock on hand relevant and fresh. As at 31 July 2015, there were a total of 87 shops in the Mainland (2014: 118), including self-operated shops of 21 (2014: 48) and those operated by the Group's franchisees of 66 (2014: 70).

Being the major component of the other income, the royalty income from licensees continued to generate a steady income stream to the Group of HK$50,615,000 for the year ended 31 July 2015.

PROSPECTS

The outlook of global economy is bleak in the wake of loss in momentum of the Mainland, the world's major growth engine for the past decade. The Mainland's monetary and financial easing policies may be effective to prompt buy-back of "oversold" risk assets, but not much helpful in brightening economic prospects as it is still undergoing the process of curtailing excessive investments. The monetary easing policy could rather weaken Renminbi ("**RMB**") further and fuel competition in devaluations among other currencies, in particular, those of emerging markets. Such austere economic and financial conditions will dent consumption and investment sentiments severely.

Chairman's Statement

Hong Kong, the Group's operation-base, is at the centre of whipsaw. On one side, Hong Kong economy is vulnerable to the stumbling investment and consumer spending whereas on the other side, at the heels of strong United States Dollars ("**USD**"), the appreciation of Hong Kong Dollars ("**HKD**") under the pegging mechanism could kindle savage corrections in asset markets. Needless to mention the persistent social disputes, the business environment for the Group's "Garment and Related Accessories Business" and "Property Investment and Letting Business" segments in Hong Kong is formidable. To mitigate the above negative impact, the Group will hasten the restructuring of its shop portfolio to enhance the operating efficiency.

In the Mainland, the worse-than-expected deceleration in economic growth and the nosediving stock market encumbered the domestic consumption. Giving the beleaguered retail sector, the Group has reined back sales channel inventory and fortified supply chain management. Moreover, the Group will reorganise its sales channels and merchandise mix.

The eventual raise of US interest rate will knock the values of the investment properties and financial assets and escalate the burden of borrowing costs of the Group when the Hong Kong interest rate follows. The Group has kept close tabs on the volatility of the global financial market in order to secure the value and contain the risk exposure of its assets on hand.

In long term, the Group pursues the strategy of accentuating "Crocodile" as a premier brand of quality merchandises and orchestrates the sales network and supply chain. Financially, the Group takes a pragmatic and prudent management approach to explore various means of solidifying its capital base and maintain the Group's vibrancy in the prevailing business ramification.

CONTINGENT LIABILITIES

As at 31 July 2015, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2015.

The Group mainly earns revenue and incurs cost in HKD, RMB and USD. 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$72,143,000 as at 31 July 2015 (2014: HK$57,233,000) and were mainly denominated in HKD and RMB. The pledged bank deposits of approximately HK$1,819,000 (2014: HK$730,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in RMB as at 31 July 2015 were equivalent to HK$39,857,000 (2014: HK$21,324,000) 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 RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 July 2015, the total outstanding borrowings including margin loans of the Group amounted to HK$543,112,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$14,694,000, secured bank mortgage loan of HK$28,594,000, secured margin loans of HK$21,824,000, secured long-term bank loan of HK$273,000,000 and secured short-term bank revolving loans of HK$205,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loan above was repayable by instalments with its current portion of HK$2,547,000 repayable within one year and long-term portion of HK$26,047,000 repayable in the second to thirteenth years.

Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in HKD. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2015.

As at 31 July 2015, the Group had mortgaged certain of its investment properties with carrying values of HK$1,488,300,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 July 2015 was 35%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the forthcoming rise in interest rates, the Group will actively consider any fund-raising means in order to keep its gearing at a reasonable level for controlling its interest expenses while further developing its business.

As at 31 July 2015, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,320,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,250,000 and acquisition of available-for-sale financial asset of HK$4,834,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save for the acquisition of properties as disclosed in the Company's announcement dated 26 September 2014, the Group had no significant investments, material acquisitions or disposals in the year ended 31 July 2015.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 430 as at 31 July 2015 (2014: 600). 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, share option scheme, 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 thriving future of Crocodile with them and all the shareholders and customers.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
28 October 2015

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 2015 ("**Year**" and "**Consolidated Financial Statements**", respectively).

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included the manufacture, retail and wholesale of fashions in Hong Kong, Macau and Mainland China, as well as property investment and letting in Hong Kong and Mainland China. There were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this Report.

Particulars of the Company's principal subsidiaries as at 31 July 2015 are set out in Note 18 to the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 July 2015 are set out in the Consolidated Financial Statements and their accompanying notes on pages 47 to 116.

The board of Directors ("**Board**") does not recommend the payment of a final dividend for the Year (2014: Nil). No interim dividend was paid or declared in respect of the Year (2014: Nil).

DIRECTORS

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

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

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

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

Report of the Directors

DIRECTORS (continued)

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

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

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

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical particulars of the Directors are set out below:

Executive Directors

Each of the current Executive Directors named below holds directorships in a number or certain of the subsidiaries of the Company.

Dr. Lam Kin Ming, Chairman, Executive Director and Chief Executive Officer, aged 78, was appointed an Executive Director in December 1993 and is currently a member of the Executive Committee of the Company. He is also the chairman and an executive director of Lai Sun Garment (International) Limited ("**LSG**"), a non-executive director of Lai Sun Development Company Limited ("**LSD**") as well as the deputy chairman and an executive director of Lai Fung Holdings Limited ("**Lai Fung**"). The issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. In addition, Dr. Lam is the sole director and sole shareholder of Rich Promise Limited (a substantial shareholder of the Company). He received an honorary doctoral degree from the International American University in the United States of America in 2009 and was admitted as Honorary Doctorate of Management of the Lincoln University in the United States of America in February 2014. Dr. Lam has been involved in day-to-day management in the garment business since 1958.

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 44, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee of the Company. Ms. Lam holds a Bachelor of Arts Degree from Scripps College in California, United States of America and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 17 years of experience in the fashion industry. Prior to joining the Group in March 1998 as Vice-President, she worked for two famous London-based design houses, namely Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work.

Ms. Lam is the chairman of the board of directors (2015-2016) of Yan Chai Hospital. She is also a member of each of Guangdong Provincial Committee and Beijing Haidian Qu Committee of Chinese People's Political Consultative Conference.

Ms. Lam is a daughter of Dr. Lam Kin Ming (Chairman, Executive Director and Chief Executive Officer of the Company), and a niece of Ms. Lam Suk Ying, Diana (NED), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both Executive Directors).

The Company and Ms. Lam have entered into a service contract with no fixed term. However, in accordance with the provisions of the Articles of Association, Ms. Lam will be subject to retirement as a Director by rotation once every three years if re-elected at the forthcoming AGM and will also be eligible for re-election at future AGMs. She presently receives a monthly salary and allowance of HK$235,300 and an annual director's fee of HK$10,000 as well as other allowances (where applicable), and such 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.

Save as disclosed above, Ms. Lam has not held any other directorship in listed public companies in the last three years. As at the date of this Report, except for her personal interest in 6,227,500 shares of the Company ("**Shares**") (representing about 0.66% of the total issued share capital of the Company), 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 Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

Dr. Lam Kin Ngok, Peter, GBS, aged 58, was appointed an Executive Director in October 1987. Dr. Lam is the deputy chairman and an executive director of LSG as well as the chairman and an executive director of LSD and Media Asia Group Holdings Limited ("**MAGHL**"). Dr. Lam was the chairman and an executive director of Lai Fung (from 25 November 1993 to 31 October 2012) as well as an executive director of eSun Holdings Limited ("**eSun**") (from 15 October 1996 to 13 February 2014). The issued shares of LSG, LSD, Lai Fung and eSun are listed and traded on the Main Board of the Stock Exchange while MAGHL's issued shares are listed and traded on the Growth Enterprise Market of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts and he received the Gold Bauhinia Star awarded from the Government of the HKSAR on 1 July 2015.

Currently, Dr. Lam is the chairman of the Hong Kong Tourism Board and an ex officio member of the Hong Kong Trade Development Council. He is also a member of the 12th National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Committee for Liaison with Hong Kong, Macau, Taiwan and Overseas Chinese. In addition, Dr. Lam is the chairman of Hong Kong Chamber of Films Limited, honorary chairman of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a member of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, a non-official member of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and Mainland China, a non-official member of the Lantau Development Advisory Committee, a member of Aviation Development and Three-runway System Advisory Committee and the honorary chairman of Federation of HK Jiangsu Community Organisation.

Dr. Lam is a younger brother of Dr. Lam Kin Ming (Chairman, Executive Director and Chief Executive Officer of the Company) and Ms. Lam Suk Ying, Diana (NED), an elder brother of Mr. Lam Kin Hong, Matthew (Executive Director), and an uncle of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Mr. Lam Kin Hong, Matthew, aged 47, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and an executive director and the executive deputy chairman of Lai Fung. He graduated from University College London of the University of London in the United Kingdom with a Bachelor of Science Degree and underwent his training as a solicitor with an international law firm, Messrs. Reed Smith Richards Butler. Mr. Lam is a founding partner of a Hong Kong law firm, CWL Partners Lawyers and a member of The Law Society of Hong Kong and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and Mainland China. He is the vice president cum chairman of The Hong Kong Real Property Federation Cum Yangtze River Delta Region, a standing committee member of the Chinese People's Political Consultative Conference in Shanghai and in Shantou, Guangdong Province. Mr. Lam also serves as the honorary consul of the Consulate of The Republic of Estonia in Hong Kong. He is a member of the management committee of the Consumer Legal Action Fund of the Consumer Council in Hong Kong and a Council Member of the Business Advisory Council of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Executive Directors (continued)

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

Mr. Wan Edward Yee Hwa, aged 79, 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 INED in December 1993 and was re-designated as an Executive Director on 1 February 2011. Mr. Wan was the chairman of the Audit Committee and the Remuneration Committee of the Company until 31 January 2011. He was also a non-executive director of each of LSG and LSD from 1 February 2011 to 18 December 2012. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and has been a certified public accountant in Hong Kong since 1961.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 60, was appointed a NED in December 2006. Ms. Lam graduated from the Loyola University in California, United States of America with a Bachelor of Business Administration Degree. She also holds a Master's Degree in Public Administration from the Pepperdine University in California. Ms. Lam had worked for Metropolitan Life Insurance Company in California, United States of America for two years and has been managing her personal investments continuously to date. She is a younger sister of Dr. Lam Kin Ming (Chairman, Executive Director and Chief Executive Officer of the Company), an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 64, was appointed an INED in September 2004 and is currently a member of the Audit Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of LSG. Mr. Chow obtained his Bachelor of Laws Degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed attesting officer.

Mr. Leung Shu Yin, William, aged 66, was appointed an INED as well as the chairman of both the Audit Committee and the Remuneration Committee of the Company on 1 February 2011. Mr. Leung is also an independent non-executive director of LSG, LSD and Mainland Headwear Holdings Limited. The issued shares of all the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS (continued)

Independent Non-executive Directors (continued)

Mr. Yeung Sui Sang, aged 77, was appointed an INED in October 2001 and is currently a member of the Audit Committee and the Remuneration Committee of the Company. Before joining the Lai Sun Group in March 1988, he had worked in the Hong Kong civil service for over 30 years. Mr. Yeung first joined LSG as administration manager and was later appointed administration controller of the Lai Sun Group. He was also appointed to the boards of LSG, Asia Television Limited and later eSun. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various members of such Group.

DIRECTORS OF SUBSIDIARIES

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

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in Note 35 to the Consolidated 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 transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' Interests*" in this Report below and in Note 31 to the Consolidated Financial Statements, at no time during the Year was the Company or any of its subsidiaries, holding company a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Four Executive Directors including Dr. Lam Kin Ming, Ms. Lam Wai Shan, Vanessa, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of manufacture, retail and wholesale of fashions in Hong Kong, Macau and/or Mainland China, and/or property investment and letting in Hong Kong and/or Mainland China.

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

SHARE OPTION SCHEME

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

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

As at 31 July 2015, the Company might grant further options under the Scheme to subscribe for a maximum of 43,210,713 Shares (representing about 4.57% of the total issued Shares as at that date (i.e. 945,743,695 Shares)) and the Company had a total of 1,800,000 underlying Shares comprised in options outstanding under the Scheme (representing approximately 0.19% of the total issued Shares as at that date).

As the Company's total issued Shares increased to 947,543,695 during the period due to the exercise of share options by the grantees, as at the date of this Report, the Company might grant further options under the Scheme to subscribe for a maximum of 43,210,713 Shares (representing about 4.56% of the total issued Shares as at that date) and the Company had no outstanding share option under the Scheme as at that date.

Report of the Directors

SHARE OPTION SCHEME (continued)

The movements of share options granted under the Scheme during the Year are set out below:

Number of underlying Shares comprised in share options

Category/Name of participants	Date of grant (dd/mm/yyyy) *(Note 1)*	As at 1 August 2014	Granted during the Year	Exercised during the Year	As at 31 July 2015	Exercise period (dd/mm/yyyy)	Exercise price per Share HK$ *(Note 2)*
Directors							
Lam Kin Ming	20/07/2015 *(Note 3)*	—	900,000	—	900,000	20/07/2015 - 19/07/2018	0.8500
Lam Wai Shan, Vanessa	21/08/2013	2,500,000	—	(2,500,000)	—	21/08/2013 - 20/08/2016	0.4675
	20/07/2015 *(Note 3)*	—	900,000	—	900,000	20/07/2015 - 19/07/2018	0.8500
Wan Edward Yee Hwa	21/08/2013	2,500,000	—	(2,500,000)	—	21/08/2013 - 20/08/2016	0.4675
Employees							
In aggregate	21/08/2013	5,000,000	—	(5,000,000)	—	21/08/2013 - 20/08/2016	0.4675
Total		**10,000,000**	**1,800,000**	**(10,000,000)**	**1,800,000**		

Notes:

1. *The above share options were vested on the date of grant.*

2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*

3. *The closing price of each Share immediately before the date on which the share options were granted (i.e. 20 July 2015) was HK$0.82 per Share. Dr. Lam and Ms. Lam exercised the share options granted to them on 11 September 2015.*

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

In view of the impending expiry of the Scheme in 2016 and the proposed change of terms of the Scheme, the Company proposes to adopt the new share option scheme and terminate the Scheme at the forthcoming AGM to be held on 15 December 2015. Further details of the above proposal will be included in the Company's circular to be despatched to the Shareholders on 13 November 2015.

Report of the Directors

DIRECTORS' INTERESTS

The following Directors and chief executive of the Company who held office on 31 July 2015 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares: Personal interests	Number of Shares: Corporate interests	Share options: Personal interests	Total interests	Approximate percentage of total interests to total issued Shares *(Note 1)*
Lam Kin Ming	Beneficial owner and owner of controlled corporation	4,059,000	472,200,000 *(Note 2)*	900,000 *(Note 3)*	477,159,000	50.45%
Lam Wai Shan, Vanessa	Beneficial owner	5,327,500	Nil	900,000 *(Note 3)*	6,227,500	0.66%
Wan Edward Yee Hwa	Beneficial owner	2,500,000	Nil	Nil	2,500,000	0.26%

Notes:

1. *The total number of issued Shares as at 31 July 2015 (945,743,695 Shares) has been used in the calculation of the approximate percentage.*

2. *Rich Promise Limited ("**RPL**") beneficially owned 472,200,000 Shares, representing approximately 49.93% of the issued Shares. Dr. Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.*

3. *Details of the share options granted to Dr. Lam and Ms. Lam under the Scheme are shown in the section headed "Share Option Scheme" of this Report.*

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Interests in Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL

Name of Director	Capacity	Personal interests	Corporate interests	Total interests	Percentage of total interests to total issued Shares
Lam Kin Ming	Beneficial owner	1	Nil	1	100%

Save as disclosed above, as at 31 July 2015, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 July 2015, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one being a Director and the Chief Executive Officer of the Company), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept under Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares

Name	Capacity	Nature of interests	Number of Shares held	Number of underlying Shares Held	Total interests	Approximate percentage of total interests to total issued Shares *(Note 1)*
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 *(Note 2)*	Nil	472,200,000	49.93%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	476,259,000 *(Notes 2 and 3)*	900,000 *(Note 4)*	477,159,000	50.45%

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

Notes:

1. *The total number of issued Shares as at 31 July 2015 (945,743,695 Shares) has been used in the calculation of the approximate percentage.*

2. *Dr. Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) was deemed to be interested in the 472,200,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL. Please also refer to "Directors' Interests" section above for further details.*

3. *Dr. Lam was personally interested in 4,059,000 Shares.*

4. *Dr. Lam was granted an option by the Company on 20 July 2015 to subscribe for 900,000 Shares (details of which are shown in the section headed "Share Option Scheme" of this Report).*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 July 2015, 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 35 to the Consolidated 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.

CONTINUING CONNECTED TRANSACTIONS

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

1. **Guangzhou Office Leases**

   The Company announced on 1 November 2011 that on 31 October 2011, each of 鱷魚恤(中山)有限公司廣州分公司 (Crocodile Garments (Zhong Shan) Limited Guangzhou Branch*) ("**CG (Zhong Shan) Branch**"), a branch of an indirect wholly-owned subsidiary of the Company and 廣州鱷魚恤商業有限公司 (Guangzhou Crocodile Garments Commercial Limited*) ("**GZ Crocodile**"), an indirect wholly-owned subsidiary of the Company as tenant entered into the following lease agreements (in Chinese) respectively with 廣州市百洵房地產開發有限公司 (Guangzhou Besto Real Estate Development Co. Ltd.*) ("**Landlord**") in respect of the lease of two premises in Guangzhou, Guangdong Province, the People's Republic of China:

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

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

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (continued)

1. Guangzhou Office Leases (continued)

(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**").

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

(a) RMB69,882 from 1 January 2012 to 31 October 2013; and

(b) RMB75,472 from 1 November 2013 to 30 September 2014.

Dr. Lam Kin Ming ("**Dr. Lam**", the Chairman, an Executive Director and the Chief Executive Officer of the Company who had approximately 50.94% shareholding interest in the Company as at the date of signing of the Leases) has been a director and the legal representative of the Landlord and is able to control the composition of a majority of its board of directors. In addition, both Dr. Lam and Ms. Lam Wai Shan, Vanessa (an Executive Director and the Deputy Chief Executive Officer of the Company) have been directors of Besto Investments Limited (the holding company of the Landlord). As at the date of signing of the Leases, the Landlord was accordingly an associate of Dr. Lam and a connected person of the Company, rendering the entering into of the Leases CCTs for the Company under Chapter 14A of the Listing Rules.

Lease A expired on 31 October 2014, Lease B has been extended by entering into a tenancy agreement (廣州市房屋租賃合同) between GZ Crocodile and the Landlord on 23 October 2014 for a term of 12 months from 1 November 2014 to 31 October 2015 (both days inclusive) (with November 2014 as rent-free period) at the monthly rent of RMB86,155, exclusive of management fee and air-conditioning charges, car-parking fee, utilities and other outgoings and further extended for a term of 12 months from 1 November 2015 to 31 October 2016 at the same monthly rent of RMB86,155 and terms as above.

The rental involved on an annual basis for the above CCTs for the Year was HK$1,238,910.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Crocodile Centre Office Lease

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

Dr. Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company who had approximately 50.77% shareholding interest in the Company as at the date of entering into the Tenancy Agreement) has been a director and a controlling shareholder of Big Honor. Accordingly, Big Honor was an associate of Dr. Lam and a connected person of the Company, rendering the entering into of the Tenancy Agreement a CCT for the Company under Chapter 14A of the Listing Rules.

The rental involved on an annual basis for Tenancy Agreement for the Year was HK$2,094,984.

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong ("**Deloitte**"), the Company's independent auditor ("**Independent Auditor**"), was engaged to report on the Group's CCTs in accordance with Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the HKICPA. Deloitte has issued a letter containing their findings and conclusion in respect of the CCTs disclosed above to the Board in accordance with Rule 14A.56 of the Listing Rules confirming that nothing has come to their attention that causes them to believe the CCTs:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the maximum aggregate annual value disclosed in previous announcements.

Report of the Directors

RELATED PARTY TRANSACTIONS

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

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance can be found in the "*Chairman's Statement*" set out on pages 8 to 12 of this Annual Report. These discussions form part of this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group. We are committed to contributing to the sustainability of the environment and community in which we conduct business and where our stakeholders live.

Environmental Protection

As a responsible garment business participant, the Group has strictly endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure its merchandises meet the material standards and ethics in respect of environmental protection.

The Group has actively promoted material-saving and the extensive use of environmentally friendly clothing materials so as to protect the environment and improve air quality within the community.

In the property investment sector, several measures have been implemented in order to mitigate emissions produced by the Group's properties, such as controlled use of chiller units during night-time, using more LED lamps, switching off some passenger lifts after office hours, etc.

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

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Our Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

To protect the Group's intellectual property rights, the Group has registered its domain name and various trademarks have been applied for or registered in various classes in Hong Kong, Macau, Mainland China and other relevant jurisdictions and takes all appropriate actions to enforce its intellectual property rights.

Report of the Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

Workplace Quality

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits. We establish and implement policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. We provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provides health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

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

Community Involvement

The Group is committed to participate in the community events and made donations to a number of charitable organisations to the improvement of community well-being and social services. The Group believes that by encouraging staff to participate in a wide range of charitable events, concern for the community will be raised and boosted, which would inspire more people to take part in serving the community.

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 7 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 15 and 16 to the Consolidated Financial Statements, respectively. Further details of the Group's investment properties are set out in "*Particulars of Investment Properties*" section in this Annual Report.

SHARE ISSUED IN THE YEAR

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

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 July 2015, the Company had reserves available for distribution in accordance with the provision of Section 297 of the Companies Ordinance.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

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

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 July 2015 are set out in Note 26 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$718,000 (2014: HK$739,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 24.6% and 8.7%, respectively of the Group's total purchases for the Year.

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

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2011 to 2015 is set out below:

	Year ended 31 July				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**405,325**	501,813	499,451	505,640	514,520
Profit for the year attributable to owners of the Company	**51,145**	106,032	236,883	84,674	98,070

	As at 31 July				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)		
Total assets	**2,261,596**	2,146,304	2,021,113	1,532,507	1,212,266
Total liabilities	**700,810**	640,220	621,945	378,174	143,966
Total equity	**1,560,786**	1,506,084	1,399,168	1,154,333	1,068,300
	2,261,596	2,146,304	2,021,113	1,532,507	1,212,266

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 44 of this Annual Report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REVIEW BY AUDIT COMMITTEE

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

Report of the Directors

INDEPENDENT AUDITOR

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

On Behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
28 October 2015

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2015 ("**Year**") save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

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

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

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

None of the existing non-executive Directors ("**NEDs**", including the independent non-executive Directors ("**INEDs**")) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company ("**Articles of Association**"), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company ("**AGM**") (in the case of an addition to the Board) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES (continued)

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

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

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

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

(2) **BOARD OF DIRECTORS** (continued)

(2.2) Composition of the Board

The Board currently comprises nine members, of whom five are Executive Directors, one is NED and the remaining three are INEDs, in compliance with the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A of the Listing Rules with INEDs representing at least one-third of the Board. The Board will review the management structure regularly to ensure that it continues to meet the Group's objectives and is in line with the industry practices.

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

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

Non-executive Director
Ms. Lam Suk Ying, Diana

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

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 18.

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

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

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.3) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. The Company has received from each of the INEDs in writing an annual confirmation of his independence for the Year pursuant to 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.

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

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

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

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

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

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.1) Remuneration Committee (continued)

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management. The terms of reference of the Remuneration Committee setting out its authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held a meeting during the Year to discuss the grant of share options to certain Executive Directors and other remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the review of remuneration of and the payment of bonuses to senior management by way of circular resolutions. No Director was involved in deciding his own remuneration at the meeting of the Remuneration committee.

(4.2) Audit Committee

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

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

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

The Board believes that good corporate governance is essential to the success of the Group and the enhancement of Shareholders' value. While recognising corporate governance is the collective responsibility of all of its members, the Board has delegated the corporate governance functions to the members of Audit Committee who are considered to be better positioned to provide an objective and independent guidance on governance-related matters.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

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

On 27 March 2012, the Board formalised the governance-related policies and procedures, established on the foundations of accountability, transparency, fairness and integrity and adopted by the Group for years, into a set of corporate governance policy ("**CG Policy**"). The Audit Committee has been delegated with the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), the practices in compliance with legal and regulatory requirements, and the training and continuous professional development of the Directors and senior management.

Apart from performing the corporate governance functions, the Audit Committee is principally responsible for the monitoring of the integrity of periodical financial statements of the Company, the review of significant financial reporting judgements contained in them before submission to the Board for approval, and the review and monitoring of the auditors' independence and objectivity as well as the effectiveness of the audit process. The terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

(b) Work Performed by the Audit Committee

The Audit Committee held two meetings during the Year. It has reviewed the audited final results of the Group for the year ended 31 July 2014, the unaudited interim results of the Group for the six months ended 31 January 2015 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year.

On 28 October 2015, the Audit Committee reviewed the draft audited consolidated financial statements of the Group as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Independent Auditor. It also reviewed this Corporate Governance Report and an internal control review report on the Company prepared by an independent advisor.

(5) CHAIRMAN AND CHIEF EXECUTIVE

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

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

Corporate Governance Report

(6) NON-EXECUTIVE DIRECTORS

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

(7) NOMINATION OF DIRECTORS

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

(8) BOARD DIVERSITY POLICY

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

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

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

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

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

(9) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

Corporate Governance Report

(10) INDEPENDENT AUDITOR' S REMUNERATION

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor, Deloitte Touche Tohmatsu ("**Deloitte**"), Certified Public Accountants of Hong Kong, for the Year amounted to approximately HK$830,000 and HK$10,000, respectively. The non-audit services mainly consisted of the reporting on the agreement with the preliminary announcement of results of the Group for the Year and the issue of a comfort letter on continuing connected transactions of the Group for the Year.

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for such reporting period. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

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

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

Corporate Governance Report

(13) ATTENDANCE RECORD AT MEETINGS

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

Meetings held during the Year

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

(14) INTERNAL CONTROLS

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

(14) INTERNAL CONTROLS (continued)

During the Year, Annie Chiu & Co., Certified Public Accountants (Practising) (an independent advisor), 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 cash management cycle of the Company.

(15) COMPANY SECRETARY

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1)Shareholders' Communication Policy

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

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

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

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

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

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

(v) the Company's share registrar ("**Share Registrar**") serve the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Corporate Governance Report

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.2) Details of the Last General Meeting

The last GM, being the AGM for 2014 ("**2014 AGM**"), was held at 10:00 a.m. on 8 December 2014 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2014 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2014 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Dr. Lam Kin Ming, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew as Executive Directors, and Mr. Leung Shu Yin, William as an INED; (iii) the authorization of the Board to fix the Directors' remuneration; (iv) the re-appointment of Deloitte as the Independent Auditor for the ensuing year and the authorization of the Board to fix its remuneration; (v) the granting to the Directors a general mandate to issue, allot and deal with additional shares of the Company ("**Shares**") not exceeding 20% of the issued Shares and the matters contemplated thereby; and (vi) the adoption of new set of Articles of Association.

The 2014 AGM notice and the relevant poll results announcement were published on both the websites of the Company and the Stock Exchange on 6 November 2014 and 8 December 2014, respectively.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a GM

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"), registered Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at GMs ("**GM Requisitionists**") can deposit a written request to call a GM at the registered office of the Company ("**Registered Office**"), which is presently situated at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong for the attention of the Company Secretary.

The GM Requisitionists must state in their request(s) the general nature of the business to be dealt with at the GM and such request(s) must be authenticated by all the GM Requisitionists and may consist of several documents in like form.

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

(17) SHAREHOLDERS' RIGHTS (continued)

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

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

(17.2) Procedures for Putting Forward Proposals at AGM

Pursuant to Sections 615 and 580 of the Companies Ordinance, either any number of the registered Shareholders representing at least 2.5% of the total voting rights of all the Shareholders who have a right to vote on the resolution at the AGM or at least 50 registered Shareholders who have a right to vote on the resolution at the AGM ("**Requisitionists**") can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) circulate to the Shareholders entitled to receive notice of any GM any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

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

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

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

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

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

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

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

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

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

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

(18) ARTICLES OF ASSOCIATION

At the AGM held on 8 December 2014, the Company adopted a new set of Articles of Association in substitution for, and to the exclusion of, the Company's Memorandum and Articles of Association, with a view to bringing the Company's Articles of Association in line with the changes made by the Companies Ordinance and the Listing Rules. The updated Articles of Association of the Company are available on both the websites of the Company at www.crocodile.com.hk and the Stock Exchange at www.hkexnews.hk.

(19) INVESTOR RELATIONS

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

Independent Auditor's Report

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

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

We have audited the consolidated financial statements of Crocodile Garments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 47 to 116, which comprise the consolidated statements of financial position as at 31 July 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 July 2015, and of its financial performance 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 October 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2015

	NOTES	**2015 HK$'000**	2014 HK$'000
Revenue	6	**405,325**	501,813
Cost of sales		**(153,417)**	(198,903)
Gross profit		**251,908**	302,910
Fair value gains on investment properties	16	**97,493**	143,008
Other income	6	**53,827**	62,458
Selling and distribution expenses		**(264,087)**	(323,786)
Administrative expenses		**(63,148)**	(61,545)
Other operating expenses, net	10	**(17,226)**	(6,931)
Finance costs	8	**(11,188)**	(10,266)
Share of profit of an associate	19	**6,829**	2,828
Profit before tax	10	**54,408**	108,676
Income tax expense	9	**(3,263)**	(2,644)
Profit for the year attributable to owners of the Company		**51,145**	106,032
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,696)**	30
Other comprehensive (expense) income for the year		**(1,696)**	30
Total comprehensive income for the year attributable to owners of the Company		**49,449**	106,062
		HK Cents	HK Cents
Earnings per share	14		
— Basic		**5.47**	11.33
— Diluted		**5.44**	11.33

Consolidated Statement of Financial Position

As at 31 July 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	15	**154,667**	162,442
Investment properties	16	**1,595,050**	1,452,922
Land lease prepayments	17	**14,578**	15,046
Interest in an associate	19	**39,065**	31,690
Rental and utility deposits	23	**11,131**	14,982
Deposits for land lease prepayments	20	**17,278**	17,416
Available-for-sale financial asset	21	**26,366**	25,040
		1,858,135	1,719,538
Current assets			
Inventories	22	**102,407**	133,162
Trade and other receivables, deposits and prepayments	23	**85,552**	92,635
Financial assets at fair value through profit or loss	24	**141,540**	143,006
Pledged bank deposits	25	**1,819**	730
Bank balances and cash	25	**72,143**	57,233
		403,461	426,766
Current liabilities			
Bank borrowings	26	**495,241**	160,055
Margin loans payable	27	**21,824**	26,075
Trade and other payables and deposits received	28(a)	**69,355**	68,382
Perpetual loan	28(b)	**15,000**	15,000
Amounts due to related companies	35(b)	**42,991**	41,439
Tax payable		**21,834**	22,522
		666,245	333,473
Net current (liabilities) assets		**(262,784)**	93,293
Total assets less current liabilities		**1,595,351**	1,812,831

Consolidated Statement of Financial Position

As at 31 July 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Bank borrowings	26	**26,047**	301,594
Provision for long service payments		**2,774**	2,672
Deferred tax liabilities	29	**5,744**	2,481
		34,565	306,747
Net assets		**1,560,786**	1,506,084
Capital and reserves			
Share capital	30	**330,214**	324,685
Reserves		**1,230,572**	1,181,399
Total equity		**1,560,786**	1,506,084

The consolidated financial statements on pages 47 to 116 were approved and authorised for issue by the board of directors of the Company on 28 October 2015 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2015

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 August 2013	233,936	90,749	36,179	109,689	928,615	—	1,399,168
Profit for the year	—	—	—	—	106,032	—	106,032
Other comprehensive income							
Item that may be subsequently reclassified to profit or loss:							
Exchange differences arising on translation of foreign operations	—	—	30	—	—	—	30
Total comprehensive income for the year	—	—	30	—	106,032	—	106,062
Recognition of equity-settled share-based payments	—	—	—	—	—	854	854
Transition to no par-value regime on 3 March 2014 (Note 30)	90,749	(90,749)	—	—	—	—	—
At 31 July 2014	324,685	—	36,209	109,689	1,034,647	854	1,506,084
Profit for the year	—	—	—	—	51,145	—	51,145
Other comprehensive expense							
Item that may be subsequently reclassified to profit or loss:							
Exchange differences arising on translation of foreign operations	—	—	(1,696)	—	—	—	(1,696)
Total comprehensive (expense) income for the year	—	—	(1,696)	—	51,145	—	49,449
Issue of ordinary shares pursuant to exercise of options under share option scheme	5,529	—	—	—	—	(854)	4,675
Recognition of equity-settled share-based payments	—	—	—	—	—	578	578
At 31 July 2015	330,214	—	34,513	109,689	1,085,792	578	1,560,786

Consolidated Statement of Cash Flows

For the year ended 31 July 2015

	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**54,408**	108,676
Adjustments for:		
Finance costs	**11,188**	10,266
Bank interest income	**(397)**	(192)
Interest income from an associate	**(546)**	(520)
Share of profit of an associate	**(6,829)**	(2,828)
Depreciation of property, plant and equipment	**16,300**	17,727
Amortisation of land lease prepayments	**349**	352
Loss on disposal/write-off of property, plant and equipment	**38**	662
Provision for bad and doubtful debts	**15,879**	4,589
Bad debts write-off	**10**	—
(Reversal of) provision for slow-moving inventories	**(1,317)**	6,012
Write-off of long outstanding trade payables	**(67)**	(258)
Net gain on financial assets at fair value through profit or loss	**(748)**	(6,528)
Share-based payment expense	**578**	854
Gain on fair value change of investment properties	**(97,493)**	(143,008)
Operating cash flows before movements in working capital	**(8,647)**	(4,196)
Decrease in inventories	**32,072**	22,360
(Increase) decrease in trade and other receivables, deposits and prepayments	**(4,955)**	6,507
Decrease (increase) in financial assets at fair value through profit or loss	**2,214**	(18,295)
Increase (decrease) in trade and other payables and deposits received	**1,040**	(24,990)
Decrease in amounts due from related companies	**—**	178
Decrease in amounts due to related companies	**(181)**	—
Increase (decrease) in provision for long service payments	**102**	(60)
Cash from (used in) operations	**21,645**	(18,496)
Income taxes paid	**(509)**	(956)
Interest paid	**(9,127)**	(8,351)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**12,009**	(27,803)

Consolidated Statement of Cash Flows

For the year ended 31 July 2015

	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES		
Purchase of investment properties	**(44,844)**	—
Purchase of property, plant and equipment	**(9,780)**	(8,839)
Purchase of available-for-sale financial asset	**(1,326)**	(2,106)
(Placement) withdrawal of pledged bank deposits	**(1,089)**	3,614
Proceeds from disposal of property, plant and equipment	**432**	97
Interest received	**397**	192
Payments for deposits for acquisition and construction of property, plant and equipment	**—**	(5,209)
Payments for deposits for acquisition of investment properties	**—**	(515)
NET CASH USED IN INVESTING ACTIVITIES	**(56,210)**	(12,766)
FINANCING ACTIVITIES		
New bank loans raised	**135,000**	40,263
Proceed from issue of shares	**4,675**	—
Increase (decrease) in trust receipt loans	**4,399**	(12,359)
Repayments of bank loans and overdraft	**(79,760)**	(14,445)
Repayments of margin loans	**(4,251)**	(202,876)
Advance from a related Company	**—**	12,617
New margin loans raised	**—**	216,942
NET CASH FROM FINANCING ACTIVITIES	**60,063**	40,142
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**15,862**	(427)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**57,233**	57,569
Effect of foreign exchange rate changes	**(952)**	91
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**72,143**	57,233

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

1. GENERAL

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

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

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

In the opinion of the directors of the Company (the "**Directors**"), Rich Promise Limited, a company incorporated in the British Virgin Islands, is considered as the parent and ultimate parent company of the Company. Its sole shareholder is Dr. Lam Kin Ming, who is also the Chairman and Chief Executive of the Company and the ultimate controlling shareholder of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$262,784,000 as at 31 July 2015.

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

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

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

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"):

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
HK International Financial Reporting Interpretation Committee — Interpretation 21	Levies

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

The application of these amendments to HKFRSs and the new Interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New or 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:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

HKFRS 15 Revenue From Contracts With Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

HKFRS 15 Revenue From Contracts With Customers (continued)
The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated 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.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

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

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

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

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

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

Revenue recognition

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

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

Share-based payment arrangements

Equity-settled share-based payment transactions

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

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

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

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

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

Taxation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets
The Group's financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other income" line item. Fair value is determined in the manner described in note 40(c).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

— significant financial difficulty of the issuer or counterparty; or

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

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

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.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment loss recognised is difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Perpetual instruments that will be settled in cash upon the occurrence of future events which are not wholly within the control of the Group, are classified as financial liabilities.

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

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss and included in the 'other income' line item. Fair value is determined in the manner described in note 38(c).

Other financial liabilities

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

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Impairment losses on tangible assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

5. 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

Withholding tax arising from the distribution of dividends

The Group's determination as to whether to accrue for withholding taxes arising from the distributions of dividends from certain subsidiaries according to the relevant tax jurisdictions is subject to judgement on the timing of the payment of the dividends in the future. The management exercises full control over the dividend policy of the Group. The Directors considered that such temporary differences will not reverse in the foreseeable future. Thus, no deferred tax for withholding taxes on undistributed profits has been recognised.

Key sources of estimation uncertainty

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

Estimation of fair value of investment properties

As disclosed in note 16, the fair value of the investment properties was determined based on the income approach, where the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors and provision for the reversionary potential for this type of properties. As at 31 July 2015, the fair values of investment properties were approximately HK$1,595,050,000 (2014: HK$1,452,922,000).

Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2015, the carrying amount of inventories of the Group was approximately HK$102,407,000 (2014: HK$133,162,000), net of allowance for inventories of approximately HK$24,522,000 (2014: HK$25,958,000).

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

Key sources of estimation uncertainty (continued)

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

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

Impairment loss on deposits for land lease prepayments

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

As at 31 July 2015, the carrying amount of deposits for land lease prepayments was approximately HK$17,278,000 (2014: HK$17,416,000), net of impairment of approximately HK$18,401,000 (2014: HK$18,548,000).

Estimated impairment of trade and other receivables

The Group makes impairment based on assessment of the recoverability of trade and other receivables. The Group makes estimates based on the aging of trade and other receivables balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of debtors was deteriorated, and resulted in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 July 2015, the carrying amounts of trade receivables of the Group was approximately HK$9,090,000 (2014: HK$18,059,000), net of allowance for bad and doubtful debts of approximately HK$8,562,000 (2014: HK$2,110,000).

As at 31 July 2015, the carrying amounts of other receivables of the Group was approximately HK$44,295,000 (2014: HK$43,528,000), and net of allowance for doubtful debts of the Group of approximately HK$20,613,000 (2014: HK$11,288,000). During the years ended 31 July 2015 and 31 July 2014, no other receivables had been written off.

Income tax

As at 31 July 2015, deferred tax asset in relation to unused tax losses of HK$372,570,000 (2014: HK$319,621,000) and taxable temporary difference of HK$nil (2014: HK$3,496,000) in respect of retained profits of the PRC subsidiaries (see note 29) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

6. REVENUE AND OTHER INCOME

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

	2015 **HK$'000**	2014 HK$'000
An analysis of revenue and other income is as follows:		
Revenue		
Sale of goods	**354,162**	454,962
Gross rental income	**51,163**	46,851
	405,325	501,813
Other income		
Royalty income	**50,615**	52,624
Bank interest income	**397**	192
Interest income on amount due from an associate	**546**	520
Net gain on financial assets at FVTPL	**748**	6,528
Others	**1,521**	2,594
	53,827	62,458

7. SEGMENT INFORMATION

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

7. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**354,162**	454,962	**51,163**	46,851	**—**	—	**405,325**	501,813
Other income from external customers (Note)	**51,011**	54,538	**1,671**	1,200	**748**	6,528	**53,430**	62,266
Group's total revenue and other income (Note)	**405,173**	509,500	**52,834**	48,051	**748**	6,528	**458,755**	564,079
Reportable segment (loss) profit	**(43,981)**	(34,673)	**149,369**	187,005	**748**	6,528	**106,136**	158,860
Unallocated corporate income							**397**	192
Unallocated corporate expenses							**(40,937)**	(40,110)
Finance costs							**(11,188)**	(10,266)
Profit before income tax							**54,408**	108,676

Note: The income excludes bank interest income.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

7. 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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**381,277**	431,848	**1,638,450**	1,488,447	**141,541**	143,006	**2,161,268**	2,063,301
Unallocated corporate assets							**100,328**	83,003
Total consolidated assets							**2,261,596**	2,146,304
LIABILITIES								
Segment liabilities	**100,299**	99,269	**14,821**	13,224	**21,824**	26,075	**136,944**	138,568
Unallocated corporate liabilities							**563,866**	501,652
Total consolidated liabilities							**700,810**	640,220

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Other		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	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)	**9,706**	18,879	**44,918**	15,472	**—**	—	**54,624**	34,351
Additions to deposits for acquisition and construction of property, plant and equipment	**—**	5,209	**—**	—	**—**	—	**—**	5,209
Additions to deposits for acquisitions of investment properties	**—**	515	**—**	—	**—**	—	**—**	515
Interest in an associate	**—**	—	**39,065**	31,690	**—**	—	**39,065**	31,690
Depreciation and amortisation	**16,350**	17,644	**299**	435	**—**	—	**16,649**	18,079
(Reversal of) provision for slow-moving inventories	**(1,317)**	6,012	**—**	—	**—**	—	**(1,317)**	6,012
Provision for doubtful debts	**15,879**	4,589	**—**	—	**—**	—	**15,879**	4,589
Bad debts write-off	**10**	—	**—**	—	**—**	—	**10**	—
Loss on disposal/write-off of property, plant and equipment	**38**	662	**—**	—	**—**	—	**38**	662
Write-off of long outstanding trade payables	**(67)**	(258)	**—**	—	**—**	—	**(67)**	(258)
Fair value gains on investment properties	**—**	—	**(97,493)**	(143,008)	**—**	—	**(97,493)**	(143,008)
Net gain on financial assets at FVTPL	**—**	—	**—**	—	**(748)**	(6,528)	**(748)**	(6,528)
Share of profit of an associate	**—**	—	**(6,829)**	(2,828)	**—**	—	**(6,829)**	(2,828)
Interest income from an associate	**—**	—	**(546)**	(520)	**—**	—	**(546)**	(520)

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

7. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers	
	Year ended 31 July	
	2015	2014
	HK$'000	HK$'000
Hong Kong	**331,302**	393,897
The PRC	**74,023**	107,916
	405,325	501,813

	Non-current assets	
	As at 31 July	
	2015	2014
	HK$'000	HK$'000
Hong Kong	**1,658,602**	1,510,999
The PRC	**150,573**	157,599
	1,809,175	1,668,598

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

Information about major customers

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

8. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest on:		
Bank borrowings	**9,127**	8,351
Amount due to a related company	**2,061**	1,915
	11,188	10,266

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

9. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current tax	—	—
Deferred tax (Note 29)	**3,263**	2,644
Income tax expense	**3,263**	2,644

No current Hong Kong Profits Tax has been provided for the years ended 31 July 2015 and 2014 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

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

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

For the year ended 31 July 2015

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before tax	**78,542**		**(24,134)**		**54,408**	
Tax at the domestic income tax rate	**12,959**	**16.5**	**(6,034)**	**25.0**	**6,925**	**12.7**
Tax effect of income not taxable for tax purpose	**(19,489)**	**(24.8)**	**(1,066)**	**4.4**	**(20,555)**	**(37.7)**
Tax effect of expenses not deductible for tax purposes	**4,256**	**5.4**	**3,960**	**(16.4)**	**8,216**	**15.1**
Tax effect of share of result of an associate	**(1,127)**	**(1.4)**	**—**	**—**	**(1,127)**	**(2.1)**
Tax effect of tax losses not recognised	**6,679**	**8.5**	**3,920**	**(16.2)**	**10,599**	**19.5**
Utilisation of tax losses previously not recognised	**(15)**	**—**	**(780)**	**3.2**	**(795)**	**(1.5)**
	3,263	**4.2**	**—**	**—**	**3,263**	**6.0**

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

9. INCOME TAX EXPENSE (continued)

For the year ended 31 July 2014

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

10. PROFIT BEFORE TAX/OTHER OPERATING EXPENSES, NET

	2015 HK$'000	2014 HK$'000
The Group's profit before income tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 11):		
Wages and salaries	**72,602**	85,417
Retirement benefits schemes	**2,440**	2,724
Share-based payments	**578**	854
Others	**1,248**	1,970
	76,868	90,965
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories of HK$1,317,000 (2014: provision for slow-moving inventories of HK$6,012,000)) (Note)	**152,889**	198,503
Depreciation of property, plant and equipment	**16,300**	17,727
Amortisation of land lease prepayments (included in administrative expenses)	**349**	352
Auditor's remuneration		
— Audit services	**830**	790
— Non-audit services	**104**	166
Operating lease payments in respect of rented land and buildings:		
Minimum lease payments under operating leases	**93,824**	113,545
Contingent rents	**8,141**	7,882
	101,965	121,427
Gross rental income	**(51,163)**	(46,851)
Less: outgoings	**528**	400
	(50,635)	(46,451)
Other operating expenses, net:		
Provision for doubtful debts on trade and other receivables	**15,879**	4,589
Account receivable write-off	**10**	—
Loss on disposal/write-off of property, plant and equipment	**38**	662
Write-off of long outstanding trade payables	**(67)**	(258)
Exchange loss (gain), net	**117**	(32)
Others	**1,249**	1,970
	17,226	6,931

Note: During the year ended 31 July 2015, an amount of approximately HK$1,317,000 (2014: Nil) has been recognised as a reversal of provision for slow-moving inventories upon disposal/utilisation of these inventories.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the nine (2014: nine) Directors and chief executive are as follows:

	2015							
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Housing allowances HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors								
Lam Kin Ming	10	5,585	1,379	–	–	–	289	7,263
Lam Wai Shan, Vanessa	10	2,703	661	18	–	–	289	3,681
Lam Kin Ngok, Peter	10	–	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	–	10
Wan Edward Yee Hwa	10	600	–	–	–	–	–	610
Non-executive director								
Lam Suk Ying, Diana	96	–	–	–	–	–	–	96
Independent non-executive directors								
Yeung Sui Sang	96	–	–	–	–	–	–	96
Chow Bing Chiu	96	–	–	–	–	–	–	96
Leung Shu Yin, William	96	–	–	–	–	–	–	96
	434	8,888	2,040	18	–	–	578	11,958

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

	2014							
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Housing allowances HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors								
Lam Kin Ming	10	5,545	1,379	–	–	–	214	7,148
Lam Wai Shan, Vanessa	10	2,643	661	16	–	–	213	3,543
Lam Kin Ngok, Peter	10	–	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	–	10
Wan Edward Yee Hwa	10	600	–	–	–	–	–	610
Non-executive director								
Lam Suk Ying, Diana	96	–	–	–	–	–	–	96
Independent non-executive directors								
Yeung Sui Sang	96	–	–	–	–	–	–	96
Chow Bing Chiu	96	–	–	–	–	–	–	96
Leung Shu Yin, William	96	–	–	–	–	–	–	96
	434	8,788	2,040	16	–	–	427	11,705

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

During each of the two years ended 31 July 2015, (i) no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office and (ii) none of the Directors waived any emoluments.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

12. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2014: two) directors, details of whose remuneration are set out in note 11. The remunerations of the remaining three (2014: three), highest paid employees are as follows:

	2015 HK$'000	2014 HK$'000
Salaries and allowances	**3,231**	3,721
Retirement benefits schemes	**54**	46
	3,285	3,767

Their remunerations are within the following bands:

	Number of employees 2015	 2014
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	2
	3	3

During each of the two years ended 31 July 2015, 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.

13. DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2015 (2014: Nil) nor has any dividend been proposed by the Company since the end of the reporting period (2014: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

14. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**51,145**	106,032
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**51,145**	106,032
Number of shares		
Weighted average number of ordinary shares (2014: Number of ordinary shares) for the purposes of basic earnings per share	**935,798,490**	935,743,695
Weighted average number of ordinary shares (2014: Number of ordinary shares) for the purposes of diluted earnings per share	**940,470,435**	935,743,695

For the year ended 31 July 2014, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period during which the share options were outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Leasehold buildings HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and fixtures, leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1 August 2013	42,900	64,438	29,421	4,721	84,565	17,512	10,574	254,131
Additions	–	–	11,172	–	7,320	314	93	18,899
Disposals/write-off	–	–	–	(2)	(4,149)	(57)	(1,548)	(5,756)
Transfer from construction in progress	–	40,633	(40,633)	–	–	–	–	–
Exchange realignment	–	(55)	40	–	3	–	–	(12)
At 31 July 2014	42,900	105,016	–	4,719	87,739	17,769	9,119	267,262
Additions	–	565	–	4	5,592	2,127	1,492	9,780
Disposals/write-off	–	–	–	–	(1,785)	(5)	(801)	(2,591)
Exchange realignment	–	(777)	–	(32)	(174)	(74)	(20)	(1,077)
At 31 July 2015	**42,900**	**104,804**	**–**	**4,691**	**91,372**	**19,817**	**9,790**	**273,374**
ACCUMULATED DEPRECIATION								
At 1 August 2013	623	2,679	–	4,537	61,700	13,676	8,878	92,093
Provided for the year	1,247	2,789	–	40	11,637	1,293	721	17,727
Eliminated on disposals/write-off	–	–	–	(3)	(3,531)	(44)	(1,419)	(4,997)
Exchange realignment	–	(3)	–	–	1	(1)	–	(3)
At 31 July 2014	1,870	5,465	–	4,574	69,807	14,924	8,180	104,820
Provided for the year	1,246	4,551	–	37	8,533	1,464	469	16,300
Eliminated on disposals/write-off	–	–	–	–	(1,334)	(5)	(782)	(2,121)
Exchange realignment	–	(41)	–	(31)	(147)	(57)	(16)	(292)
At 31 July 2015	**3,116**	**9,975**	**–**	**4,580**	**76,859**	**16,326**	**7,851**	**118,707**
CARRYING VALUES								
At 31 July 2015	**39,784**	**94,829**	**–**	**111**	**14,513**	**3,491**	**1,939**	**154,667**
At 31 July 2014	41,030	99,551	–	145	17,932	2,845	939	162,442

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The Group has pledged leasehold land and buildings with a carrying value of approximately HK$46,368,000 (2014: HK$47,821,000) to secure general banking facilities granted to the Group (note 32).

16. INVESTMENT PROPERTIES

	2015 **HK$'000**	2014 HK$'000
FAIR VALUE		
At the beginning of the year	**1,452,922**	1,294,484
Additions	**44,844**	15,452
Increase in fair value recognised in profit or loss	**97,493**	143,008
Exchange realignment	**(209)**	(22)
At the end of the year	**1,595,050**	1,452,922

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. On 28 February 2006, the Company, Lai Sun Garment (International) Limited ("**LSG**") and Unipress Investments Limited ("**Unipress**"), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the "**Development Agreement**") in connection with the redevelopment of an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (the "**KT Property**"). Further details of the redevelopment were included in the Company's circular dated 29 April 2006. LSG is a related company to the Group as Dr. Lam Kin Ming, the Chairman and Chief Executive of the Group, is also the Chairman of LSG.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

16. INVESTMENT PROPERTIES (continued)

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

The fair value of the Group's investment properties as at 31 July 2015 and 31 July 2014 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected to the Group.

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

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

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

At 31 July 2015, certain investment properties of approximately HK$1,488,300,000 (2014: HK$1,383,500,000) of the Group were pledged to banks to secure the bank loans granted to the Group, details of which are set out in note 32.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

16. INVESTMENT PROPERTIES (continued)

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

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

Description	Fair value as at 31 July 2015 HK$'000	Valuation techniques	Unobservable inputs	Weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong					
Retail	43,000	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	2.50%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK$110 per square ft.	The higher the market rent, the higher the fair value.
Office	1,311,584	Direct comparison/ Income capitalisation approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A
			(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	3.70%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK$30 per square ft.	The higher the market rent, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

16. INVESTMENT PROPERTIES (continued)

Description	Fair value as at 31 July 2015 HK$'000	Valuation techniques	Unobservable inputs	Weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
Property located in Hong Kong (continued)					
Industrial	71,500	Direct comparison/ Income capitalisation approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A
			(i) Capitalisation rate and Reversionary yield (derived from monthly market rent)	1.90%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	HK$12 per square ft.	The higher the market rent, the higher the fair value.
Property located in the PRC					
Retail	43,000	Income capitalisation approach	(i) Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50%	The higher the reversionary yield, the lower the fair value.
			(ii) Reversionary rent	RMB264 per square m.	The higher the market rent, the higher the fair value.
Office	1,311,584	Direct comparison approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A
Residential	1,726	Direct comparison approach	Adjusted transaction price (to reflect location, size, age and maintenance)	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

16. INVESTMENT PROPERTIES (continued)

The carrying amounts of investment properties shown above comprise:

	2015 HK$'000	2014 HK$'000
Situated in Hong Kong		
Long-term lease	**25,300**	21,000
Medium-term lease	**1,543,000**	1,405,500
Situated outside Hong Kong		
Medium-term lease	**26,750**	26,422
	1,595,050	1,452,922

17. LAND LEASE PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables, deposits and prepayments)	**349**	352
Non-current asset	**14,578**	15,046
	14,927	15,398

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ registration and operations	Issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2015	2014	
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited	Hong Kong	HK$1	**100**	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Crocodile Garments (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	Garment trading
Zhong Shan Crocodile Garments Limited* (中山鱷魚恤服飾有限公司)	The PRC	HK$8,000,000	**100**	100	Property investment
Crocodile Garments (Zhong Shan) Limited* (“**Crocodile Zhong Shan**”) (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	**100**	100	Garment trading
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	**100**	100	Garment trading
Stargem Limited	Hong Kong	HK$1	**100**	100	Property investment
Public Global Investments Limited	Hong Kong	HK$1	**100**	100	Property investment
Pure Goal Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Purewell Limited	Hong Kong	HK$1	**100**	100	Property Investment
Keepower Limited	Hong Kong	HK$1	**100**	100	Property Investment

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

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

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

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

19. INTEREST IN AN ASSOCIATE

Included in interest in an associate is amounting to HK$11,464,000 (2014: HK$10,918,000) is amount due from an associate which is unsecured, interest bearing at 5% per annum and not repayable within 12 months.

Details of the associate as at 31 July 2015 and 2014 are as follows:

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

Note: The Group holds 50% of the issued share capital of Mass Energy Limited, however, the Group does not have joint control or control over Mass Energy Limited as decisions are made by LSG. The Directors consider that the Group exercises significant influence over Mass Energy Limited and it is therefore classified as an associate of the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

19. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of the associate

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

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

	2015	2014
	HK$'000	HK$'000
Current assets	**9,137**	7,349
Non-current assets — representing investment properties	**70,000**	57,000
Current liabilities	**(219)**	(223)
Non-current liabilities	**(23,716)**	(22,582)
Net assets	**55,202**	41,544
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**27,601**	20,772
Total revenue	**1,991**	1,959
Profit and total comprehensive income for the year	**13,657**	5,656
Group's share of profit of an associate for the year	**6,829**	2,828

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

20. DEPOSITS FOR LAND LEASE PREPAYMENTS

In accordance with the agreements dated 22 June 2006 (the "**Agreements**") entered into by the Group, Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) (the "**Vendor**") and Zhongshan Sanxiang Town Local Government (the "**Local Government**"), the Group paid RMB14,721,000 (equivalent to HK$18,401,000 (2014: HK$18,548,000)) to the Vendor (the "**Vendor Deposit**") and RMB13,822,000 (equivalent to HK$17,278,000 (2014: HK$17,416,000)) to a company owned by the Local Government (the "**Government Deposit**") as deposits for land lease prepayments (the "**Land Lease Prepayments**") to acquire the land use rights of a piece of land in the PRC (the "**Land**").

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

In October 2012, the Vendor and the Local Government each issued a letter to the Group respectively which acknowledged (i) their respective receipt of the deposit from the Group; (ii) their respective responsibility to assist the Group in obtaining the land use rights certificate of the Land; and (iii) their respective obligation to refund the respective deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use rights certificate of the Land. However, the letter issued by the Local Government in October 2012 did not undertake the refund of the Vendor Deposit.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

20. DEPOSITS FOR LAND LEASE PREPAYMENTS (continued)

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

Up to 25 October 2013, the date of approval of the consolidated financial statements for the year ended 31 July 2013, no legal action was taken by the Group against the Local Government and the Vendor because the negotiation with the Local Government and the Vendor to obtain the land use rights certificate of the Land was still in progress.

In September 2013, the Local Government further issued a letter to the Group which acknowledged (i) its receipt of the Government Deposit from the Group; (ii) its responsibility to assist the Group in obtaining the land use rights certificate of the Land; and (iii) its obligation to refund the Government Deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use rights certificate of the Land. The Vendor had not issued any letter to the Group to acknowledge the receipt of the Vendor Deposit subsequent to the October 2012 letter.

Since the valid time bar under the PRC law and regulations to take legal action to recover the Vendor Deposit from the Local Government has expired as at 31 July 2013 and the Group had not received any acknowledgement from the Vendor in 2013, the Directors have performed a detailed assessment on the recoverability of the carrying amount of the Vendor Deposit as at 31 July 2013. On the basis of the assessment, an impairment loss on the Vendor Deposit had been recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2013 as the management opined that the impairment loss was incurred in the year ended 31 July 2013 due to the Group's option to recover the Vendor Deposit from the Local Government was legally expired at the end of February 2013 and the assessment of the financial position of the Vendor, contrary to any opinion of the uncertainty as to whether the impairment loss, or any portion thereof, was incurred in the year ended 31 July 2012 or 2013.

In October 2014, the Local Government issued a letter to the Group, which acknowledged the terms included in the letter issued by the Local Government in September 2013. In July 2015, Zhongshan City Local Government issued a letter to Local Government and the Group, which acknowledged the Land Lease Prepayments. The Group assessed the recoverability of the Government Deposit and no impairment loss is considered necessary by the Directors for the year ended 31 July 2015 and 31 July 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

21. AVAILABLE-FOR-SALE FINANCIAL ASSET

	2015 HK$'000	2014 HK$'000
Unlisted equity investment in Hong Kong, at cost	**26,366**	25,040

The above unlisted equity investment represents investment in unlisted equity interest in a private limited partnership established in Hong Kong. The investment is measured at cost less impairment at the end of the reporting period since in the opinion of the Directors, the range of reasonable fair value estimates is so significant that fair value of the investment cannot be reliably measured. As at the 31 July 2015, approximately HK$4,834,000 (2014: HK$6,160,000) under the contract has not been paid and details of the capital commitments are set out in note 34.

22. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**835**	980
Finished goods	**101,572**	132,182
	102,407	133,162

During the year ended 31 July 2015, reversal of provision for slow-moving inventories of approximately HK$1,317,000 (2014: provision of HK$6,012,000) has been recognised and included in cost of sale.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 HK$'000	2014 HK$'000
Trade receivables	**17,652**	20,169
Less: Allowance for doubtful debts	**(8,562)**	(2,110)
	9,090	18,059
Other receivables (Note a)	**64,908**	54,816
Less: Allowance for doubtful debts	**(20,613)**	(11,288)
	44,295	43,528
Deposits and prepayments (Note b)	**43,298**	46,030
	96,683	107,617
Less: Rental and utility deposits shown under non-current assets	**(11,131)**	(14,982)
	85,552	92,635

Notes:

(a) *As at 31 July 2015, royalty receivables of the Group of approximately HK$40,934,000 (2014: HK$39,475,000) is included in the other receivables, where payments are required semi-annually.*

(b) *As at 31 July 2015, land lease prepayments of the Group of approximately HK$349,000 (2014: HK$352,000) are included in the current portion of deposits and prepayments.*

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

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

	2015 HK$'000	2014 HK$'000
0 to 90 days	**8,540**	12,454
91 to 180 days	**332**	2,223
181 to 365 days	**218**	3,382
	9,090	18,059

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

	2015 HK$'000	2014 HK$'000
At the beginning of the year	**13,398**	8,808
Allowance provided	**15,879**	4,589
Exchange realignment	**(102)**	1
At the end of the year	**29,175**	13,398

Included in allowance for doubtful debts of the Group are individually impaired trade receivables with an aggregate balance of approximately HK$29,175,000 (2014: HK$13,398,000). The impaired trade receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

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

	2015 HK$'000	2014 HK$'000
Past due but not impaired		
Within 60 days	**7,119**	10,742
61 days to 150 days	**332**	2,223
Over 150 days	**218**	3,382
	7,669	16,347

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

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

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 **HK$'000**	2014 HK$'000
Listed investments		
Equity securities listed in Hong Kong	**11,278**	2,014
Equity securities listed outside Hong Kong	**9,604**	4,234
Debt securities listed in Hong Kong	**29,368**	19,818
Debt securities listed outside Hong Kong	**6,631**	38,518
Perpetual securities listed in Hong Kong	**9,420**	10,062
Perpetual securities listed outside Hong Kong	**10,772**	5,492
	77,073	80,138
Unlisted investments		
Equity securities	**27,714**	14,558
Debt securities	**35,129**	48,310
Perpetual securities	**1,624**	—
	64,467	62,868
Total	**141,540**	143,006

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

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

	2015	2014
	HK$'000	HK$'000
Currency		
RMB	**16,422**	27,319
US dollars ("**US$**")	**106,077**	111,947
Singapore dollars ("**SGD**")	**322**	356
Brazilian real ("**BRL**")	**909**	1,370

Key terms of debt securities are summarised as below:

	2015	2014
Coupon interest rate	**3.25% to 12.00%**	3.25% to 12.00%
Maturity	**2016 to 2021/ perpetual**	2014 to 2020/ perpetual

The above financial assets at FVTPL are classified as held for trading. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the reporting date. The fair value of unlisted equity securities was based on the value quoted based on underlying investment value by the brokers at the end of the reporting period. The fair value of the unlisted debt securities was determined by brokers, using discounted cash flow of estimated future cash flows arising from fixed incomes of debts and using quoted bid prices in an active market at the end of the reporting period.

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

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

At 31 July 2015, certain financial assets at FVTPL of approximately HK$114,692,000 (2014: HK$117,160,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$21,824,000 (2014: HK$26,075,000), details of which are set out in note 27.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2015	2014
	HK$'000	HK$'000
Bank balances and cash	**68,166**	54,111
Short-term time deposits	**3,977**	3,122
	72,143	57,233
Pledged bank deposits	**1,819**	730

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

	2015	2014
	HK$'000	HK$'000
Currency		
RMB	**5,683**	3,863
US$	**1,012**	4,481

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.

The pledged bank deposits of the Group carry interest at market rates and are therefore exposed to cash flow interest rate risk. There was no fixed rate pledged bank deposit of the Group as at 31 July 2015 and 31 July 2014.

Pledged bank deposits amounting to approximately HK$1,819,000 (2014: HK$730,000) have been pledged to secure margin loans payable and are therefore classified as current assets.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

26. BANK BORROWINGS

	2015		2014	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Bank loans, secured	**506,594**	**1.49-2.30**	451,355	1.47-2.30
Trust receipt loans, secured	**14,694**	**1.93-1.94**	7,197	1.93-1.94
Trust receipt loans, unsecured	**—**	**N/A**	3,097	1.56-1.88
	521,288		461,649	

	2015 HK$'000	2014 HK$'000
Carrying amount repayable (Note):		
Within one year	**495,241**	160,055
Beyond one year, but not exceeding two years	**2,603**	275,548
Beyond two years, but not exceeding five years	**8,141**	7,974
Beyond five years	**15,303**	18,072
	521,288	461,649
Less: Amounts shown under current liabilities	**(495,241)**	(160,055)
Amounts shown under non-current liabilities	**26,047**	301,594

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

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

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate plus 1.45% to 1.75% (2014: 1.35% to 1.75%).

During the reporting year, in respect of a bank loan with a carrying amount of approximately HK$423,088,000 as at 31 July 2015 ("**Bank Loan**"), the Group complied with the terms of the Bank Loan except possibly for certain terms, which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exceptions above, the directors of the Company informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker.

Up to the date of approval for issuance of the consolidated financial statements for the reporting year, the banker confirmed that in the absence of any unforeseen circumstances, they expected the corresponding banking facilities shall continue to be made available to the Group up to 31 March 2017. However, since the Bank Loan technically falls due within one year in accordance with the terms of the Bank Loan, the Bank Loan has been classified as current liability as at 31 July 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

27. MARGIN LOANS PAYABLE

For the year ended 31 July 2015, 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$114,692,000 (2014: HK$117,160,000) (note 24) and pledged bank deposits of approximately HK$1,819,000 (2014: HK$730,000) (note 25).

	2015		2014	
	HK$'000	**Effective interest rates (%) p.a.**	HK$'000	Effective interest rates (%) p.a.
Within one year	21,824	1.44-1.94	26,075	1.34-1.40

The Group's variable-rate margin loans payable are mainly subject to interest at bank's cost of fund plus 1% (2014: 1%). The range of effective interest rates are equal to contractual interest rates.

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

	2015	2014
	HK$'000	HK$'000
Currency		
US$	**10,988**	26,075

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

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

a. Trade and other payables and deposits received

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

	2015	2014
	HK$'000	HK$'000
Trade payables:		
0 to 90 days	**10,966**	12,086
91 to 180 days	**1,163**	267
181 to 365 days	**1,998**	882
Over 365 days	**928**	241
	15,055	13,476
Advance from customers	**7,171**	9,019
Deposits received	**12,681**	12,972
Other payables and accruals	**34,448**	32,915
	69,355	68,382

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

b. Perpetual loan

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party (the "**Investor**"). Pursuant to the agreement, the Investor agreed to lend HK$15,000,000 to the Group and the loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposed of one of its investment property, which is located at Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong. Upon disposal of the investment property, 50% on disposal gain or loss will be shared with the Investor and will be added to or subtracted from the principal amount of the loan to be repaid. The loan is designated and measured as financial liability at FVTPL with any gains or losses arising on remeasurement recognised in profit of loss.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

29. DEFERRED TAX

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

	2015	2014
	HK$'000	HK$'000
Deferred tax assets	**—**	—
Deferred tax liabilities	**(5,744)**	(2,481)
	(5,744)	(2,481)

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

	Losses available for offsetting against future taxable profits	**Accelerated tax depreciation**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 August 2013	6,625	(6,462)	163
Charge to profit or loss	(1,365)	(1,279)	(2,644)
At 31 July 2014	5,260	(7,741)	(2,481)
Charge to profit or loss	(1,834)	(1,429)	(3,263)
At 31 July 2015	**3,426**	**(9,170)**	**(5,744)**

As at 31 July 2015, the Group has unutilised Hong Kong and PRC tax losses of approximately HK$393,339,000 (2014: HK$351,503,000). Tax losses in Hong Kong are available for offsetting against future taxable profits of the companies in which the losses arose for an indefinite period. The PRC tax loss unutilised of approximately HK$63,387,000 (2014: HK$50,828,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$20,769,000 (2014: HK$31,882,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining Hong Kong and PRC tax losses of approximately HK$372,570,000 (2014: HK$320,763,000) 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$nil (2014: HK$3,496,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

30. CAPITAL AND RESERVE

Share capital

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2013	935,743,695	233,936
Transition to no par value regime on 3 March 2014 (note)	—	90,749
At 31 July 2014 and 31 July 2015	935,743,695	324,685
Issue of ordinary shares pursuant to exercise of options under share option scheme	10,000,000	5,529
	945,743,695	**330,214**

Note: In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

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

31. SHARE-BASED PAYMENT TRANSACTIONS

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

At 31 July 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,800,000 (31 July 2014: 10,000,000), representing 0.19% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company on 22 December 2006 and the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any share option schemes of the Company must not exceed 30% of the number of shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

				Number of option shares					
Category	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 August 2013	Granted during the year	Outstanding at 31 July 2014	Granted during the year	Exercised during the year	Outstanding at 31 July 2015
Directors									
Dr. Lam Kin Ming	20 July 2015	0.8500	20.7.2015-19.7.2018	–	–	–	900,000	–	900,000
Ms. Lam Wai Shan, Vanessa	21 August 2013	0.4675	21.8.2013-20.8.2016	–	2,500,000	2,500,000	–	(2,500,000)	–
	20 July 2015	0.8500	20.7.2015-19.7.2018	–	–	–	900,000	–	900,000
Mr. Wan Edward Yee Hwa	21 August 2013	0.4675	21.8.2013-20.8.2016	–	2,500,000	2,500,000	–	(2,500,000)	–
Employees	21 August 2013	0.4675	21.8.2013-20.8.2016	–	5,000,000	5,000,000	–	(5,000,000)	–
				–	10,000,000	10,000,000	1,800,000	(10,000,000)	1,800,000
Exercisable at the end of the year						10,000,000			1,800,000
Weighted average exercise price (HK$)				–	0.4675	0.4675	0.8500	0.4675	0.8500

During the years ended 31 July 2015 and 31 July 2014, options were granted on 20 July 2015 and 21 August 2013 respectively. The estimated fair values of the options granted were HK$578,000 and HK$854,000 respectively. The options vest immediately.

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

	Granted on 20 July 2015	Granted on 21 August 2013
Grant date share price	**HK$0.800**	HK$0.420
Exercise price	**HK$0.850**	HK$0.4675
Expected volatility	**62.75%**	34.76%
Expected life	**3 years**	3 years
Expected dividend yield	**0%**	0%
Risk free rate	**0.717%**	0.574%

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

31. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$578,000 for the year ended 31 July 2015 (2014: HK$854,000) in relation to share options granted by the Company.

32. PLEDGE OF ASSETS

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

	2015 **HK$'000**	2014 HK$'000
Leasehold land and building	**46,368**	47,821
Investment properties	**1,488,300**	1,383,500
Financial assets at FVTPL	**114,692**	117,160
Pledged bank deposits	**1,819**	730
	1,651,179	1,549,211

33. OPERATING LEASE ARRANGEMENTS

As lessor

Gross property rental income earned during the year was approximately HK$51,163,000 (2014: HK$46,851,000). The Group leases out its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from three to four years. The terms of the leases generally require the tenants to pay security deposits. During the year, the investment properties generated rental yields of 3.2% (2014: 3.2%).

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

	2015 **HK$'000**	2014 HK$'000
Within one year	**47,427**	50,109
In the second to fifth years, inclusive	**14,951**	45,957
	62,378	96,066

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

33. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

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

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

	2015 **HK$'000**	2014 HK$'000
Within one year	**62,651**	105,751
In the second to fifth years, inclusive	**50,571**	40,569
	113,222	146,320

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.

34. COMMITMENTS

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

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for:		
Land lease prepayments in the PRC	**4,320**	4,354
Acquisition and construction of property, plant and equipment in the PRC	**2,250**	2,268
	6,570	6,622

In addition, the Group is committed to further contribute HK$4,834,000 (2014: HK$6,160,000) to the available-for-sale financial asset, details of which are set out in note 21.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	**2015 HK$'000**	2014 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i)	**3,005**	2,853
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(ii)	**977**	1,039
— Honor Lamp Investments Limited	(iii)	**677**	677
— Guangzhou Besto Real Estate Development Company Limited	(iv)	**1,239**	2,243
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(v)	**2,061**	1,915
Company secretarial fee:			
— Lai Sun Development Company Limited	(vi)	**904**	886
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(vii)	**849**	757
Rental income and building management fee:			
— Big Honor Asia Limited	(viii)	**2,095**	2,095
Interest income:			
— Mass Energy Limited	(ix)	**546**	520

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

35. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

Notes: (continued)

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

(iv) *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.*

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

(vi) *Lai Sun Development Company Limited is a Company of which certain executive directors of the Company are also its directors. The company secretarial fee was charged by Lai Sun Development Company Limited.*

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

(viii) *Pursuant to the respective lease agreements, the rental income and management fee received or receivable by the Group from Big Honor Asia Limited during the year ended 31 July 2014 and the period from 1 April 2013 to 31 July 2014 constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules. The details of these continuing connected transactions, which were subject to the reporting requirement set out in Chapter 14A of the Listing Rules, were disclosed under the section of continuing connected transactions of the Report of the Directors.*

(ix) *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) Outstanding balances with related parties:

Except for the amount due to Guangzhou Besto Real Estate Development Company Limited of approximately HK$42,636,000 (2014: HK$40,900,000) as at 31 July 2015 which are unsecured, interest bearing at 5.6% per annum and repayable on demand, the remaining balances of the Group were derived from normal business activities and are unsecured, interest-free and repayable on demand. The Company's amount due to a related company is unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	2015 **HK$'000**	2014 HK$'000
Short-term employee benefits	**15,172**	14,983
Post-employment benefits	**72**	62
	15,244	15,045

Further details of directors' remuneration are included in note 11.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

36. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs and up to maximum of HK$1,250 before 1 June 2014 or HK$1,500 starting from 1 June 2014 per month for each employee to the scheme, to which the same amount of contribution is matched by employees.

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes certain percentage of the basic salaries of its employees to the retirement fund in accordance with the rule and regulations in the PRC.

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 July 2015, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$2,440,000 (2014: HK$2,724,000).

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings, margin loans payable and amounts due to related companies disclosed in notes 26, 27 and 35 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

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

	2015 **HK$'000**	2014 HK$'000 (restated)
Debts (i)	**543,112**	487,724
Equity (ii)	**1,560,786**	1,506,084
Debt to equity ratio	**34.8%**	32.4%

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

38. FINANCIAL RISK MANAGEMENT

a. Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2015 and 2014 are categorised as follows:

	2015	2014
	HK$'000	HK$'000
Financial assets		
FVTPL — Held for trading	**141,540**	143,006
Available-for-sale financial asset	**26,366**	25,040
Loans and receivables (including pledged bank deposits and bank balances and cash)	**190,661**	167,477
	358,567	335,523
Financial liabilities		
Designated at FVTPL	**15,000**	15,000
Amortised cost	**631,230**	572,152
	646,230	587,152

b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale financial asset, rental and utility deposits, trade and other receivables and deposits, amount due from an associate, pledged bank deposits, bank balances and cash, trade and other payables and deposits received, perpetual loan, bank borrowings, margin loans payable and amounts due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The Group was exposed to foreign currency risk in relation to financial assets at FVTPL, pledged bank deposits and bank balances and cash and margin loans payable as disclosed in notes 24, 25 and 27 respectively, the Directors consider the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

38. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

The Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, margin loans payable, bank balances and pledged bank deposits. Details of bank balances and pledged bank deposits, bank borrowings and margin loans payable are disclosed in notes 25, 26 and 27 respectively. It is the Group's policy to keep its bank balances and pledged bank deposits, bank borrowings and margin loans payable at floating rate of interests so as to minimise the fair value interest rate risk. Debt securities included in the financial assets at FVTPL, amounts due to related company, amount due from an associate and short-term time deposits carried at fixed rates expose the Group to fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Inter-bank Offer Rate arising from the Group's Hong Kong dollar denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2014: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 (2014: 100) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 July 2015 would decrease/increase by HK$3,991,000 (2014: HK$3,691,000).

Other price risk

The Group is exposed to price risk mainly through its investment in listed and unlisted securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's price risk is mainly concentrated on equity securities operating in hospitality and energy sectors quoted in The Stock Exchange of Hong Kong Limited and resources sector quoted in Singapore Exchange Limited and the New York Stock Exchange.

Price sensitivity analysis

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

If the prices had been 5% higher/lower while holding all other variables constant:

Post-tax profit for the year ended 31 July 2015 would increase/decrease by approximately HK$1,744,000 (2014: increase/decrease by HK$522,000). This is mainly due to the change in fair value of held-for-trading investments.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

38. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. There are policies in place to ensure that goods are sold to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 41.6% (2014: 78.4%) of the total trade receivables as at 31 July 2015.

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

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

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

Liquidity risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

38. FINANCIAL RISK MANAGEMENT (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities at the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2015 HK$'000
Bank borrowings	1.81%	499,592	3,151	9,454	16,677	528,874	521,288
Margin loans payable	1.62%	21,848	–	–	–	21,848	21,824
Trade and other payables and deposits received	–	45,127	–	–	–	45,127	45,127
Perpetual loan	–	15,000	–	–	–	15,000	15,000
Amounts due to related companies	5.60%	45,378	–	–	–	45,378	42,991
		626,945	3,151	9,454	16,677	656,227	646,230

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2014 HK$'000
Bank borrowings	1.76%	165,876	279,649	9,451	19,827	474,803	461,649
Margin loans payable	1.36%	26,097	–	–	–	26,097	26,075
Trade and other payables and deposits received	–	42,989	–	–	–	42,989	42,989
Perpetual loan	–	15,000	–	–	–	15,000	15,000
Amounts due to related companies	5.60%	43,556	–	–	–	43,556	41,439
		293,518	279,649	9,451	19,827	602,445	587,152

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

38. FINANCIAL RISK MANAGEMENT (continued)

c. Fair values

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

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

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

Fair value hierarchy as at 31 July 2015 and 2014

	31 July 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL	**77,073**	**64,467**	**—**	**141,540**
Financial liabilities at FVTPL	**—**	**—**	**15,000**	**15,000**

	31 July 2014			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL	80,138	62,868	—	143,006
Financial liabilities at FVTPL	—	—	15,000	15,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

39. STATEMENT OF FINANCIAL POSITION

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**8,747**	8,941
Interests in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries		**550,388**	518,567
Rental and utility deposits		**11,019**	14,922
		574,204	546,480
Current assets			
Inventories		**68,326**	77,838
Trade and other receivables, deposits and prepayments		**31,229**	24,687
Amounts due from subsidiaries		**262,418**	260,790
Financial assets at fair value through profit or loss		**141,541**	143,006
Pledged bank deposits		**1,819**	730
Bank balances and cash		**22,740**	27,527
		528,073	534,578
Current liabilities			
Bank borrowings		**492,694**	157,557
Margin loans payable		**21,824**	26,075
Trade and other payables and deposits received		**23,887**	24,869
Perpetual loan		**15,000**	15,000
Amounts due to subsidiaries		**14,111**	17,093
		567,516	240,594
Net current (liabilities) assets		**(39,443)**	293,984
Total assets less current liabilities		**534,761**	840,464
Non-current liabilities			
Bank borrowings		**—**	273,000
Provision for long service payments		**2,727**	2,626
		2,727	275,626
Net assets		**532,034**	564,838
Capital and reserves			
Share capital		**330,214**	324,685
Reserves	(a)	**201,820**	240,153
Total equity		**532,034**	564,838

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 28 October 2015 and are signed on its behalf by:

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 July 2015

39. STATEMENT OF FINANCIAL POSITION (continued)

Note:

(a) The reserves of the Company as at 31 July 2015 and 31 July 2014 are as follows:

	Share premium HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 August 2013	90,749	252,474	—	343,223
Loss for the year	—	(13,175)	—	(13,175)
Transition to no-par value regime on 3 March 2014 (Note 30)	(90,749)	—	—	(90,749)
Recognition of equity-settled share-based payments	—	—	854	854
At 31 July 2014	—	239,299	854	240,153
Loss for the year	—	(38,057)	—	(38,057)
Issue of ordinary shares pursuant to exercise of options under Share Option Scheme	—	—	(854)	(854)
Recognition of equity-settled share-based payments	—	—	578	578
At 31 July 2015	—	201,242	578	201,820

Particulars of Investment Properties

At 31 July 2015

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

Location	Use	Lease Term	Attributable Interests of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Long	100%
Unit E on 2nd Floor, Yip Fat Factory Building Phase 2, 75 (formerly 73 and 75) Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit A on 11th Floor, Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong	Property letting	Medium	100%
Workshop Nos. 1, 2, 3, 5, 6, 7, 8, 9 and Store Room on 20th Floor, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the People's Republic of China ("**PRC**")	Property letting	Medium	100%
Shop No. 129, No. 103 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%

Particulars of Investment Properties

At 31 July 2015

Location	Use	Lease Term	Attributable Interests of the Group
Shop No. 130, No. 105 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Unit 2902 on Level 29, Building 5, Tai Yue Bay, Junction of Hongxing Road South, Extension Line and Jincheng Avenue, Gao Xiu District, Chengdu, the PRC	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an annual general meeting of the members ("**Members**") of Crocodile Garments Limited ("**Company**") will be held at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Tuesday, 15 December 2015 at 10:00 a.m. ("**2015 AGM**") for the following purposes:

1. To consider and adopt the audited financial statements of the Company for the year ended 31 July 2015 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 Deloitte Touche Tohmatsu, Certified Public Accountants of Hong Kong, as the independent auditor of the Company for the ensuing year and to authorise the Board to fix its remuneration.

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

(A) "**THAT**:

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

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

(c) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company ("**AGM**");

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

(iii) the expiration of the period within which the next AGM is required by law or the Articles of Association of the Company ("**Articles of Association**") to be held."

Notice of Annual General Meeting

(B) "**THAT**:

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

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

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

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

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

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

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

shall not exceed 20% the total issued Shares as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(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 AGM;

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

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

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

(C) "**THAT** subject to the passing of the Ordinary Resolution Nos. 4(A) and 4(B) set out in the notice convening this meeting above, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the addition thereto of such number of Shares which has been bought back by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such Shares, provided that such number of Shares shall not exceed 10% of the total issued Shares as at the date of passing this Resolution."

Notice of Annual General Meeting

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as an ordinary resolution of the Company:

"**THAT**:

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") granting the approval for the listing of, and permission to deal in, the shares of the Company ("**Shares**") which may fall to be allotted and issued pursuant to the exercise of any options that may be granted under the new share option scheme of the Company (the rules of which are contained in the document marked "**A**" produced to the meeting and signed by the chairman of the meeting for the purpose of identification) ("**New Share Option Scheme**"), the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including without limitation to:

(i) manage and administer the New Share Option Scheme under which options will be granted to eligible participants under the New Share Option Scheme to subscribe for Shares;

(ii) modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**");

(iii) grant options to subscribe for Shares in accordance with the rules of the New Share Option Scheme and the Listing Rules, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme and subject to the Listing Rules;

(iv) make application at the appropriate time or times to the Stock Exchange, and any stock exchanges upon which the issued Shares may for the time being be listed, for listing of and permission to deal in any Shares which may thereafter from time to time be allotted and issued pursuant to the exercise of the options under the New Share Option Scheme;

(v) consent, if they deem fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and

Notice of Annual General Meeting

(b) subject to paragraph (a) hereinabove, the share option scheme adopted by the Company at its annual general meeting held on 22 December 2006 be and is hereby terminated with effect from the adoption of the New Share Option Scheme."

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

Hong Kong, 13 November 2015

Notes:

*(1) A Member entitled to attend and vote at the 2015 AGM convened by the above notice ("**Notice**") or its adjourned meeting (as the case may be) is entitled to appoint one (or, if he/she/it holds two or more Shares, more than one) proxy to attend the 2015 AGM and, on a poll, vote on his/her/its behalf in accordance with the Articles of Association. A proxy need not be a Member.*

*(2) To be valid, a form of proxy, duly signed and completed together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be lodged with the share registrar of the Company, Tricor Tengis Limited ("**Registrar**"), at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the 2015 AGM or its adjourned meeting (as the case may be) and in default, the proxy will not be treated as valid. Completion and return of the form of proxy shall not preclude Members from attending in person and voting at the 2015 AGM or its adjourned meeting (as the case may be) should they so wish. In that case, the said form(s) of proxy shall be deemed to be revoked.*

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

(3) To ascertain the entitlements to attend and vote at the 2015 AGM, Members must lodge the relevant transfer document(s) and share certificate(s) at the office of the Registrar no later than 4:30 p.m. on Thursday, 10 December 2015 for registration.

(4) Where there are joint registered holders of any Shares, any one of such joint holders may attend and vote at the 2015 AGM or its adjourned meeting (as the case may be), either in person or by proxy, in respect of such Shares as if he/she/it were solely entitled thereto. However, if more than one of such joint holders are present at the 2015 AGM or its adjourned meeting (as the case may be) personally or by proxy, then one of such holders so present whose name stands first in the Register of Members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

(5) Concerning agenda item 2 of the Notice,

(i) in accordance with Article 100 of the Articles of Association, Ms. Lam Wai Shan, Vanessa (an Executive Director) will retire from office as Director by rotation at the 2015 AGM and, being eligible, offer herself for re-election; and

*(ii) in accordance with Rule 13.74 of the Listing Rules, details of Ms. Lam Wai Shan, Vanessa are set out in the section headed "Biographical Details of Directors" of the Report of the Directors of the 2014-2015 Annual Report of the Company ("**Annual Report**").*

*(6) Concerning agenda item 3 of the Notice, the Board (which concurs with the audit committee of the Company) has recommended that subject to the approval of Members at the 2015 AGM, Deloitte Touche Tohmatsu will be re-appointed the independent auditors of the Company for the year ending 31 July 2016 ("**Year 2016**"). Members should note that in practice, independent auditors remuneration for the Year 2016 cannot be fixed at the 2015 AGM because such remuneration varies by reference to the scope and extent of the audit and other works which the independent auditor is being called upon to undertake in any given year. To enable the Company to charge the amount of such independent auditor's remuneration as operating expenses for the Year 2016, Members' approval to delegate the authority to the Board to fix the independent auditor's remuneration for the Year 2016 is required, and is hereby sought, at the 2015 AGM.*

(7) Details of the proposed Resolutions under agenda items 4 and 5 of the Notice are set out in the circular of the Company dated 13 November 2015 will be sent to Members together with the Annual Report.

Notice of Annual General Meeting

(8) *In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions proposed in the Notice shall be decided by way of a poll at the 2015 AGM.*

(9) *If a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a "black" rainstorm warning signal is expected to be in force at any time after 8:00 a.m. on the date of the 2015 AGM, the 2015 AGM will be postponed. The Company will post an announcement on the respective websites of the Company (www.crocodile.com.hk) and the Stock Exchange (www.hkexnews.hk) to notify Members of the date, time and venue of the rescheduled 2015 AGM.*

If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. on the date of the 2015 AGM and where conditions permit, the 2015 AGM will be held as scheduled. The 2015 AGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Having considered their own situations, Members should decide on their own whether they would attend the 2015 AGM under a bad weather condition and if they do so, they are advised to exercise care and caution.

CROCODILE