CROCODILE
2019-2020

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

Stock Code | 股份代號 122

Contents

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

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Website: www.crocodile.com.hk
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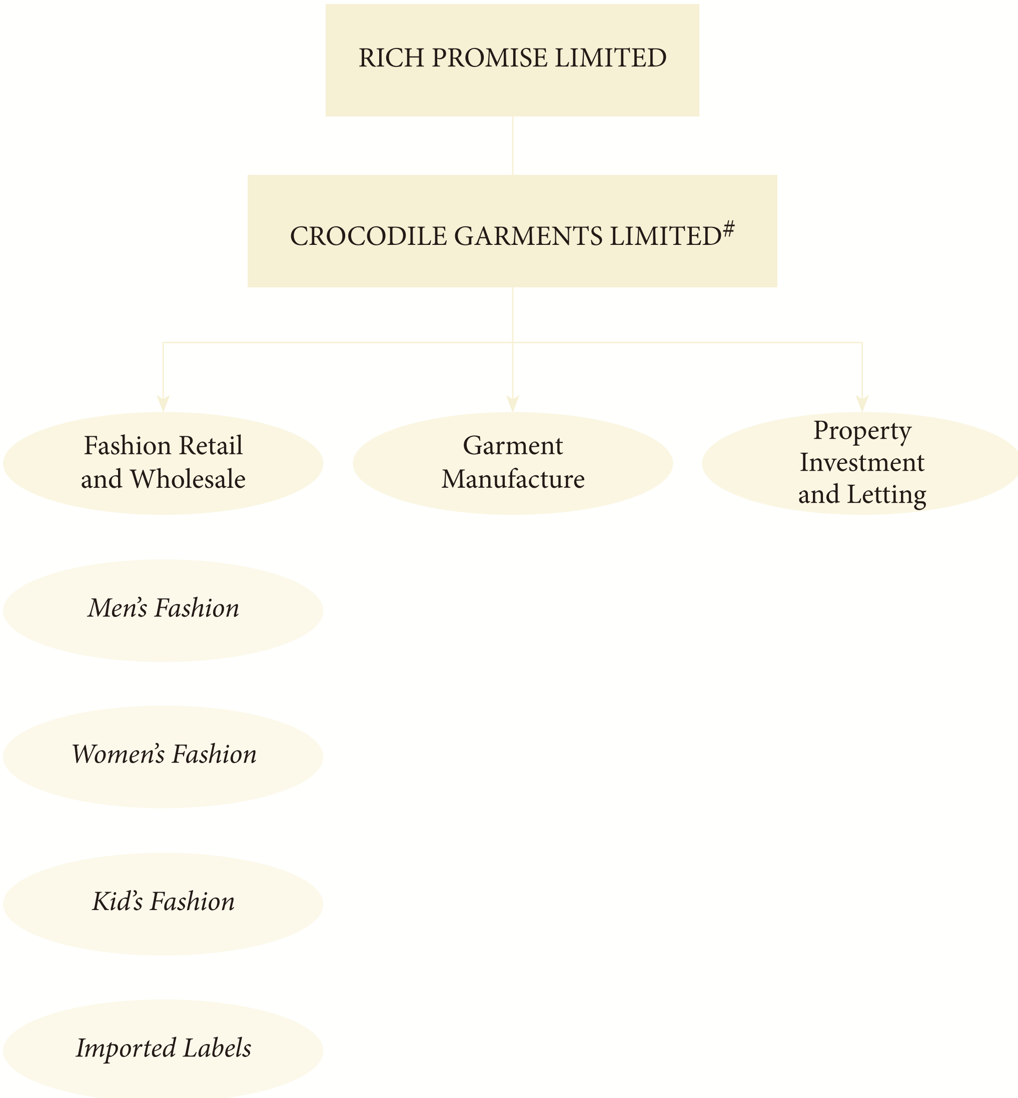
Stock Code on the Hong Kong Stock Exchange: ***122***

Brian Cheng, an artiste under Big Honor Entertainment Limited


CROCODILE
eshop: www.crocodile.com.hk

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

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

Company Secretary
Ko Ming Kin

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

Stock Code
122

Board Lot
1,000 shares

Share Registrar and Transfer Office
Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

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

Solicitors
INCE & Co.
MinterEllison LLP
Reed Smith Richards Butler
Vincent T.K. Cheung, Yap & Co.

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

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

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

Website
www.crocodile.com.hk


NOVAK DJOKOVIC
LACOSTE
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GIEDRE DUKAUSKAITE
LACOSTE
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Chairman's Statement

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

FINANCIAL PERFORMANCE

The revenue of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2020 slid to HK$151,267,000 (2019: HK$235,348,000), and the gross profit of the Group declined by about 36%, to HK$105,310,000 (2019: HK$163,334,000).

Having experienced the trough in the first half of the financial year under the lingering social chaos in Hong Kong, the "Garment and related accessories business" segment of the Group further sank into the mire following the outbreak of the novel coronavirus (COVID-19) in late January 2020. In order to prevent the spread of the virus, the shops similarly had to close temporarily or shorten the business hours in the second half of the financial year. Even when the shops were open, the footfall was minimal as the local customer spending mood was poor and tourists were limited by the travel restrictions imposed. The revenue of this segment, including the Mainland of China ("**Mainland**"), plunged by 47% to HK$94,868,000 (2019: HK$178,048,000); and incurred a loss of HK$105,250,000 (2019: HK$24,486,000) including the impairment loss recognised in respect of right-of-use assets of HK$39,349,000 (2019: Nil) under the newly adopted Hong Kong Financial Reporting Standard 16 – Leases as the future cash flows derived from the relevant assets were forecasted to be unfavourable.

The "Property investment and letting business" segment continued to generate steady rental income of HK$56,399,000 for the year ended 31 July 2020 (2019: HK$57,300,000). However, the revaluation of the investment properties held by the Group recorded fair value losses of HK$161,185,000 as at 31 July 2020 (2019: gains of HK$57,414,000).

Chairman's Statement

FINANCIAL PERFORMANCE (continued)

The global capital markets were very tumultuous in the financial year ended 31 July 2020 amid the escalated Sino-United States tension, not just in trade but also political; the swinging trend of the epidemic of the COVID-19 and the worldwide governmental stimulus policies to rescue the nosediving economies. Under such an extremely volatile market environment, the "Securities trading" segment suffered a loss of HK$17,523,000 for the year ended 31 July 2020 (2019: profit of HK$5,857,000), notwithstanding the Group has taken a prudent approach in managing the portfolio of financial assets at fair value through profit and loss.

Aggregating the results of the three business segments above with the share of loss of an associate of HK$2,559,000 (2019: profit of HK$3,528,000) and the exchange differences arising on translation of foreign operations of loss of HK$1,541,000 (2019: HK$1,958,000), the total comprehensive expense attributable to the owners of the Company was HK$292,024,000 for the year ended 31 July 2020 (2019: income of HK$28,649,000).

FINAL DIVIDEND

The board of director of the Company ("**Board**") has resolved not to recommend the payment of a final dividend for the year ended 31 July 2020 (2019: Nil).

No interim dividend was declared during the year (2019: Nil).

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

The sector of retailing fashion apparel and accessories in Hong Kong shrank tremendously in the year ended 31 July 2020. The protracted local social unrest deterred numerous tourists from visiting Hong Kong and forced many retailers to shorten business hours or even close shops. Along with the intensified Sino-United States trade war and the absurd warm weather during the fall/winter season, these factors throttled the business of the "Garment and related accessories business" segment of the Group in the first half of the year ended 31 July 2020. Unfortunately, the situation was worsened severely in the second half of the year ended 31 July 2020 upon the mandatory lockdowns of economic and social activities on the heels of surge of the COVID-19.

To cope with the above unprecedented harsh operating conditions, the Group focused on the "punch" products to avoid piling up of stock while catering for the customer preferences and cautious spending behaviours. The Group rationalised its retail network through the closure of underperforming shops and aggressive bargaining with landlords for rent concessions. As at 31 July 2020, the Group operated 17 (2019: 21) shops for "Crocodile" brand and 6 (2019: 6) shops for "Lacoste" brand.

At the logistics aspect, the Group has taken austerity measures by synergising the organisation structure and streamlining the workflow to rein in administrative outlays.

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT (continued)

The Mainland

The Mainland's economic growth was facing the biggest slowdown in decades, mainly caused by the heightening disputes with the United States, particularly in political arena, the weakening in its currency and the sweeping COVID-19. Accordingly, the business atmosphere became bleak.

The Group would consolidate its own sales channels after years-long of restructuring to prepare for any forthcoming headwind. As at 31 July 2020, there were a total of 14 (2019: 13) shops in the Mainland, including self-operated shops of 7 (2019: 5) and those operated by the Group's consignees and franchisees of 7 (2019: 8). The revenue of this segment was HK$7,248,000 for the year ended 31 July 2020 (2019: HK$10,052,000).

The Group's licensing business of the brand "Crocodile" generated royalty income of HK$729,000 for the year ended 31 July 2020 (2019: HK$740,000); and attributed to the ample effort in chasing the recovery of royalty income, there was a net reversal of provision for doubtful debts due from licensees of HK$7,004,000 (2019: HK$13,620,000).

Seasonality

As its track record shows, the sales and results of the "Garment and related accessories business" segment bear heavy correlation with seasonality. In general, more than 50% of this segment's annual sales are derived from the first half of the financial year in which fall/winter collections of higher values and margins are rolled out, coupling with festive holidays – Christmas, New Year and Lunar New Year.

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

The Group's investment property portfolio remained intact since 31 July 2019 save for the disposal of the investment property situated at Hennessy Road, Hong Kong as disclosed in the Company's announcement dated 18 June 2019 ("**Disposal**").

The property market in Hong Kong was gloomy in the year ended 31 July 2020. The frequent disruption of business operations caused by the lingering social disorder and the subsequent governmental stringent measures to curb the burst of COVID-19 took a heavy toll on the market sentiment and demand for non-residential properties. The revaluation of the investment properties held by the Group in Hong Kong ticked fair value losses of HK$160,500,000 as at 31 July 2020 (2019: gains of HK$57,150,000). Meanwhile, the decelerating economic momentum in the Mainland made the investment properties of the Group there record fair value losses of HK$685,000 (2019: gains of HK$264,000) on revaluation.

On the other hand, the investment properties of the Group in Hong Kong and the Mainland generated the rental revenue for the year ended 31 July 2020 of HK$55,231,000 (2019: HK$56,018,000) and HK$1,168,000 (2019: HK$1,282,000), respectively.

Chairman's Statement

"SECURITIES TRADING" SEGMENT

After weathering through the complicated market circumstances in the first half of the year ended 31 July 2020, the Group's "Securities trading" segment encountered with the fear of global recession came true on the flare of COVID-19 in the second half of the financial year. The central banks worldwide have implemented super-accommodative policies to mitigate the drastic downturns of business activities. Ironically, the tumbles of economies were led by the governmental lockdowns on social and business operations both local and international, and therefore the massive liquidities created by the easing policies went nowhere to the real economies, but to the securities and commodity markets. This quick money magnified the turbulences of the global financial markets furthermore than the first half of the year ended 31 July 2020. With ultra-low interest rates worldwide, the quick money, derailing from the fundamentals, flocked to risky financial assets, and this trend was contrary to the Group's prudent strategy of investing in value-oriented securities. Consequentially, the performance of the Group's "Securities trading" segment reversed in the second half of the year ended 31 July 2020, and made a loss of HK$17,523,000 for the whole financial year (2019: profit of HK$5,857,000).

PROSPECTS

Having no end in sight, the pandemic of COVID-19 remains the front and centre of concerns for the world. Any resurgence of COVID-19 in the coming autumn and winter will jolt the nascent economic recovery. The heightening all-rounded tension between China and the United States, compounded with the uncertainty of the presidential election of the United States; and the reignition of hard Brexit by virtue of the British government pressing ahead with a contentious draft law carrying an effect of sinking the Brexit treaty, further suppress any rebound of the markets.

In the situation rocked by the aforesaid factors, the Mainland has its own long-standing issues to deal with, such as heavy dependence on fixed asset investments and debts for growth, and an environment that favors state-owned enterprises to private businesses despite that the private sector provides most of the jobs in the country. Therefore, the overall demand has declined. The Mainland needs to overhaul the income distribution, but it inevitably involves a deep state-owned enterprise reform which is lengthy and difficult.

Hong Kong is reeling from not only the above adversities, but also the persistent political shadow as at the epicentre of China and the United States conflict.

With Hong Kong as the principal place of operation, the Group will keep a close watch over the uncertainties and challenges ahead and capture any opportunities for the future business development. The "Garment and related accessories business" segment will continue to realign the sales channels to optimise the market reach at enhanced rent-effectiveness. Over the decades, "Crocodile" has proven its prestige brand image and the Group strives to leverage this advantage to launch high value-for-money merchandises to maintain its market competitiveness. Moreover, the Group focuses on containing the inventory to a reasonable level for reducing the risk of any backlog.

The Group goes on maximising the back office operational efficiencies by consolidating different departmental resources to attain a more resilient organisation structure.

Chairman's Statement

PROSPECTS (continued)

The downturn of the non-residential property market in Hong Kong is foreseen to be on-going. Worsened by the increase in supply of office premises in Eastern Kowloon, Hong Kong where most of the Group's investment properties situated, the rental revenue of the "Property investment and letting business" segment is under heavy pressure. As an alleviation, the Group will endeavour to retain the valuable tenants by improving the qualities of the investment properties and offering attractive leasing terms. The Group will also consider to refine the portfolio by disposing of non-core investment properties, aiming at optimising the returns and fostering the liquidity.

The global investment ambience is undoubtedly choppy. The "Securities trading" segment has experienced the twisting and turning year ended 31 July 2020. The Group will reinforce the pragmatic investment discipline in managing the portfolio of financial assets at fair value through profit and loss, and increase the cash holding to preserve flexibility in the prevailing very complicated and volatile financial markets.

CONTINGENT LIABILITIES

As at 31 July 2020, the Group had no material contingent liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE RISK EXPOSURE

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss, fixed interest arrangement, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2020.

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

Cash and cash equivalents held by the Group amounted to HK$86,402,000 as at 31 July 2020 (2019: HK$105,570,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$24,108,000 (2019: HK$37,559,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2020 were equivalent to HK$17,585,000 (2019: HK$38,714,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE RISK EXPOSURE (continued)

As at 31 July 2020, the total outstanding borrowings including margin loans of the Group amounted to HK$634,332,000. The total outstanding borrowings comprised secured bank mortgage loans of HK$541,000, secured margin loans of HK$13,097,000, secured long-term bank loan of HK$223,950,000 and secured short-term bank revolving loans of HK$396,744,000. Short-term bank loans were repayable within a period not exceeding one year.

Interests on bank borrowings are charged at fixed and floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. Save for the fixed interest arrangement, no financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2020.

GEARING

The Group's gearing revealed by the debt to equity ratio at 31 July 2020 was 42%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the uncertain worldwide economic and financial landscapes, the Group continues to be prudent for business development to retain its gearing within a suitable range for controlling its risk exposure and finance costs.

CHARGES ON ASSETS

As at 31 July 2020, the Group had pledged certain of its own-use and investment properties with carrying values of HK$1,745,104,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 31 July 2020, the Group had no material capital commitments.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Except for the completion of the Disposal on 12 September 2019, the Group had no other significant investments, material acquisitions or disposals in the year ended 31 July 2020.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 203 as at 31 July 2020 (2019: 298). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies.

Chairman's Statement

APPRECIATION

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

Lam Kin Ming
Chairman, Executive Director and Chief Executive Officer

Hong Kong
27 October 2020

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2020 ("**Year**").

PRINCIPAL ACTIVITIES

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

Particulars of the Company' principal subsidiaries as at 31 July 2020 are set out in Note 20 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") can be found in the "*Chairman's Statement*" set out on pages 8 to 14 of this Annual Report. The financial risk management objectives and policies of the Group are set out in Note 39(b) to the Consolidated Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "*Corporate Governance Report*" and "*Environmental, Social and Governance Report*" on pages 30 to 45 and pages 46 to 55 of this Annual Report, respectively. These discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the consolidated loss of the Group for the Year and the Group's financial position as at 31 July 2020 are set out in the Consolidated Financial Statements and their accompanying notes on pages 62 to 155.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2019: Nil). No interim dividend was paid or declared in respect of the Year (2019: Nil).

Report of the Directors

DIRECTORS

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

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

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

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

In accordance with Article 100 of the Articles of Association of the Company ("**Articles of Association**"), Dr. Lam Kin Ming ("**Dr. KM Lam**"), Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**") and Mr. Lam Kin Hong, Matthew (all Executive Directors) and Mr. Leung Shu Yin, William (an INED) (collectively, "**Retiring Directors**") will retire from office as Directors by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

Details of the Retiring Directors proposed for re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively), are set out in the Company's circular dated 13 November 2020.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

Report of the Directors

DIRECTORS' REMUNERATION

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 36 to the Consolidated Financial Statements headed "*Related Party Transactions*", no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors' and Chief Executives' Interests*" in this Report below and in Note 32 to the Consolidated Financial Statements, at no time during the Year was the Company or any of its subsidiaries and the holding company a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical particulars of the existing Directors and senior management of the Company are set out below:

Executive Directors

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

Dr. Lam Kin Ming, Chairman, Executive Director and Chief Executive Officer, aged 83, was appointed an Executive Director in December 1993 and is currently a member of the Executive Committee of the Company ("**Executive Committee**"). He is also the chairman and an executive director of Lai Sun Garment (International) Limited ("**LSG**"), a non-executive director of Lai Sun Development Company Limited ("**LSD**") as well as the deputy chairman and an executive director of Lai Fung Holdings Limited ("**Lai Fung**"). The issued shares of the aforesaid companies are listed and traded on the Main Board of the Stock Exchange. In addition, Dr. KM Lam is a director and the sole shareholder of Rich Promise Limited ("**RPL**", the ultimate holding company of the Company). He holds an honorary doctoral degree from the International American University in the United States of America ("**USA**") and an Honorary Doctorate of Management of the Lincoln University in the USA. Dr. KM Lam has been involved in day-to-day management in the garment business since 1958 and also has extensive experience in property development and investment.

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

Ms. Lam Wai Shan, Vanessa, M.H., Executive Director and Deputy Chief Executive Officer, aged 49, was appointed an Executive Director in February 2006 and is currently a member of the Executive Committee. She holds a Bachelor of Arts Degree from Scripps College in California, USA and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 22 years of experience in the fashion industry. Prior to joining the Group in March 1998 as Vice-President, she worked for two famous London-based design houses, namely Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work and received the Medal of Honour awarded from the Government of the Hong Kong on 1 July 2016.

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

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Dr. Lam Kin Ngok, Peter, G.B.S, aged 63, was appointed an Executive Director in October 1987. He is the deputy chairman and an executive director of LSG as well as the chairman and an executive director of LSD and Media Asia Group Holdings Limited ("**MAGHL**"). Dr. Peter Lam was the chairman and an executive director of Lai Fung (from 25 November 1993 to 31 October 2012) as well as an executive director of eSun Holdings Limited ("**eSun**") (from 15 October 1996 to 13 February 2014). The issued shares of LSG, LSD, Lai Fung and eSun are listed and traded on the Main Board of the Stock Exchange while MAGHL's issued shares are listed and traded on GEM of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Peter Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts and received the Gold Bauhinia Star awarded from the Government of Hong Kong on 1 July 2015.

Currently, Dr. Peter Lam is the chairman of the Hong Kong Trade Development Council and a standing committee member of the 13th National Committee of the CPPCC. He is also the chairman of Hong Kong Chamber of Films Limited, a life honorable president of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of the Trade and Industry Advisory Board and a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority).

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

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Lam Kin Hong, Matthew, M.H., aged 52, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and the executive deputy chairman and an executive director of Lai Fung. He graduated from University College London in the United Kingdom with a Bachelor of Science Degree and underwent training as a lawyer with an international law firm, Reed Smith Richards Butler. Mr. Lam is a co-founding partner and managing partner of a Hong Kong law firm, Nixon Peabody CWL and a member of The Law Society of Hong Kong, The Law Society of Singapore and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and Mainland China. He is the vice president cum chairman of The Hong Kong Real Property Federation Cum Yangtze River Delta Region and a standing committee member of the CPPCC in Shanghai. Mr. Lam serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a council member of the Association of Honorary Consul in Hong Kong and Macau, a member of the Consumer Council, a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. He also serves as an Honorary Judge of Racing at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation. Mr. Lam was a former member of the Advisory Committee on Admission of Quality Migrants and Professionals and a former member of the Employees Compensation Assistance Fund Board.

Mr. Lam is the younger brother of Dr. KM Lam (Chairman, Executive Director and Chief Executive Officer of the Company), Ms. Lam Suk Ying, Diana (NED) and Dr. Peter Lam (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 84, is an Executive Director and currently a member of both of the Executive Committee and the Remuneration Committee of the Company ("**Remuneration Committee**"). He first joined the Board as an INED in December 1993 and was re-designated as an Executive Director on 1 February 2011. Mr. Wan was the chairman of the Audit Committee of the Company ("**Audit Committee**") and the Remuneration Committee until 31 January 2011. He was also a non-executive director of each of LSG and LSD from 1 February 2011 to 18 December 2012. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and has been a certified public accountant in Hong Kong since 1961.

Non-executive Director

Ms. Lam Suk Ying, Diana, aged 65, was appointed a NED in December 2006. Ms. Lam graduated from the Loyola University in California, USA with a Bachelor of Business Administration Degree. She also holds a Master's Degree in Public Administration from the Pepperdine University in California. Ms. Lam had worked for Metropolitan Life Insurance Company in California, USA for two years and has been managing her personal investments continuously to date.

Ms. Lam is a younger sister of Dr. KM Lam (the Chairman, Executive Director and Chief Executive Officer of the Company), an elder sister of Dr. Peter Lam and Mr. Lam Kin Hong, Matthew (both Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Executive Director and Deputy Chief Executive Officer of the Company).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors

Mr. Chow Bing Chiu, aged 69, was appointed an INED in September 2004 and is currently a member of the Audit Committee and the Remuneration Committee. He is also an independent non-executive director of LSG. Mr. Chow obtained his Bachelor of Laws Degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed Attesting Officer.

Mr. Leung Shu Yin, William, aged 71, was appointed an INED as well as the chairman of both the Audit Committee and the Remuneration Committee on 1 February 2011. Mr. Leung is also an independent non-executive director of LSG, LSD and Mainland Headwear Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Mr. Yeung Sui Sang, aged 82, was appointed an INED in October 2001 and is currently a member of the Audit Committee and the Remuneration Committee. Before joining the Lai Sun Group in March 1988, he had worked in the Hong Kong civil service for over 30 years. Mr. Yeung first joined LSG as administration manager and was later appointed administration controller of the Lai Sun Group. He was also appointed to the boards of LSG, Asia Television Limited and later eSun. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various members of such Group.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

Report of the Directors

SHARE OPTION SCHEMES

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

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

The share options entitling the grantees to subscribe for 2,900,000 Shares lapsed on 16 January 2020. As at 31 July 2020 and the date of this Report, the Company has a total of 2,900,000 underlying Shares comprised in share options outstanding under the 2015 Scheme (representing approximately 0.31% of the total issued Shares as at those dates); and the Company might grant further options under the 2015 Scheme to subscribe for a maximum of 91,854,369 Shares (representing about 9.69% of the total issued Shares as at those dates (i.e. 947,543,695)).

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

		Number of underlying Shares comprised in share options					
Category/Name of participants	**Date of grant** (dd/mm/yyyy) *(Note 1)*	**As at 1 August 2019**	**Granted during the Year**	**Lapsed during the Year**	**As at 31 July 2020**	**Exercise period** (dd/mm/yyyy)	**Exercise price per Share** (HK$) *(Note 2)*
Directors							
Lam Kin Ming	16/01/2017	900,000	—	(900,000)	—	16/01/2017 — 15/01/2020	0.994
	27/03/2018	900,000	—	—	900,000	27/03/2018 — 26/03/2021	0.842
Lam Wai Shan, Vanessa	16/01/2017	2,000,000	—	(2,000,000)	—	16/01/2017 — 15/01/2020	0.994
	27/03/2018	2,000,000	—	—	2,000,000	27/03/2018 — 26/03/2021	0.842
Total		**5,800,000**	**—**	**(2,900,000)**	**2,900,000**		

Notes:

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

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the Year. Further details of the 2015 Scheme are disclosed in Note 32 to the Consolidated Financial Statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

The following Directors and chief executives of the Company who held office on 31 July 2020 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executives**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares: Personal interests	Number of Shares: Corporate interests	Number of underlying Shares: Personal interests *(Note 1)*	Total	Approximate percentage of total issued Shares *(Note 2)*
Lam Kin Ming	Beneficial owner and owner of controlled corporation	19,003,000	472,200,000 *(Note 3)*	900,000	492,103,000	51.93%
Lam Wai Shan, Vanessa ("**Ms. Lam**")	Beneficial owner and owner of controlled corporation	5,532,500	1,500,000 *(Note 4)*	2,000,000	9,032,500	0.95%
Wan Edward Yee Hwa	Beneficial Owner	610,000	Nil	Nil	610,000	0.06%

Notes:

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

2. *The total number of issued Shares as at 31 July 2020 (947,543,695 Shares) has been used in the calculation of the approximate percentage.*

3. *RPL beneficially owned 472,200,000 Shares, representing approximately 49.83% of the total issued Shares. Dr. KM Lam (Chairman, Executive Director and 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.*

4. *Novel Voyage Development Limited ("**NVDL**") had purchased an aggregate of 1,500,000 Shares, representing approximately 0.16% of the total issued Shares, during the Year. Ms. Lam (Executive Director and Deputy Chief Executive Officer of the Company) was deemed to be interested in the same 1,500,000 Shares by virtue of her 50% shareholding interest in NVDL.*

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS (continued)

(2) Interests in Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL

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

Save as disclosed above, as at 31 July 2020, none of the Directors and the chief executives of the Company and their respective close associates had, or was deemed to have, any interest in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executives or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 July 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one being an Executive Director and the Chief Executive Officer of the Company), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares and underlying Shares

Name	**Capacity**	**Nature of interests**	**Number of Shares and underlying Shares held**	**Approximate percentage of total issued Shares** *(Note 1)*
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 *(Note 2)*	49.83%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	492,103,000 *(Note 2)*	51.93%

Notes:

1. *The total number of issued Shares as at 31 July 2020 (947,543,695 Shares) has been used in the calculation of the approximate percentage.*

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

   Dr. KM Lam was personally interested in 19,003,000 Shares and was granted a share option by the Company to subscribe for a total of 900,000 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).

3. *Based on the disclosure of interests notices received by the Company, as at 31 July 2020, the deemed interest of Mr. Thomas Howel Gruffudd Rhys in the Company has been reduced from 56,933,000 to 44,117,000 Shares owned by Wykeham Capital Asia Value Fund ("**WCAVF**") by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF).*

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executives of the Company) which/who, as at 31 July 2020, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 36 to the Consolidated Financial Statements headed "*Related Party Transactions*", at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under Note 36 to the Consolidated Financial Statements.

SEGMENT INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 16 and 18 to the Consolidated Financial Statements, respectively. Further details of the Group's investment properties are set out in "*Particulars of Investment Properties*" section in this Annual Report.

SHARES ISSUED IN THE YEAR

Details of the 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 2020, the Company had reserves available for distribution to the Shareholders, in accordance with the provision of Section 297 of the Companies Ordinance, amounted to approximately to HK$1,068,908,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the total issued Shares was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) as at the latest practicable date prior to the issue of this Annual 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 2020 are set out in Note 26 to the Consolidated Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$13,000 (2019: HK$22,000).

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 43.5% and 18.2%, respectively of the Group's total purchases for the Year.

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

Report of the Directors

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2016 to 2020 is set out below:

	Year ended 31 July				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**151,267**	235,348	265,004	264,119	313,217
Loss/profit for the year attributable to owners of the Company	**(290,483)**	30,607	162,493	88,118	455

	As at 31 July				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Total assets	**2,306,406**	2,566,190	2,769,161	2,377,674	2,293,167
Total liabilities	**779,665**	747,425	969,570	738,759	741,783
Total equity	**1,526,741**	1,818,765	1,799,591	1,638,915	1,551,384
	2,306,406	2,566,190	2,769,161	2,377,674	2,293,167

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 30 to 45 of this Annual Report.

EQUITY-LINKED AGREEMENT

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

Report of the Directors

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On Behalf of the Board

Lam Kin Ming
Chairman, Executive Director and Chief Executive Officer

Hong Kong
27 October 2020

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2020 ("**Year**") save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

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

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

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

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

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES (continued)

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the Executive Directors. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 28 January 2019 ("**Nomination Policy**") for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

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

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.

Corporate Governance Report

(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 Annual Report are as follows:

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

Non-executive Director
Ms. Lam Suk Ying, Diana

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

An updated list of Directors and their respective roles and functions can also be found on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.crocodile.com.hk. The brief biographical particulars of the existing Directors and senior management of the Company are set out in the section headed "*Biographical Details of Directors and Senior Management*" of the Report of the Directors on pages 18 to 21.

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

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

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

(2) BOARD OF DIRECTORS (continued)

(2.3) Independent Non-executive Directors

The Company has complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs a written annual confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules. The Board considers that all INEDs are independent. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

Mr. Leung Shu Yin, William ("**Mr. Leung**") (an INED) will retire by rotation as Director at the forthcoming AGM and, being eligible, offer himself for re-election. Mr. Leung has served on the Board for 9 years since February 2011. Being long-serving Director, Mr. Leung has developed an in-depth understanding of the Company's operations and business, and has expressed objective views and given independent guidance to the Company over the years. There is no empirical evidence that the long services of Mr. Leung would impair his independent judgements. The Board is satisfied that Mr. Leung will continue to have the required character and experience to fulfill the role of an INED and considers that the re-election of Mr. Leung as an INED at the forthcoming AGM is in the best interest of the Company and the Shareholders as a whole.

(2.4) Directors' and Officers' Liabilities Insurance

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

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

From time to time, Directors are provided with written training materials to develop and refresh their professional skills; and seminars on the latest development of applicable laws, rules and regulations will be organised and arranged for the Directors to assist them in discharging their duties. Directors are requested to provide records of training they received to the Company Secretary of the Company ("**Company Secretary**") for records. During the Year, the Company has arranged for the Directors to attend seminars organised by other organisations and professional bodies.

Corporate Governance Report

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

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

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

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

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

(4) BOARD COMMITTEES (continued)

(4.1) Remuneration Committee (continued)

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

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

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

(4.2) Audit Committee

On 31 March 2000, the Board established an Audit Committee which currently comprises three INEDs, namely Mr. Leung (Chairman), Mr. Chow and Mr. Yeung. The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive director) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

(a) Duties of the Audit Committee

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

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

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

In compliance with code provision C.3.2 of the CG Code which came into effect on 1 January 2019, the terms of reference of the Audit Committee were revised by the Board on 28 January 2019 by extending the cooling-off period from one year to two years for appointing a former partner of the issuer's existing external auditor as a member of its audit committee. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Stock Exchange and the Company.

(b) Work Performed by the Audit Committee

The Audit Committee held two meetings during the Year and has reviewed, among other things, the audited consolidated financial statements of the Company for the year ended 31 July 2019, the unaudited interim results of the Company for the six months ended 31 January 2020, the Company's internal control review reports and enterprise risk management report prepared by Annie Chiu & Co., Certified Public Accountants (Practising), being the independent advisor of the Company ("**ACC**" or "**Independent Advisor**"); and put forward relevant recommendations to the Board for approval.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee (continued)

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

On 27 October 2020, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Company's independent auditor (i.e. SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**" or "**Independent Auditor**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by the Independent Advisor.

(5) ATTENDANCE RECORD AT MEETINGS

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

Meetings held during the Year

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

For the Year, consents and approvals of the Remuneration Committee were also obtained by way of written resolutions on a number of matters/transactions. The Chairman met all INEDs without the presence of other Directors after the Audit Committee meeting held on 27 October 2020 in compliance with code provision A.2.7 of the CG Code.

Corporate Governance Report

(6) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(7) NON-EXECUTIVE DIRECTORS

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

(8) NOMINATION OF DIRECTORS

As explained in Paragraph (1) above, the Company does not establish a nomination committee. The Board adopted the Nomination Policy to set out the procedures and criteria for identifying and selecting potential candidates for the appointment of new Director(s) as well as for considering the renewal of director appointment. The Executive Directors will conduct the relevant selection process against the proposed candidate, make recommendations and furnish with the terms and conditions of the appointment for Board's consideration. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and experience in the industry(ies) which may be relevant to the businesses of the Company, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board with reference to the Board Diversity Policy (as defined below), and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc.

The Shareholders may also propose a person for election as a Director, details of which are set out in "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is available on the Company's website at www.crocodile.com.hk. No candidate has been proposed for appointment as a Director during the Year.

(9) BOARD DIVERSITY POLICY

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

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

(9) BOARD DIVERSITY POLICY (continued)

On recommendation from the Executive Directors, the Board has set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Executive Directors will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

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

In compliance with code provision A.5.2(a) of the CG Code, the Board had, at its Board meeting held in July 2020, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, garment and fashion industry, property development and investment, hospitality as well as media and entertainment businesses, laws, accounting and auditing services and corporate finance, etc.

(10) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

Corporate Governance Report

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

(13) INDEPENDENT AUDITOR' S REMUNERATION

At the AGM held on 16 December 2019, SHINEWING was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by SHINEWING for the Year amounted to approximately HK$900,000 and HK$75,000, respectively. The non-audit services represented the reporting on the agreement with the preliminary announcement of results of the Group for the Year.

(14) RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group, and the effective risk management and internal control systems enhance the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contribute to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system. The risk management and internal control systems are designated to manage rather than to eliminate the risk of failure in order to achieve the Group's business objectives, and can only serve as reasonable, but not absolute, assurance of the followings:

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

The Group has established policy and procedures for handling and disseminating inside information of the Group to ensure such information is disseminated to the public in equal and timely manner in accordance with the requirements of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules. Relevant parties are reminded to preserve the confidentiality of the inside information until it is publicly disclosed. Briefing session is held regularly for relevant parties to facilitate their understanding and compliance with the policy.

The periodic reviews have covered all material controls, including financial, operational and compliance controls and risk management functions of the Group. During the Year, ACC has been engaged to assist the Board in evaluating (i) the various components of the internal control system of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring activities; and (ii) the sales, payroll and treasury cycles of the Group. Appropriate recommendations for further enhancing the internal control system have been adopted. The relevant report from ACC as Independent Advisor was presented to and reviewed by the Audit Committee and the Board. The Board considers that the Group's internal control system for the Year was effective and adequate.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Since March 2016, the Audit Committee has been delegated with the responsibilities to review the effectiveness of the Company's risk management system annually in compliance with code provision C.2.1 of the CG Code. ACC has been engaged to expand its engagement to include risk management services and the matters incidental thereto in order to facilitate the Audit Committee in the discharge of its duties and responsibilities.

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

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

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

During the Year, ACC has assisted the Company's management to carry out an entity-level risk assessment which includes identification, evaluation and prioritisation of risk factors that the Group is facing. ACC completed the risk assessment and submitted on 27 October 2020 the Company's internal control review report and the assessment results contained in enterprise risk management report of the Group to the Company's management for review and reported to the Audit Committee and the Board for approval. The Board will put in place to address the identified area that shall be enhanced and the Board considered that the Group's risk management system was effective and adequate.

(15) COMPANY SECRETARY

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

Corporate Governance Report

(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.hkexnews.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 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 of the Company; and

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

(16.2) Details of the Last General Meeting

The last GM, being the AGM for 2019 ("**2019 AGM**"), was held at 11:00 a.m. on 16 December 2019 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2019 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 2019 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Mr. Wan as an Executive Director, Ms. Lam Suk Ying, Diana as a NED and Mr. Chow and Mr. Yeung as the INEDs; (iii) the authorisation of the Board to fix the Directors' remuneration; (iv) the re-appointment of SHINEWING as the Independent Auditor for the Year and the authorisation of the Board to fix their remuneration; and (v) the granting to the Directors the general mandates to buy back the Shares and to issue, allot and deal with additional Shares, and to extend the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.2) Details of the Last General Meeting (continued)

The notice of 2019 AGM and the poll results announcement in respect of the 2019 AGM were published on the respective websites of the Stock Exchange and the Company on 15 November 2019 and 16 December 2019.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a GM

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

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

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

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

(17.2) Procedures for Putting Forward Proposals at AGM

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

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

(17.2) Procedures for Putting Forward Proposals at AGM (continued)

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.

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

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

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

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

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

(18) DIVIDEND POLICY

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

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

Corporate Governance Report

(18) DIVIDEND POLICY (continued)

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

(19) CONSTITUTIONAL DOCUMENTS

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

(20) INVESTOR RELATIONS

The Company is keen 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 business hours, by fax at (852) 2786 0190 or by e-mail at corpadmin@crocodile.com.hk.

Key Dates

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

	For Financial Year 2019/2020
Annual results announcement for the year ended 31 July 2020	27 October 2020
Latest time and date to lodge transfer documents with the Registrar for entitlement to attending and voting at the 2020 AGM	4:30 p.m. on 8 December 2020
2020 AGM	11:00 a.m. on 14 December 2020

	For Financial Year 2020/2021
Interim results announcement for the six months ending 31 January 2021	on or before 31 March 2021
Annual results announcement for the year ending 31 July 2021	on or before 31 October 2021
2021 AGM	December 2021

Environmental, Social and Governance Report

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

In order to provide a comprehensive picture of the Group's principles, policies and performances in the areas of environmental, social and governance ("**ESG**"), the Group has prepared the following ESG report for the year ended 31 July 2020 in accordance with the requirements stipulated in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

KEY PERFORMANCE INDEX ("KPI")

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

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

ENVIRONMENTAL

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

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

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

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

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

iii) assign representatives to coordinate energy saving programmes;

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

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

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

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

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

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

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

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

xii) documents are filed electronically whenever possible;

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

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

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

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

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

ii) LED lamps are used in public areas; and

iii) switch off some passenger lifts after office hours.

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

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

1. Emissions

Air pollutant emission

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

For the year ended 31 July 2020 air pollutant emission of NOx, SOx and PM were 158.73kg (2019: 151.02kg), 0.41kg (2019: 0.46kg) and 7.51kg (2019: 7.17kg), respectively.

*Greenhouse gas ("**GHG**") emission*

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

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

	Year ended 31 July	
GHG emission	**2020 Total approximate volume emitted (kg CO_2eq)**	2019 Total approximate volume emitted (kg CO_2eq)
Scope 1	**66,816**	76,237
Scope 2	**638,015**	647,881
Scope 3	**57,760** *(Note)*	81,519
Total GHG emission	**762,591**	805,637

Note: The overall decline was mainly due to the decrease in paper usage as lesser business activities under the COVID-19, notwithstanding more water was consumed.

We were awarded the Wastewi$e Certificate for excellence level and recognised as a Hong Kong Green Organisation by the Environmental Campaign Committee for our effort in pursuing environmental initiatives and participation.

The Group is not aware of any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air pollutant and GHG emissions, discharges into water and land and generation of hazardous and non-hazardous waste during the year ended 31 July 2020.

Environmental, Social and Governance Report

ENVIRONMENTAL (continued)

2. *Use of resources*

Electricity

The major source of energy used by the Group was electricity. It was used in all areas of the Group's business operation, such as general lighting, powering of laptops, printers, Point-of-Sale systems and other electrical equipment in the office, stores and warehouse. The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, GHG emission. Under the pandemic of COVID-19 and protracted social chaos, the shops were closed or shortened the business hours so fewer units of electricity were consumed.

Fuel

Petrol and diesel were used in the Group's several motor vehicles for goods and materials delivery and passenger transportation purposes. The usage of fuels was decreased due to drop of business activities caused by the COVID-19.

Water

Water was used in the pantries and toilets of the warehouse and office. The Group constantly reminds employees of the importance of saving water. As some retail outlets of the Group are in shopping malls, water usage was included in the management fee and therefore figures were not available for the calculation of volume consumed. Nevertheless, the Group spares no effort to save this precious natural resource of the Earth. As hygiene is the most important measure of reducing the spread of diseases, the frequency of cleaning was enhanced which led to more water consumption.

Paper and packing material

The total weight of packing materials and paper used was reduced during the year ended 31 July 2020 as a result of decrease in business activities. The Group also encourages our customers to bring their own bags instead of purchasing shopping bags.

The following table summarised the amount of energy and resources used for the years ended 31 July 2020 and 2019:

		Year ended 31 July	
Energy and Resources	Units	**2020 Consumed**	2019 Consumed
Electricity	kWh	**1,089,809**	1,129,503
Fuel	Litre	**26,604**	30,489
Water	m^3	**19,748**	15,677
Paper and packing material	Kilogram	**11,463**	15,599

ENVIRONMENTAL (continued)

3. Environment and natural resources

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

The Group is also committed to complying with all applicable environmental laws and regulations. During the year ended 31 July 2020, the Group did not receive any related complaints nor had it breached any relevant environmental laws and regulations.

SOCIAL

Employment and labour practices

1. Employment

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

The Group adopts a fair recruitment policy to offer open and equal opportunities, free of gender, race, family status and age discrimination, with a view to recruiting the best talents. The Group's employee handbooks outline the terms and conditions of employment, expectations for employees' conducts and behaviors, so as employees' rights and benefits. The Group reviews its compensation and benefits programs regularly to ensure that its compensation and benefits packages remain competitive. Such benefits include mandatory provident fund, employee insurance, staff discount on purchases, education subsidies and special leave.

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

In addition, the Group endeavours to promote equal opportunities and non-discrimination in the employment practices, it establishes and implements policies that promote a harmonious and respectful workplace. The Company has zero tolerance towards workplace harassment and discrimination through exercising a grievance reporting mechanism. No incidence of workplace discrimination was filed during the year ended 31 July 2020. The Group hosts an annual dinner each year, if possible, to gather the employees to foster team spirit and to show appreciation and reward the employees for their hard work in the past year.

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

Environmental, Social and Governance Report

SOCIAL (continued)

Employment and labour practices (continued)

1. Employment (continued)

As at 31 July 2020, the total number of employees of the Group was 203 (2019: 298) with the following age combination:

	Year ended 31 July	
	2020	2019
Age Group	**Number of employees**	Number of employees
Below 18	**1**	3
18 — 25	**20**	59
26 — 35	**50**	78
36 — 45	**64**	79
46 — 55	**42**	49
56 or above	**26**	30
Total employees	**203**	298

The annual staff turnover rate was 6.88% for the year ended 31 July 2020 (2019: 5%). There are no non-compliance cases in the employment laws and regulations during the reporting year.

2. Health and safety

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

All work-related injury is protected by the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the Group complies with the requirements. There were no cases of work related injury for the year ended 31 July 2020 (2019: 4) and consequentially, none working days were lost (2019: 101).

Environmental, Social and Governance Report

SOCIAL (continued)

Employment and labour practices (continued)

2. Health and safety (continued)

To tame the surge of COVID-19, the Group has proactively established a series of anti-COVID measures that based on the governmental hygiene guidelines. They have been implemented since February 2020 and will be refined continuously to catch up with the latest governmental policy. The major measures include:

i) cleaning and disinfecting office and retail shops regularly;

ii) placing protective film on the switches of elevators, main entrance, printers and electric lights and disinfect at least thrice a day;

iii) checking body temperature of employees and visitors before entering the office, if his or her temperature is higher than 37.5°C, he or she will be advised to seek medical consultation;

iv) providing hands sanitizer and disposable mask for all employees and visitors; and

v) adopting flexible working and lunch hours for employees to reduce social contact.

The Group is striving to raise employees' safety and health awareness by providing training programmes, anti-COVID-19 memos and guidelines to ensure the working environment is healthy, safe and congenial.

3. Development and training

The Group believes that employees are the valuable assets of an enterprise, and regards human resources as part of the corporate wealth. The Group provides on-the-job training and development opportunities to facilitate our employees' career progression and to enhance their competencies in performing their jobs effectively and efficiently. Through different kinds of training, staff's professional knowledge on corporate operations, occupational and management skills are enhanced. An annual total of 559.5 hours of training were conducted for the year ended 31 July 2020 (2019: 1,683) with the total number of employees of 203 at 31 July 2020 (2019: 298). As a result of restriction on social gathering and suspension of class, hours of training and orientation were reduced.

4. Labour standards

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

Environmental, Social and Governance Report

SOCIAL (continued)

Employment and labour practices (continued)

4. ***Labour standards*** (continued)

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

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

There are no non-compliance cases in the above-mentioned laws and regulations in Hong Kong and Mainland China during the year ended 31 July 2020.

Operating practices

1. ***Supply chain management***

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

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

2. ***Product responsibility***

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

The Group is not aware of any non-compliance cases with relevant laws and regulations in Hong Kong during the year ended 31 July 2020.

Environmental, Social and Governance Report

SOCIAL (continued)

Operating practices (continued)

3. *Service responsibility*

The Group cherishes customers' feedbacks for improving its services and it always takes customer opinions seriously. Following the established procedures, the Retail Department is responsible for handling customer suggestions in relation to the products and services to ensure timely responses to customers' enquiries and comments. We constantly provide training to our new staff, senior sales staff and supervisors to make them aware of the ever-changing customer needs and do our best to meet their expectations.

4. *Privacy protection*

The Group has policies and written guidelines in place for all staff of collection, processing, use of and access to employees' and customers' personal data and information. When collecting any personal data and information, the Group strictly complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all the relevant regulations to secure the information collected is solely for specific purposes, e.g. personnel, advertising and promotional; and only authorised staff can access to it. The Group never sells, transfers or discloses any personal data to third parties unless with the consent from data owners. Sound security protection of the personal data is in place.

For the year ended 31 July 2020, the Group had not received of any noticeable cases of unauthorised use of/access to personal and private information of employees and customers.

5. *Intellectual property rights*

It is the Group's prominent code of conduct that all the employees need to protect the Group's assets and uphold the privacy of confidential information of intellectual properties such as copyrights, trademarks, and patents. The Group ensures to comply with all intellectual property laws and regulations, including but not limited to the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) and the Prevention of Copyright Privacy Ordinance (Chapter 544 of the Laws of Hong Kong). All employees are required to sign a non-disclosure undertaking upon commencement of their employment. Superiors are responsible for ensuring their subordinates fully understand and comply with the code of conduct. The Group also provides a channel for staff to report any potential breach of the code. In addition, the Group also precludes any sales of pirated goods, counterfeits and knockoff in Hong Kong and overseas. There are no non-compliance cases in the above-mentioned laws and regulations during the year ended 31 July 2020.

Environmental, Social and Governance Report

SOCIAL (continued)

Operating practices (continued)

6. ***Anti-corruption***

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

Having received positive feedbacks on the anti-corruption talk previously, the Group will continue to arrange a talk again to our employees to reinforce their knowledge regarding the importance of anti-corruption when the pandemic of COVID-19 is soothing.

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

For the year ended 31 July 2020, the Group was not aware of any corruption, frauds and money laundry within the operations.

Community

Community investment

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

The Group is committed to supporting community events and has sponsored and made donations to social and charitable organisations for the improvement of social services and the well-being of the community. For the year ended 31 July 2020, donations and sponsorships had been provided to certain social and charitable organisations such as Tsuen Wan Festival Lightings Organizing Committee, Hong Kong Chiu Chow Chamber of Commerce, Tsuen Wan Committee for Celebration of Reunification of Hong Kong with China, Tsuen Wan District SPC Honorary Presidents Council and Hong Kong Chinese Martial Arts Dragon and Lion Dance Association Limited.

In addition to financial support for social and charitable activities, the Group has been encouraging its staff to participate in a wide range of charitable events on the belief that it can raise their concern for the community and inspire more people to take part in serving the community. The Group has engaged in a number of community services or activities with staff participation from time to time, such as visiting Yan Chai Hospital Law's Foundation Child Care Centre cum Hostel for festival celebrations.

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
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33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)
會計師事務所有限公司
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希慎道33號利園一期43樓

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

Opinion

We have audited the consolidated financial statements of Crocodile Garments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 62 to 155, which comprise the consolidated statement of financial position as at 31 July 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

Independent Auditor's Report

Valuation for inventories

Refer to note 22 to the consolidated financial statements and the accounting policies on page 88.

Key audit matter	How our audit addressed the key audit matter
We have identified valuation of inventories as a key audit matter because the Group has significant amount of inventories of approximately HK$49,116,000, representing 13% of the Group's current assets as at 31 July 2020. Provisions consideration included inventory aging profiles and the determination of the methods and assumptions such as period to sell to determine the percentages to apply to aged inventory. The assumptions adopted are subject to the changing trends which require significant judgment based on experience.	Our procedures were designed to assess the judgment and assumptions used by the management in calculating the inventory provisions. We reviewed management's assessment of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories. We assessed the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reasonableness of management's assessment by considering the utilisation or release of previously recorded provisions and the net realisable value of inventories.

Independent Auditor's Report

Valuation of investment properties

Refer to note 18 to the consolidated financial statements and the accounting policies on page 81.

Key audit matter

As at 31 July 2020, the carrying amount of investment properties was approximately HK$1,727,756,000, representing 75% of the Group's total assets, with fair value loss of approximately HK$161,185,000 recognised for the year ended 31 July 2020.

We have identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the involvement of significant judgments and estimates made by the management of the Company in assessing its fair value.

How our audit addressed the key audit matter

Our procedures were designed to challenge the valuation process and reasonableness of the key assumptions and estimates adopted in assessing the fair value of investment properties.

We have challenged the reasonableness of the methodologies, key assumptions and the input data used in the valuation with reference to the recent market transacted prices, together with market and other externally available information.

Impairment of right-of-use assets

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 81 to 84.

Key audit matter

As at 31 July 2020, the carrying amount of right-of-use assets was approximately HK$46,387,000, representing 2% of the Group's total assets, with impairment loss of HK$39,349,000 recognised for the year ended 31 July 2020.

We have identified impairment of right-of-use assets as a key audit matter as it involves a significant degree of judgement by the management in assessing whether there are any indicators of impairment for right-of-use assets at the end of the reporting period and in the estimation of recoverable amount of the right-of-use assets. The determination of the recoverable amount for right-of-use assets involves the use of assumptions and estimations including estimated revenue growth rate, operating costs and discount rate.

How our audit addressed the key audit matter

Our procedures were designed to evaluate the management's assessment of the indicators of impairment and, where such indicators were identified, assessed the reasonableness of management's impairment testing and identify any valuation risk of right-of-use assets.

We have discussed and challenged with the management on the key assumptions used in the management's impairment assessment.

We have assessed the reasonableness of key assumptions used in the impairment assessment, including the estimated revenue growth rate, operating costs and discount rate.

Independent Auditor's Report

Other Information

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

Hong Kong
27 October 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	6	**151,267**	235,348
Cost of sales		**(45,957)**	(72,014)
Gross profit		**105,310**	163,334
Fair value (losses) gains on investment properties	18	**(161,185)**	57,414
Other income	6	**15,184**	4,719
Selling and distribution expenses		**(112,996)**	(131,761)
Administrative expenses		**(54,837)**	(61,789)
Other (losses) gains, net	8	**(61,372)**	11,523
Finance costs	9	**(20,318)**	(17,052)
Share of (loss) profit of an associate	21(b)	**(2,559)**	3,528
(Loss) profit before tax	11	**(292,773)**	29,916
Income tax credit	10	**2,290**	691
(Loss) profit for the year attributable to owners of the Company		**(290,483)**	30,607
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,541)**	(1,958)
Other comprehensive expense for the year		**(1,541)**	(1,958)
Total comprehensive (expense) income for the year attributable to owners of the Company		**(292,024)**	28,649
		HK Cents	HK Cents
(Losses) earnings per share			
— Basic	15	**(30.66)**	3.23
— Diluted	15	**(30.66)**	3.23

Consolidated Statement of Financial Position

As at 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	**68,293**	114,482
Prepayment for acquisition of property, plant and equipment	23	**—**	2,490
Investment properties	18	**1,727,756**	1,889,349
Land lease prepayments	19	**—**	11,600
Right-of-use assets	17	**46,387**	—
Financial asset at fair value through profit or loss ("**FVTPL**")	24	**29,054**	32,013
Amount due from an associate	21(a)	**8,323**	8,878
Interest in an associate	21(b)	**51,091**	53,650
Rental and utility deposits	23	**10,421**	13,833
		1,941,325	2,126,295
Current assets			
Inventories	22	**49,116**	48,437
Trade and other receivables, deposits and prepayments	23	**25,906**	28,353
Financial assets at FVTPL	24	**179,549**	163,826
Pledged bank deposits	25	**24,108**	37,559
Bank balances and cash	25	**86,402**	105,570
		365,081	383,745
Asset classified as held-for-sale	31	**—**	56,150
		365,081	439,895
Current liabilities			
Bank borrowings	26	**406,243**	581,083
Margin loans payable	27	**13,097**	23,206
Trade and other payables and deposits received	28	**51,217**	72,472
Amounts due to related companies	36(b)	**472**	269
Lease liabilities	17	**35,355**	—
Tax payable		**19,755**	19,738
		526,139	696,768
Liabilities associated with asset classified as held-for-sale	31	**—**	20,615
		526,139	717,383
Net current liabilities		**(161,058)**	(277,488)
Total assets less current liabilities		**1,780,267**	1,848,807

Consolidated Statement of Financial Position

As at 31 July 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Bank borrowings	26	**214,992**	15,329
Deposits received	28	**10,821**	10,157
Provision for long service payments		**1,766**	2,266
Lease liabilities	17	**25,947**	—
Deferred tax liabilities	29	**—**	2,290
		253,526	30,042
Net assets		**1,526,741**	1,818,765
Capital and reserves			
Share capital	30	**332,323**	332,323
Reserves		**1,194,418**	1,486,442
Total equity		**1,526,741**	1,818,765

The consolidated financial statements on pages 62 to 155 were approved and authorised for issue by the board of directors of the Company on 27 October 2020 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 2020

	Attributable to owners of the Company					
	Share capital HK$'000	Translation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 August 2018	332,323	18,335	109,689	1,336,858	2,386	1,799,591
Profit for the year	—	—	—	30,607	—	30,607
Other comprehensive expense:						
Exchange differences arising on translation of foreign operations	—	(1,958)	—	—	—	(1,958)
Total comprehensive (expense) income for the year	—	(1,958)	—	30,607	—	28,649
Dividend declared for the year *(Note 14)*	—	—	—	(9,475)	—	(9,475)
At 31 July 2019 and 1 August 2019	332,323	16,377	109,689	1,357,990	2,386	1,818,765
Loss for the year	—	—	—	(290,483)	—	(290,483)
Other comprehensive expense:						
Exchange differences arising on translation of foreign operations	—	(1,541)	—	—	—	(1,541)
Total comprehensive expense for the year	—	(1,541)	—	(290,483)	—	(292,024)
Lapse of share options	—	—	—	1,401	(1,401)	—
At 31 July 2020	**332,323**	**14,836**	**109,689**	**1,068,908**	**985**	**1,526,741**

Consolidated Statement of Cash Flows

For the year ended 31 July 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(292,773)**	29,916
Adjustments for:		
Finance costs	**20,318**	17,052
Bank interest income	**(106)**	(264)
Interest income from an associate	**(445)**	(607)
Interest income on advances to independent third parties	**(840)**	(840)
Share of loss (profit) of an associate	**2,559**	(3,528)
Depreciation of property, plant and equipment	**10,335**	12,021
Depreciation of right-of-use assets	**44,615**	—
Amortisation of land lease prepayments	**—**	321
Impairment loss in respect of property, plant and equipment	**5,390**	1,360
Loss on write off of property, plant and equipment	**86**	—
Reversal of provision for impairment for trade and other receivables	**(6,341)**	(13,570)
Impairment loss in respect of right-of-use assets	**39,349**	—
Provision for onerous contracts	**—**	6,295
Write-off of trade and other receivables	**—**	159
(Reversal of provision) provision for slow-moving inventories	**(812)**	105
Net loss (gain) on financial assets at FVTPL	**20,482**	(4,870)
Fair value losses (gains) on investment properties	**161,185**	(57,414)
Loss on disposal of assets classified as held-for-sale	**726**	—
Covid-19-related rent concessions	**(3,984)**	—
Loss on early termination of lease	**665**	—
Operating cash flows before movements in working capital	**409**	(13,864)
Decrease (increase) in inventories	**133**	(8,882)
(Increase) decrease in financial assets at fair value through profit or loss	**(33,246)**	292,808
(Decrease) increase in trade and other payables and deposits received	**(4,734)**	1,479
Decrease in trade and other receivables, deposits and prepayment, excluding rental and utility deposits	**8,472**	17,581
Increase in amounts due to related companies	**203**	14
Decrease in rental and utility deposit	**3,412**	538
Decrease in amount due from a related company	**—**	88
Decrease in provision for long service payments	**(500)**	(70)
Cash (used in) from operations	**(25,851)**	289,692
Interest paid	**(20,318)**	(17,052)
PRC tax refunded	**364**	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(45,805)**	272,640

Consolidated Statement of Cash Flows

For the year ended 31 July 2020

	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES		
Deposit received from disposal of an investment property	—	5,615
Interest received	**946**	1,104
Proceeds from disposal of non-current asset held-for-sale	**49,997**	—
Withdrawal (placement) of pledged bank deposits	**13,451**	(30,390)
Purchase of property, plant and equipment	**(3,092)**	(5,977)
Addition in prepayment of acquisition of property, plant and equipment	—	(2,490)
Dividend received from an associate	—	500
Repayment from an associate	**1,000**	5,000
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**62,302**	(26,638)
FINANCING ACTIVITIES		
New bank loans raised	**70,817**	93,201
Decrease in trust receipt loans	**(9,354)**	(8)
Repayments of bank loans	**(36,640)**	(298,300)
Repayments of margin loans	**(10,109)**	(27,320)
Repayments of lease liabilities	**(34,008)**	—
Payments of lease termination penalty	**(1,079)**	—
Repayment of liabilities associated with asset classified as held-for-sale	**(15,188)**	—
Repayments to related companies	—	(2,008)
Dividend paid	—	(9,475)
NET CASH USED IN FINANCING ACTIVITIES	**(35,561)**	(243,910)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(19,064)**	2,092
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**105,570**	104,031
Effect of foreign exchange rate changes	**(104)**	(553)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**86,402**	105,570

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$161,058,000 as at 31 July 2020.

The COVID-19 outbreak and the subsequent quarantine and distancing measures imposed by the Government of the Hong Kong Special Administrative Region have had a negative impact on the operations of the Group. The financial performance of the shop outlets might not be fully returned to the level before the COVID-19 in the upcoming financial year.

Subsequent to the end of the reporting period, the Group received a letter from one of the Group's principal bankers indicating that the bank expected to renew the facility granted to the Group expiring in early 2021 for another year. The Directors considered that it is highly probable that the Group would be successful in renewing the facility.

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

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

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The adoption of HKFRS 16 and the amendments to HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

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

3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in Note 4. The Group has applied the modified retrospective approach of HKFRS 16 from 1 August 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 August 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 August 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 August 2019 was 3.5%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability.

The Group as lessor

The Group leases some of the properties.

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 August 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 August 2019. However, effective from 1 August 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The management considers the impact of the discounting effect as insignificant to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

The following table summarises the impact of transition to HKFRS 16 at 1 August 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amounts previously reported at 31 July 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 August 2019 HK$'000
Non-current assets				
Property, plant and equipment	(a)	114,482	(34,798)	79,684
Land lease prepayments	(b)	11,600	(11,600)	—
Right-of-use assets	(a), (b) & (c)	—	133,460	133,460
Current assets				
Trade and other receivables, deposits and prepayments	(b)	28,353	(316)	28,037
Current liabilities				
Trade and other payables and deposits received	(c) & (d)	72,472	(15,857)	56,615
Lease liabilities		—	43,115	43,115
Non-current liabilities				
Lease liabilities		—	59,488	59,488

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

The carrying amount of right-of-use assets as at 1 August 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		102,603
Reclassified from leasehold land	(a)	34,798
Reclassified from land lease prepayments	(b)	11,916
Adjustments on the rent-free period at 1 August 2019	(c)	(937)
Adjustments on the provision for onerous contracts at 1 August 2019	(d)	(14,920)
		133,460
By class:		
— Leasehold land		46,714
— Leased premises		86,746
		133,460

Notes:

(a) *It represented the leasehold land of approximately HK$34,798,000 reclassified from property, plant and equipment to right-of-use assets as at 1 August 2019.*

(b) *Upfront payments for leasehold lands in the PRC were classified as land lease prepayments as at 31 July 2019. Upon application of HKFRS 16, the current and non-current portion of land lease prepayments amounting to approximately HK$316,000 and HK$11,600,000, respectively, were reclassified to right-of-use assets.*

(c) *It represents the accrued lease liabilities of approximately HK$937,000 for leases where the lessors have provided rent-free period, and was adjusted to right-of-use assets on transition to HKFRS 16.*

(d) *The provision for onerous contracts was made based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from the leases of shop outlets for garment and related accessories business. The provision was calculated based on discounted cash flows to the end of the lease period. As at 1 August 2019, the provision for onerous contracts was approximately HK$14,920,000 and was adjusted to the right-of-use assets on transition to HKFRS 16.*

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

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

Differences between operating lease commitment as at 31 July 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 August 2019 are as follow:

	HK$'000
Operating lease commitments disclosed as at 31 July 2019	120,445
Less: Short-term leases with remaining lease term ending on or before 31 July 2020	(13,004)
	107,441
Discounted using the incremental borrowing rate at 1 August 2019 and lease liabilities recognised as at 1 August 2019	102,603
Analysed as:	
— Non-current	59,488
— Current	43,115
	102,603

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. The capital element of the lease liabilities is presented as financing cash outflows rather than as operating cash outflows, as was the case for operating leases under HKAS 17 while the interest element is presented as operating cash outflow, similar to other interest payments. The total cash flows are unaffected.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

3.1 Impacts on adoption of HKFRS 16 Leases (continued)

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- reliance on assessments on whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 August 2019 as short-term leases; and

- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

3.2 Early adoption of amendments to HKFRS 16 Covid-19-Related Rent Concessions

The amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying Covid-19-related rent concessions granted to the Group during the year ended 31 July 2020 (see Note 17(iii)).

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[5]
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 3	Definition of a Business[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendments to HKAS 1	Classifying Liabilities as Current or Non-current[5]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023

The Directors anticipate that the application of above new and revised HKFRSs will have no material impact on the results and the consolidated statement of financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determine whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in an associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Revenue recognition
Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

Royalty income is recognised over time and included in "other income" in accordance with the substance of the relevant agreements.

Property, plant and equipment
Prior to the adoption of HKFRS 16, property, plant and equipment including buildings and leasehold land held for use in the supply of goods or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. In accordance with the adoption of HKFRS 16, the leasehold land held for use was reclassified to right-of-use assets under leasing.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Leasing

Accounting Policy applicable on or after 1 August 2019

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)
Accounting Policy applicable on or after 1 August 2019 (continued)
The Group as lessee (continued)
Lease liabilities (continued)
Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Accounting Policy applicable on or after 1 August 2019 (continued)

The Group as lessee (continued)

Right-of-use assets

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset as a separate line in the consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)
Accounting Policy applicable on or after 1 August 2019 (continued)
The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers to allocate the consideration under the contract to each component.

Accounting Policy applicable prior to 1 August 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

The Group as lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building (continued)
To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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

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

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

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

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

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

Retirement benefits costs
Payments to the state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, defined contribution retirement benefit plans, are recognised as an expense when employees have rendered services entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors

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

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

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

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax is recognised in profit or loss.

Inventories

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

Provisions

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

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

Onerous contracts

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

Financial assets at amortised cost (debt instruments)

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

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

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at amortised cost (debt instruments) (continued)
Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other (losses) gains, net' line item. Fair value is determined in the manner described in Note 24.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 6 months past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities and equity instruments (continued)
Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

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

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

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

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

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

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

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

Financial liabilities subsequently measured at amortised cost
Financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

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

Impairment losses on tangible assets and right-of-use assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Going concern and liquidity
The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. Please refer to Note 2 in relation to the going concern assumptions adopted by the Directors.

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

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

Estimation of fair value of investment properties
As disclosed in Note 18, the fair value of the investment properties was determined based on the direct comparison approach and income capitalisation approach, which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the valuation of the Group's investment properties. As at 31 July 2020, the fair values of investment properties were approximately HK$1,727,756,000 (2019: HK$1,889,349,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the net realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed semi-annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2020, the carrying amount of inventories of the Group was approximately HK$49,116,000 (2019: HK$48,437,000), net of allowance for inventories of approximately HK$16,895,000 (2019: HK$17,893,000).

Impairment loss on property, plant and equipment and right-of-use assets

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

The impairment loss on property, plant and equipment and right-of-use assets 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 right-of-use assets have been determined based on the higher of fair value less costs of disposals and its value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. During the year ended 31 July 2020, impairment loss recognised in respect of property, plant and equipment and right-of-use assets were approximately HK$5,390,000 (2019: HK$1,360,000) and HK$39,349,000 (2019: nil) respectively. Where the actual future cash flows are less or more than expected, or changes in events and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. At 31 July 2020, the net book value of property, plant and equipment and right-of-use assets of the Group was approximately HK68,293,000 (2019: HK$114,482,000) and HK$46,387,000 (1 August 2019: HK$133,460,000) respectively.

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on ECL. The Group uses judgement in making assumptions and selecting the inputs to the ECL model, based on the ageing of trade and other receivables as well as the Group's historical loss rates and forward looking factors at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL on trade and other receivables is assessed collectively by using a provision matrix with appropriate groupings and/or an individual basis for debtors with significant balances or credit impaired. As at 31 July 2020, the carrying amounts of trade and other receivables of the Group were approximately HK$17,497,000 (2019: HK$16,099,000), net of allowance for impairment amounted to HK$42,317,000 (2019: HK$49,584,000). During the year ended 31 July 2020, there was reversal of provision for impairment amounted to HK$6,341,000 (2019: HK$13,570,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

Income tax

As at 31 July 2020, deferred tax asset in relation to unused tax losses of HK$467,074,000 (2019: HK$438,516,000) (see Note 29) were not recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisation of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the expectation for future profit streams changes, recognition of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such recognition takes place.

Provision for onerous contracts

Before application of HKFRS 16 on 1 August 2019, the Group made provision based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from garment and related accessories business. The provision was calculated based on discounted cash flows to the end of the lease period. Estimating these future losses involved a number of assumptions about the future operating performance of the garment and related accessories business. As at 31 July 2019, provision for onerous contracts was approximately HK$14,920,000.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2020	2019
	HK$'000	HK$'000
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of goods *(Note (a))*	**94,868**	178,048
Revenue from other sources		
Gross rental income	**56,399**	57,300
	151,267	235,348
Other income		
Royalty income	**2,354**	2,370
Bank interest income	**106**	264
Interest income on amount due from an associate	**445**	607
Interest income on advances to independent third parties *(Note 23(b))*	**840**	840
Government grants *(Note (b))*	**6,200**	—
Covid-19-related rent concessions *(Note (c))*	**3,984**	—
Others	**1,255**	638
	15,184	4,719
Gross rental income	**56,399**	57,300
Less: outgoings	**(796)**	(715)
	55,603	56,585

Notes:

(a) *During the years ended 31 July 2020 and 2019, sale of goods were recognised at a point in time in accordance with HKFRS 15.*

(b) *During the year ended 31 July 2020, the amounts represented cash subsidies of approximately HK$4,180,000 and HK$2,020,000 from the Employment Support Scheme ("**ESS**") and Retail Sector Subsidy Scheme under Anti-epidemic Fund granted by the Hong Kong Special Administrative Region respectively as part of the relief measures on COVID-19 pandemic.*

(c) *The rent concessions were provided by the lessors which represent rent forgiveness due to the outbreak of COVID-19.*

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

7. SEGMENT INFORMATION

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

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

Segment revenues and results

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

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**94,868**	178,048	**56,399**	57,300	**–**	–	**151,267**	235,348
Other income from external customers *(Note)*	**13,540**	2,700	**698**	915	**–**	–	**14,238**	3,615
Group's total revenue and other income *(Note)*	**108,408**	180,748	**57,097**	58,215	**–**	–	**165,505**	238,963
Reportable segment (loss) profit	**(105,250)**	(24,486)	**(116,439)**	110,838	**(17,523)**	5,857	**(239,212)**	92,209
Unallocated corporate income							**946**	1,104
Unallocated corporate expenses							**(34,189)**	(46,345)
Finance costs							**(20,318)**	(17,052)
(Loss) profit before tax							**(292,773)**	29,916

Note: The income excludes bank interest income and interest income on advances to independent third parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of bank interest income, interest income on advances to independent third parties, certain (loss) gain on financial assets at FVTPL, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**188,103**	208,553	**1,792,190**	2,011,669	**179,549**	163,826	**2,159,842**	2,384,048
Unallocated corporate assets							**146,564**	182,142
Total consolidated assets							**2,306,406**	2,566,190
LIABILITIES								
Segment liabilities	**107,861**	66,491	**17,717**	24,288	**13,097**	23,206	**138,675**	113,985
Unallocated corporate liabilities							**640,990**	633,440
Total consolidated liabilities							**779,665**	747,425

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

— all assets are allocated to reportable and operating segments, other than non-current financial asset at FVTPL, certain other receivables, pledged bank deposits and bank balances and cash.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

7. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**—**	—	**51,091**	53,650	**—**	—	**51,091**	53,650
Additions to property, plant and equipment	**5,569**	5,607	**13**	370	**—**	—	**5,582**	5,977
Addition of prepayment of property, plant and equipment	**—**	2,490	**—**	—	**—**	—	**—**	2,490
Addition of right-of-use assets	**10,034**	—	**—**	—	**—**	—	**10,034**	—
Depreciation and amortisation	**54,585**	11,970	**365**	372	**—**	—	**54,950**	12,342
Provision for onerous contracts	**—**	6,295	**—**	—	**—**	—	**—**	6,295
Impairment loss recognised in respect of right-of-use assets	**39,349**	—	**—**	—	**—**	—	**39,349**	—
(Reversal of provision) provision for impairment on trade and other receivables	**(6,989)**	(13,570)	**648**	—	**—**	—	**(6,341)**	(13,570)
(Reversal of provision) provision for slow-moving inventories	**(812)**	105	**—**	—	**—**	—	**(812)**	105
Impairment loss recognised in respect of property, plant and equipment	**5,390**	1,360	**—**	—	**—**	—	**5,390**	1,360
Loss on write off of property, plant and equipment	**86**	—	**—**	—	**—**	—	**86**	—
Write-off of trade and other receivables	**—**	159	**—**	—	**—**	—	**—**	159
Fair value losses (gains) on investment properties	**—**	—	**161,185**	(57,414)	**—**	—	**161,185**	(57,414)
Net losses (gains) on financial assets at FVTPL *(Note)*	**—**	—	**—**	—	**17,523**	(5,857)	**17,523**	(5,857)
Share of loss (profit) of an associate	**—**	—	**2,559**	(3,528)	**—**	—	**2,559**	(3,528)
Interest income from an associate	**—**	—	**(445)**	(607)	**—**	—	**(445)**	(607)

Note: The amount excludes loss from financial assets at FVTPL under non-current assets.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

7. SEGMENT INFORMATION (continued)

Disaggregation of revenue

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	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**142,851**	224,015
The PRC	**8,416**	11,333
	151,267	235,348

	Non-current assets	
	As at 31 July	
	2020	2019
	HK$'000	HK$'000
Hong Kong	**1,800,800**	1,972,603
The PRC	**92,727**	98,968
	1,893,527	2,071,571

Note: Non-current assets exclude financial instruments.

Information about major customers

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

8. OTHER (LOSS) GAINS, NET

	2020 **HK$'000**	2019 HK$'000
Provision for onerous contract	**—**	(6,295)
Impairment loss recognised in respect of right-of-use assets	**(39,349)**	—
Reversal of provision for impairment on trade and other receivables	**6,341**	13,570
Write-off of trade and other receivables	**—**	(159)
Impairment loss recognised in respect of property, plant and equipment	**(5,390)**	(1,360)
Loss on write off of property, plant and equipment	**(86)**	—
Loss on early termination of lease	**(665)**	—
Loss on disposal of asset classified as held-for-sale	**(726)**	—
Net (losses) gain on financial assets at FVTPL	**(20,482)**	4,870
Exchange gain, net	**244**	210
Others	**(1,259)**	687
	(61,372)	11,523

9. FINANCE COSTS

	2020 **HK$'000**	2019 HK$'000
Interest on:		
Bank borrowings	**17,415**	17,052
Lease liabilities	**2,903**	—
	20,318	17,052

10. INCOME TAX CREDIT

	2020 **HK$'000**	2019 HK$'000
Current tax	**—**	—
Deferred tax *(Note 29)*	**(2,290)**	(691)
	(2,290)	(691)

No current tax has been provided for the years ended 31 July 2020 and 2019 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

10. INCOME TAX CREDIT (continued)

Under the two-tiered profits tax rates regime of Hong Kong Profits tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

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

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

For the year ended 31 July 2020

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(278,483)		(14,290)		(292,773)	
Tax at the domestic income tax rate	(45,950)	16.5	(3,573)	25.0	(49,523)	16.9
Tax effect of income not taxable for tax purpose	(1,282)	0.5	(2,783)	19.5	(4,065)	1.4
Tax effect of expenses not deductible for tax purposes	27,714	(10.0)	669	(4.7)	28,383	(9.7)
Tax effect of share of result of an associate	422	(0.2)	—	—	422	(0.1)
Tax effect of tax losses not recognised	8,744	(3.1)	5,687	(39.8)	14,431	(4.9)
Tax effect of deductible temporary differences not recognised	8,062	(2.9)	—	—	8,062	(2.8)
	(2,290)	0.8	—	—	(2,290)	0.8

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

10. INCOME TAX CREDIT (continued)

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

For the year ended 31 July 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

11. (LOSS) PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000
The Group's (loss) profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration *(Note 12)*:		
Wages and salaries	**49,854**	61,307
Retirement benefits schemes contributions	**1,816**	2,200
Others	**(425)**	(7)
	51,245	63,500
Cost of inventories recognised as an expense (including (reversal of provision) provision for slow-moving inventories)	**45,161**	71,299
Depreciation of property, plant and equipment	**10,335**	12,021
Depreciation of right-of-use assets	**44,615**	—
Amortisation of land lease prepayments (included in administrative expenses)	**—**	321
Auditor's remuneration		
— Audit services	**900**	930
— Non-audit services	**75**	68
Operating lease payments in respect of leased premises: *(Note)*		
— Minimum lease payments under operating leases	**N/A**	50,919
— Contingent rents	**N/A**	4,015
	N/A	54,934

Note: Operating lease payments in respect of leased premises for the year ended 31 July 2019 represent payments made and accounted for under HKAS 17. Details of the lease payments made for the year ended 31 July 2020 are set out in Note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the nine (2019: nine) Directors including the chief executive officer are as follows:

	2020						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 (note c)	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors (note a)							
Lam Kin Ming	10	5,479	–	700	–	–	6,189
Lam Wai Shan, Vanessa	10	2,837	–	–	18	–	2,865
Lam Kin Ngok, Peter	10	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	10
Wan Edward Yee Hwa	10	348	–	–	–	–	358
Non-executive director (note b)							
Lam Suk Ying, Diana	96	–	–	–	–	–	96
Independent non-executive directors (note b)							
Yeung Sui Sang	144	–	–	–	–	–	144
Chow Bing Chiu	144	–	–	–	–	–	144
Leung Shu Yin, William	144	–	–	–	–	–	144
	578	8,664	–	700	18	–	9,960

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

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

	2019						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 *(note c)*	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors (note a)							
Lam Kin Ming	10	5,799	—	1,400	—	—	7,209
Lam Wai Shan, Vanessa	10	2,959	—	500	18	—	3,487
Lam Kin Ngok, Peter	10	—	—	—	—	—	10
Lam Kin Hong, Matthew	10	—	—	—	—	—	10
Wan Edward Yee Hwa	10	360	—	—	—	—	370
Non-executive director (note b)							
Lam Suk Ying, Diana	96	—	—	—	—	—	96
Independent non-executive directors (note b)							
Yeung Sui Sang	144	—	—	—	—	—	144
Chow Bing Chiu	144	—	—	—	—	—	144
Leung Shu Yin, William	144	—	—	—	—	—	144
	578	9,118	—	1,900	18	—	11,614

Notes:

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

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

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

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

During each of the years ended 31 July 2020 and 2019, (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

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13. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in Note 12. The remunerations of the remaining three (2019: three) highest paid employees are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and allowances	**3,361**	4,072
Retirement benefits schemes	**54**	54
	3,415	4,126

Their remunerations are within the following bands:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

During each of the years ended 31 July 2020 and 2019, no remuneration was paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

	2020	2019
	HK$'000	HK$'000
Final dividend of HK$0.01 per ordinary share paid in respect of the year ended 31 July 2018	**—**	9,475

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

15. (LOSSES) EARNINGS PER SHARE

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

	2020 **HK$'000**	2019 HK$'000
(Losses) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (losses) earnings per share	**(290,483)**	30,607

	2020	2019
Number of shares		
Number of ordinary shares for the purposes of basic (losses) earnings per share	**947,543,695**	947,543,695
Effect of dilutive potential ordinary shares: — share options	**—**	—
Number of ordinary shares for the purposes of diluted (losses) earnings per share	**947,543,695**	947,543,695

For the years ended 31 July 2020 and 2019, the computation of diluted (losses) earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of the share options were higher than the average market price of shares.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture and fixtures, leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 August 2018	42,900	96,987	3,400	86,894	16,193	9,470	255,844
Additions	—	—	11	4,731	338	897	5,977
Eliminated on disposals/write-off	—	—	—	(2)	—	—	(2)
Exchange realignment	—	(1,563)	(49)	(93)	(80)	(36)	(1,821)
At 31 July 2019	42,900	95,424	3,362	91,530	16,451	10,331	259,998
Impact on initial adoption of HKFRS 16 *(Note 3.1)*	(42,900)	—	—	—	—	—	(42,900)
At 1 August 2019	—	95,424	3,362	91,530	16,451	10,331	217,098
Additions	—	—	—	5,208	374	—	5,582
Eliminated on write-off	—	—	—	(33,213)	—	—	(33,213)
Exchange realignment	—	(1,563)	(49)	(93)	(80)	(36)	(1,821)
At 31 July 2020	**—**	**93,861**	**3,313**	**63,432**	**16,745**	**10,295**	**187,646**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 August 2018	6,856	21,888	3,307	78,635	14,913	7,212	132,811
Provided for the year	1,246	4,217	27	5,013	677	841	12,021
Impairment loss recognised in profit or loss	—	—	—	1,360	—	—	1,360
Eliminated on disposals/write-off	—	—	—	(2)	—	—	(2)
Exchange realignment	—	(425)	(47)	(93)	(80)	(29)	(674)
At 31 July 2019	8,102	25,680	3,287	84,913	15,510	8,024	145,516
Impact on initial adoption of HKFRS 16 *(Note 3.1)*	(8,102)	—	—	—	—	—	(8,102)
At 1 August 2019	—	25,680	3,287	84,913	15,510	8,024	137,414
Provided for the year	—	4,063	19	5,020	449	784	10,335
Impairment loss recognised in profit or loss	—	—	—	5,390	—	—	5,390
Eliminated on write-off	—	—	—	(33,127)	—	—	(33,127)
Exchange realignment	—	(409)	(51)	(93)	(78)	(28)	(659)
At 31 July 2020	**—**	**29,334**	**3,255**	**62,103**	**15,881**	**8,780**	**119,353**
CARRYING VALUES							
At 31 July 2020	**—**	**64,527**	**58**	**1,329**	**864**	**1,515**	**68,293**
At 31 July 2019	34,798	69,744	75	6,617	941	2,307	114,482

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The management reviewed the impairment of leasehold improvements on individual store basis when events or circumstances indicate the carrying amount may not be recoverable. Certain shop outlets were loss making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores with operating losses which is considered as an impairment indicator for the years ended 31 July 2020 and 2019. The review led to the recognition of an impairment loss of approximately HK$5,390,000 for the year ended 31 July 2020 (2019: HK$1,360,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The discount rate in measuring the amounts of value in use was 3.5% in relation to furniture and fixtures and leasehold improvements.

The Group has pledged leasehold buildings with a carrying value of approximately HK$5,553,000 (2019: HK$40,557,000) to secure general banking facilities granted to the Group (Note 33).

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	31/7/2020 HK$'000	1/8/2019 HK$'000
Leasehold land	**44,946**	46,714
Leased premises	**1,441**	86,746
	46,387	133,460

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(i) Right-of-use assets (continued)

	HK$'000
At 1 August 2019	133,460
Addition	10,034
Depreciation	(44,615)
Early termination of lease	(3,139)
Lease modifications	(9,755)
Impairment loss in respect of right-of-use assets	(39,349)
Exchange realignment	(249)
At 31 July 2020	**46,387**

The leasehold lands of approximately HK$11,395,000 and HK$33,551,000 situated in the PRC and Hong Kong respectively.

The Group has lease arrangements for leased premises. The lease terms are generally two to five years. Upon adoption of HKFRS 16, on 1 August 2019, the Group recognised right-of-use assets of approximately HK$133,460,000, in respect of the leasehold land and leased premises.

Additions to the right-of-use assets for the year ended 31 July 2020 amounted to approximately HK$10,034,000, due to new leases of leased premises.

The management reviewed the impairment of right-of-use assets on individual store basis when events or circumstances indicate the carrying amount may not be recoverable. Certain shop outlets were loss making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores with operating losses which is considered as an impairment indicator for the year ended 31 July 2020. As a result, the management recognised an impairment loss of approximately HK$39,349,000 (2019: nil) for certain right-of-use assets during the year ended 31 July 2020, which was estimated based on the recoverable amount of each individual shop outlet cash generating unit which based on the discounted cash flow projections covering a period of the remaining lease term. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The discount rate in measuring the amounts of value in use was 3.5% in relation to right-of-use assets.

As at 31 July 2020, the carrying amount of right-of-use assets was approximately HK$46,387,000 in respect of the leasehold land and leased premises.

The Group has pledged leasehold land with a carrying value of approximately HK$33,551,000 (2019: nil) to secure general banking facilities granted to the Group (Note 33).

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Lease liabilities

	31/7/2020	1/8/2019
	HK$'000	HK$'000
Non-current	**25,947**	59,488
Current	**35,355**	43,115
	61,302	102,603

Amounts payable under lease liabilities

	2020
	HK$'000
Within one year	**35,355**
After one year but within two years	**23,704**
After two years but within five years	**2,243**
	61,302
Less: Amount due for settlement within 12 months (Show under current liabilities)	**(35,355)**
Amount due for settlement after 12 months	**25,947**

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Lease liabilities (continued)

Upon adoption of HKFRS 16 on 1 August 2019, the Group recognised total lease liabilities of approximately HK$102,603,000.

During the year ended 31 July 2020, the Group entered into certain new lease agreements in respective of renting shop outlets and warehouse and recognised lease liabilities of approximately HK$10,034,000.

As at 31 July 2020, the carrying amount of lease liabilities was approximately HK$61,302,000.

(iii) Amounts recognised in profit and loss

	2020 HK$'000
Depreciation on right-of-use assets	
— Leasehold land	**1,554**
— Leased premises	**43,061**
Interest expense on lease liabilities	**2,903**
Impairment loss in respect of right-of-use assets	**39,349**
Covid-19-related rent concessions	**3,984**
Expense relating to short-term leases	**8,039**
Expense relating to variable lease payments not included in the measurement of the lease liability	**2,061**

(iv) Others

For the year ended 31 July 2020, the total cash outflow for leases amount to approximately HK$48,090,000, including payment on interest of lease liabilities and lease termination penalty of approximately HK$2,903,000 and HK$1,079,000 respectively.

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the relevant leased stores. The breakdown of lease payments for these retail stores is as follows.

	2020 HK$'000
Fixed payments	**3,836**
Variable payments	**2,061**
Total payments	**5,897**

The lease of retail stores contain variable lease payment terms that are based on sales generated from the relevant retail stores and minimum annual lease payment terms that are fixed. These payment terms were in accordance with the lease contracts.

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18. INVESTMENT PROPERTIES

	2020	2019
	HK$'000	HK$'000
FAIR VALUE		
At the beginning of the year	**1,889,349**	1,888,489
(Decrease) increase in fair value recognised in profit or loss	**(161,185)**	57,414
Transfer to asset classified as held-for-sale *(Note 31)*	**—**	(56,150)
Exchange realignment	**(408)**	(404)
At the end of the year	**1,727,756**	1,889,349

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

Unipress started in 2007 to redevelop the KT Property and the redevelopment was completed in September 2009. The KT Property was renamed as Crocodile Center upon the completion of the redevelopment. Pursuant to the Development Agreement, upon the completion of the redevelopment, the Group assigned the retail and restaurant portions of the Crocodile Center to Unipress and all the car parking spaces to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 21(b)).

The fair value of the Group's investment properties as at 31 July 2020 and 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, an independent qualified professional valuers not connected to the Group.

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18. INVESTMENT PROPERTIES (continued)

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

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

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

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18. INVESTMENT PROPERTIES (continued)

At 31 July 2020 and 2019, certain investment properties, including the investment properties classified as held-for-sale (Note 31), of approximately HK$1,706,000,000 (2019: HK$1,922,650,000) of the Group were pledged to banks to secure the bank loans granted to the Group (Note 33).

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

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

Description	Fair value as at 31 July		Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
	2020	2019					
	HK$'000	HK$'000					
Properties located in Hong Kong							
Office	**29,000**	32,500	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 85% to 120% (2019: 97% to 113%)	The higher the adjusting factor, the higher the fair value.
	1,600,000	1,750,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	3.4% (2019: 3.0%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	HK$29 (2019: HK$31) per square foot	The higher the market rent, the higher the fair value.
Industrial	**77,000**	84,000	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 80% to 105% (2019: ranging from 93% to 103%)	The higher the adjusting factor, the higher the fair value.

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18. INVESTMENT PROPERTIES (continued)

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

Description	Fair value as at 31 July 2020 HK$'000	Fair value as at 31 July 2019 HK$'000	Valuation techniques		Unobservable inputs		Relationship of unobservable inputs to fair value
Properties located in the PRC							
Retail	**13,431**	14,035	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2019: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB263 (2019: RMB273) per square metre	The higher the market rent, the higher the fair value.
Office	**8,325**	8,814	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2019: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB74 (2019: RMB76) per square metre	The higher the market rent, the higher the fair value.
	1,727,756	1,889,349					
Investment property classified as held-for-sale							
Retail			Market approach	(i)	Recent transaction price	HK$68,000 per square foot	The higher the market price, the higher the fair value.
	–	56,150					
Total	**1,727,756**	1,945,499					

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19. LAND LEASE PREPAYMENTS

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

Upon adoption of HKFRS 16 on 1 August 2019, the carrying amount of land lease prepayments of HK$11,916,000 was reclassified to right-of-use assets.

20. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ registration and operations	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company 2020	2019	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile KT Investment Limited	Hong Kong	HK$1	**100**	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Crocodile Garments (Zhong Shan) Limited* (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	**100**	100	Garment trading
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	**100**	100	Garment trading
Stargem Limited	Hong Kong	HK$1	**100**	100	Property investment
Public Global Investments Limited	Hong Kong	HK$1	**100**	100	Property investment
Pure Goal Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Purewell Limited	Hong Kong	HK$1	**100**	100	Property Investment
Keepower Limited	Hong Kong	HK$1	**100**	100	Property Investment

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

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

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

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

21(a). AMOUNT DUE FROM AN ASSOCIATE

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

21(b). INTEREST IN AN ASSOCIATE

	2020 **HK$'000**	2019 HK$'000
Costs of investment in an associate	**—**	—
Share of post-acquisition profit and other comprehensive income, net of dividends received	**51,091**	53,650
	51,091	53,650

Details of the associate as at 31 July 2020 and 2019 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	Property investment	50% *(Note)*

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

According to the Development Agreement as disclosed in Note 18, the titles of all car parking spaces of Crocodile Center were assigned to Mass Energy Limited, a company which is owned in equal proportions by LSG and the Group. In the opinion of the Directors, the investment is strategically beneficial to the Group.

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

Summarised financial information of the associate

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

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

	2020 **HK$'000**	2019 HK$'000
Current assets	**929**	1,104
Non-current assets — representing investment properties	**119,000**	125,000
Current liabilities	**(158)**	(514)
Non-current liabilities	**(17,589)**	(18,289)
Net assets	**102,182**	107,301
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**51,091**	53,650
Total revenue	**2,006**	2,444
(Loss) profit and total comprehensive (expense) income for the year	**(5,119)**	7,057
Group's share of (loss) profit of an associate for the year	**(2,559)**	3,528
Dividend shared by the Group and received from the associate during the year	**—**	500

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22. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**122**	185
Finished goods	**48,994**	48,252
	49,116	48,437

The carrying amount of inventories of the Group was approximately HK$49,116,000 (2019: HK$48,437,000) net of allowance for inventories of approximately HK$16,895,000 (2019: HK$17,893,000). During the year, there was an increase in the sales of slow-moving products. As a result, a reversal of provision for slow-moving inventories of HK$812,000 (2019: provision for slow-moving inventories of HK$105,000) has been recognised and included in cost of sales in the current year.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Trade receivables	**15,110**	14,643
Less: Allowance for impairment	**(10,076)**	(9,574)
	5,034	5,069
Other receivables *(Notes (a) and (b))*	**44,704**	51,040
Less: Allowance for impairment	**(32,241)**	(40,010)
	12,463	11,030
Deposits and prepayments *(Note (c))*	**18,830**	28,577
	36,327	44,676
Less: Rental and utility deposits shown under non-current assets	**(10,421)**	(13,833)
Less: Prepayment for acquisition of property, plant and equipment shown under non-current assets	**—**	(2,490)
	25,906	28,353

Notes:

(a) As at 31 July 2020, net royalty receivables of the Group of nil (2019: nil), net of allowance for impairment of approximately HK$32,238,000 (2019: HK$40,007,000) is included in the other receivables, where payments are required monthly or semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2020, the Group made reversal of provision for impairment of approximately HK$7,004,000 (2019: approximately HK$13,620,000).

(b) As at 31 July 2020, included in other receivables of the Group was advance of HK$7,000,000 (2019: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2021 (2019: April 2020).

(c) As at 31 July 2019, land lease prepayments of the Group of approximately HK$316,000 were included in the current portion of deposits and prepayments. Upon adoption of HKFRS 16 on 1 August 2019, the carrying amount of land lease prepayments of HK$316,000 was reclassified to right-of-use assets.

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

As at 31 July 2020, amount of approximately HK$11,388,000 (2019: HK$12,492,000) included in the trade receivables arose from the sales of goods in accordance with HKFRS 15.

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

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

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

	2020	2019
	HK$'000	HK$'000
0 to 90 days	**4,044**	4,297
91 to 180 days	**220**	597
181 to 365 days	**770**	175
	5,034	5,069

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

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**49,584**	64,137
Reversal of allowance provided, net	**(6,341)**	(13,570)
Exchange realignment	**(926)**	(983)
At the end of the year	**42,317**	49,584

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

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

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

As at 31 July 2020	**Weighted average expected loss rate %**	**Gross carrying amount HK$'000**	**Impairment loss allowance HK$'000**
Not credit-impaired:			
Within 60 days	*	**4,044**	—
61 days to 150 days	*	**220**	—
Over 150 days	*	**770**	—
		5,034	—
Credit-impaired:			
Default receivables	**100%**	**10,076**	**10,076**
		15,110	**10,076**

As at 31 July 2019	Weighted average expected loss rate %	Gross carrying amount HK$'000	Impairment loss allowance HK$'000
Not credit-impaired:			
Within 60 days	*	4,297	—
61 days to 150 days	*	597	—
Over 150 days	*	175	—
		5,069	—
Credit-impaired:			
Default receivables	100%	9,574	9,574
		14,643	9,574

* *The weighted average expected loss rate is immaterial*

The assessments on ECL of other receivables and deposits are set out in Note 39(b).

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	HK$'000	HK$'000
Current assets		
Listed investments		
Equity securities listed in Hong Kong	**1,015**	49,156
Equity securities listed outside Hong Kong	**12,500**	25,396
Debt securities listed in Hong Kong	**27,326**	7,213
Debt securities listed outside Hong Kong	**22,941**	12,695
Perpetual securities listed in Hong Kong	**9,588**	4,780
Perpetual securities listed outside Hong Kong	**12,241**	15,023
	85,611	114,263
Unlisted investments		
Equity securities	**5,230**	7,190
Debt securities	**88,708**	42,373
	93,938	49,563
Total	**179,549**	163,826

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

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

At 31 July 2020, certain financial assets at FVTPL of approximately HK$106,102,000 (2019: HK$133,823,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$13,097,000 (2019: HK$23,206,000), details of which are set out in Note 27.

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

	2020 HK$'000	2019 HK$'000
Non-current asset		
Unlisted investment in Hong Kong, at fair value	**29,054**	32,013

The above unlisted investment represents investment in preference shares issued by a private limited liability company established in the BVI. The investee is principally engaged in property investment business. There is no fixed maturity period to the preference shares and the fair value of the investment was determined with reference to the fair value to the underlying assets and liabilities of the investee company. The preference shares entitled the holders a fixed cumulative dividend of 8% per annum and preferential rights over the ordinary shareholders in the event of liquidation.

The valuation technique and significant unobservable inputs are disclosed in Note 39.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2020 HK$'000	2019 HK$'000
Bank balances and cash	**86,402**	105,570
Pledged bank deposits	**24,108**	37,559

As at 31 July 2020 and 31 July 2019, the pledged bank deposits of the Group carry interest at market rates and are therefore exposed to cash flow interest rate risk.

Pledged bank deposits amounting to approximately HK$24,108,000 (2019: HK$37,559,000) have been pledged to secure margin loans payable and bank loan respectively and are therefore classified as current assets.

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

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26. BANK BORROWINGS

	2020		2019	
		Effective interest rates		Effective interest rates
	HK$'000	**(%) p.a**	HK$'000	(%) p.a
Bank loans, secured	**621,235**	**0.93-1.90**	587,058	0.88-3.81
Trust receipt loans, secured	**—**		9,354	3.37-4.28
	621,235		596,412	

	2020	2019
	HK$'000	HK$'000
Carrying amount repayable *(Note)*:		
Within one year	**406,243**	581,083
Beyond one year, but not exceeding two years	**8,958**	2,297
Beyond two years, but not exceeding five years	**206,034**	5,529
Beyond five years	**—**	7,503
	621,235	596,412
Less: Amounts shown under current liabilities	**(406,243)**	(581,083)
Amounts shown under non-current liabilities	**214,992**	15,329

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

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

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate plus 1.00% to 1.75% (2019: 1.00% to 1.75%).

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27. MARGIN LOANS PAYABLE

As at 31 July 2020, 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$106,102,000 (2019: HK$133,823,000) (Note 24) and pledged bank deposits of approximately HK$24,108,000 (2019: HK$37,559,000) (Note 25).

	2020		2019	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Within one year	**13,097**	**0.81-1.40**	23,206	0.82-3.17

The Group's variable-rate margin loans payable are mainly subject to interest range between 0.81% to 1.40% (2019: 0.82% to 3.17%). The range of effective interest rates are equal to contractual interest rates.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2020 **HK$'000**	2019 HK$'000
Trade payables:		
0 to 90 days	**278**	13,435
91 to 180 days	**10,828**	235
181 to 365 days	**1,143**	951
Over 365 days	**1,751**	903
	14,000	15,524
Other deposits	**18,629**	19,758
Provision for onerous contracts	**—**	14,920
Payable for acquisition of unlisted equity investment	**528**	1,342
Other payables and accruals	**28,881**	31,085
	62,038	82,629
Less: Deposits received shown under non-current liabilities	**(10,821)**	(10,157)
	51,217	72,472

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

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

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

	2020	2019
	HK$'000	HK$'000
At the beginning of the year	**14,920**	8,625
Adjustments of the provision for onerous contracts to right-of-use assets upon adoption of HKFRS 16 at 1 August 2019 *(Note 3.1)*	**(14,920)**	—
Provision	—	6,295
At the end of the year	—	14,920

Before adoption of HKFRS 16, provision for onerous contracts were made based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from garment and related accessories business. The provision was calculated based on discounted cash flows to the end of the lease period. As at 31 July 2019, the provision for onerous contracts was approximately HK$14,920,000.

29. DEFERRED TAX

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

	2020	2019
	HK$'000	HK$'000
Deferred tax assets	**14,235**	12,022
Deferred tax liabilities	**(14,235)**	(14,312)
	—	(2,290)

29. DEFERRED TAX (continued)

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

	Losses available for offsetting against future taxable profits HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 31 July 2018	10,008	(12,989)	(2,981)
Credit (charge) to profit or loss	2,014	(1,323)	691
At 31 July 2019	12,022	(14,312)	(2,290)
Credit to profit or loss	2,213	77	2,290
At 31 July 2020	**14,235**	**(14,235)**	**—**

As at 31 July 2020, the Group has unutilised tax losses of approximately HK$553,346,000 (2019: HK$511,376,000). 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$34,459,000 (2019: HK$58,891,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$86,272,000 (2019: HK$72,860,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$467,074,000 (2019: HK$438,516,000) in aggregate due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$68,473,000 (2019: HK$19,612,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No deferred taxation had been provided for in the consolidated financial statements since the temporary difference attributable to retained profits of the PRC subsidiaries is nil (2019: nil).

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30. SHARE CAPITAL

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2018, 31 July 2019 and 31 July 2020	**947,543,695**	**332,323**

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

31. ASSET CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD-FOR-SALE

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

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

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

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31. ASSET CLASSIFIED AS HELD-FOR-SALE AND LIABILITIES ASSOCIATED WITH ASSET CLASSIFIED AS HELD-FOR-SALE (continued)

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

32. SHARE-BASED PAYMENT TRANSACTIONS

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

Under the 2015 Scheme, the Directors may grant options to the Eligible Participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group.

As at 31 July 2020, the number of shares in respect of which share options had been granted and remained outstanding under the 2015 Scheme was 2,900,000 (2019: 5,800,000), representing 0.31% (2019: 0.61%) of the shares of the Company in issue at that date). The total number of shares in respect of which share options may be granted under the 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue on 15 December 2015 and the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2015 Scheme and any share option schemes of the Company must not exceed 30% of the number of shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share options granted under the 2015 Scheme must be taken up within 30 days from the date of grant respectively, upon payment of HK$1 per option. Share options may be exercised at any time within a period from the date of grant of the share option to the expiry date of the 2015 Scheme. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange daily quotation sheet on the date of grant and (ii) the average closing prices of the Company's shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant.

The following table discloses movements of the Company's share options, which are all held by Directors, during the years ended 31 July 2020 and 2019:

				Number of option shares				
Category	**Date of grant**	**Exercise price HK$**	**Exercisable period**	**Outstanding at 1 August 2019**	**Granted during the year**	**Exercised during the year**	**Lapse of share options**	**Outstanding 31 July 2020**
Directors								
Dr. Lam Kin Ming	16 January 2017	0.9940	16.1.2017 — 15.1.2020	**900,000**	**—**	**—**	**(900,000)**	**—**
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	**900,000**	**—**	**—**	**—**	**900,000**
Ms. Lam Wai Shan, Vanessa	16 January 2017	0.9940	16.1.2017 — 15.1.2020	**2,000,000**	**—**	**—**	**(2,000,000)**	**—**
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	**2,000,000**	**—**	**—**	**—**	**2,000,000**
				5,800,000	**—**	**—**	**(2,900,000)**	**2,900,000**
Exercisable at the end of the year								**2,900,000**
Weighted average exercise price (HK$)				0.9180	—	—	0.9940	0.8420

				Number of option shares			
Category	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 August 2018	Granted during the year	Exercised during the year	Outstanding at 31 July 2019
Directors							
Dr. Lam Kin Ming	16 January 2017	0.9940	16.1.2017 — 15.1.2020	900,000	—	—	900,000
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	900,000	—	—	900,000
Ms. Lam Wai Shan, Vanessa	16 January 2017	0.9940	16.1.2017 — 15.1.2020	2,000,000	—	—	2,000,000
	27 March 2018	0.8420	27.3.2018 — 26.3.2021	2,000,000	—	—	2,000,000
				5,800,000	—	—	5,800,000
Exercisable at the end of the year							5,800,000
Weighted average exercise price (HK$)				0.9180	—	—	0.9180

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33. PLEDGE OF ASSETS

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

	2020	2019
	HK$'000	HK$'000
Leasehold building	**5,553**	40,557
Right-of-use assets	**33,551**	—
Investment properties	**1,706,000**	1,866,500
Asset classified as held-for-sales	**—**	56,150
Financial assets at FVTPL	**106,102**	133,823
Pledged bank deposits	**24,108**	37,559
	1,875,314	2,134,589

34. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Gross property rental income earned during the year was approximately HK$56,399,000 (2019: HK$57,300,000). The Group leases out its investment properties (Note 18) under operating lease arrangements, with leases negotiated for terms ranging from two 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 3.3% (2019: 2.9%).

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020
	HK$'000
Within one year	**46,190**
After one year but within two years	**33,572**
After two years but within three years	**7,344**
After three years but within four years	**690**
	87,796

As at 31 July 2019, the Group had future minimum lease receivables under non-cancellable operating leases contracted with tenants as follows:

	2019
	HK$'000
Within one year	45,669
In the second to fifth years, inclusive	55,399
	101,068

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34. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee

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

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

	2019 HK$'000
Within one year	56,738
In the second to fifth years, inclusive	63,707
	120,445

Included in the Group's commitments for future minimum lease payments are operating lease arrangements with related parties with an aggregate amount of approximately HK$6,397,000 as at 31 July 2019.

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.

The Group is the lessee in respect of certain leased premises which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 August 2019 to recognise lease liabilities relating to these leases (see Note 3). From 1 August 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 4, and the details regarding the Group's future lease payments are disclosed in Note 17.

35. COMMITMENTS

In addition to the operating lease commitments disclosed in Note 34 above, the Group had the following capital commitments at the end of the reporting periods:

	2020 **HK$'000**	2019 HK$'000
Contracted, but not provided for:		
Expenditure on shops and office decorations in Hong Kong	—	314

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36. 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	**2020 HK$'000**	2019 HK$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	**3,337**	3,641
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	**31**	975
— Honor Lamp Investments Limited	(i), (ii), (v) & (vi)	**—**	811
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (v)	**—**	432
Lease payment and interest expense on lease liabilities			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	**16**	
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	**824**	—
— Honor Lamp Investments Limited	(i), (ii), (v) & (vi)	**840**	—
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (v)	**440**	—
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii) & (iii)	**916**	1,113
Rental income and building management fee income:			
— Big Honor Asia Limited	(i) & (ii)	**2,260**	2,172
Interest income:			
— Mass Energy Limited	(iv)	**445**	607

Notes:

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

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

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

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

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

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

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36. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

Amount due from related party

			Maximum amount outstanding during the year ended 31 July	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Related company				
Lai Fung Holdings Limited *(Note)*	**—**	—	**—**	11

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

Amounts due to related parties

	2020	2019
	HK$'000	HK$'000
Related companies		
Big Honor Asia Limited	**3**	10
Lai Sun Development Company Limited	**440**	259
Unipress Investments Limited	**29**	—
	472	269

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

(c) Compensation of key management personnel of the Group

	2020	2019
	HK$'000	HK$'000
Short-term employee benefits	**12,397**	14,750
Post-employment benefits	**72**	72
	12,469	14,822

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

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37. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 July 2020, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$1,816,000 (2019: HK$2,200,000).

38. 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 36 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:

	2020	2019
	HK$'000	HK$'000
Debts *(i)*	**634,332**	619,618
Equity *(ii)*	**1,526,741**	1,818,765
Debt to equity ratio	**41.5%**	34.1%

Notes:

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

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

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39. 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 2020 and 2019 are categorised as follows:

	2020	2019
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**208,603**	195,839
Financial liabilities at amortised cost	**151,688**	189,791
	360,291	385,630
Financial liabilities		
Financial liabilities at FVTPL	—	15,000
Financial liabilities at amortised cost	**674,143**	670,470
	674,143	685,470

(b) Financial risk management objectives and policies

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

Market risk

Foreign currency risk

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

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39. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk (continued)

Foreign currency risk (continued)

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**127,905**	124,902	**24,482**	17,465
RMB	**18,247**	665	**—**	—
JPY	**28,585**	39,735	**30,703**	38,102
EUR	**2,691**	2,552	**—**	—

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates a decrease (2019: an increase) in pre-tax (loss) profit where respective functional currency weakened 5% (2019: 5%) against the relevant foreign currency. For a 5% (2019: 5%) strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the pre-tax (loss) profit and the balances below would be negative.

	Effect on profit or loss	
	2020	2019
	HK$'000	HK$'000
RMB	**912**	33
JPY	**(106)**	82
EUR	**135**	128

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39. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk (continued)

Interest rate risk

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2019: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

If interest rates had been 100 (2019: 100) basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended 31 July 2020 (2019: profit for the year) would increase/decrease (2019: decrease/increase) by HK$6,102,000 (2019: HK$5,821,000).

Other price risk

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

Price sensitivity analysis

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

If the prices had been 10% higher/lower while holding all other variables constant, pre-tax loss for the year ended 31 July 2020 (2019: profit for the year) would decrease/increase (2019: increase/decrease) by approximately HK$8,561,000 (2019: HK$11,426,000). This is mainly due to the change in fair value of held-for-trading investments.

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39. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk

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

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

The Group has no significant concentration of credit risk as at 31 July 2020 and 2019, as the exposure spread over a number of counterparties. As at 31 July 2020, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 67% (2019: 64%) of the total trade receivables.

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

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances or credit impaired and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Management has considered the trade receivables with defaults or past due events over two years as credit-impaired.

For non-trade related receivable, deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. Management has considered the non-trade related receivable, deposits and other receivables with defaults or past due events over two years as credit-impaired.

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

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

The Group's exposure to credit risk

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

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39. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

For the year ended 31 July 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note)	Lifetime ECL (simplified approach)	5,034	—	5,034
	Default	Lifetime ECL-credit-impaired	10,076	10,076	—
Other receivables	Performing	12-month ECL	12,463	—	12,463
	Default	Lifetime ECL-credit-impaired	32,241	32,241	—
Amount due from an associate	Performing	12-month	8,323	—	8,323
Pledged bank deposits	Performing	12-month	24,108	—	24,108
Deposits	Performing	12-month	17,213	—	17,213

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

For the year ended 31 July 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 23 includes further details on the loss allowance for trade receivables.

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

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

Liquidity risk

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

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

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

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

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2020 HK$'000
Non-derivative financial instruments					
Bank borrowings	410,484	12,614	211,902	635,000	621,235
Margin loans payable	13,100	—	—	13,100	13,097
Trade and other payables and deposits received	39,339	—	—	39,339	39,339
Amounts due to related companies	472	—	—	472	472
	463,395	12,614	211,902	687,911	674,143
Lease liabilities	36,892	24,188	2,257	63,337	61,302

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

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

Liquidity risk (continued)

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2019 HK$'000
Non-derivative financial instruments						
Bank borrowings	588,834	2,643	6,285	7,856	605,618	596,412
Margin loans payable	23,217	—	—	—	23,217	23,206
Trade and other payables and deposits received	50,583	—	—	—	50,583	50,583
Amounts due to related companies	269	—	—	—	269	269
	662,903	2,643	6,285	7,856	679,687	670,470
Derivative financial instrument						
Liabilities associated with assets classified as held-for-sale	15,000	—	—	—	15,000	15,000

(c) Fair values

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

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting period. The fair value of unlisted investments was based on the value quoted by the brokers and an independent valuer at the end of the reporting period (see Note 24 for details). The fair value of the Group's financial liability at FVTPL, being the other current liability, is disclosed in Note 31.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

Fair value hierarchy as at 31 July 2020 and 2019

	31 July 2020			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL	**85,611**	**93,938**	**29,054**	**208,603**

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

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

Financial instruments	**Fair value hierarchy**	**Fair value as at 31/7/2020 HK$'000**	Fair value as at 31/7/2019 HK$'000	**Valuation technique**	**Significant unobservable input(s)**	**Relationship of key inputs and significant unobservable inputs to fair value**
Unlisted investment in preference shares	Level 3	**29,054**	32,013	Option pricing model backsolve valuation method for equity compensation	(i) Expected term of the instrument	The higher the expected term, the higher the fair value
					(ii) Anticipated volatility	The higher the anticipated volatility, the higher the fair value

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

39. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

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

	Unlisted investment in preference shares HK$'000
At 1 August 2019	33,000
Fair value losses recognised in profit or loss	(987)
At 31 July 2019 and 1 August 2019	32,013
Fair value losses recognised in profit or loss	(2,959)
At 31 July 2020	**29,054**

The above total losses for the year ended 31 July 2020 recognised in profit or loss of approximately HK$2,959,000 (2019: HK$987,000) are included in other gain and losses that is attributable to the change in unrealised gains or losses relating to financial assets held at the end of the reporting period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

For the year ended 31 July 2020

			Non-cash changes						
	1 August 2019 HK$'000	Financing cash flows HK$'000	New lease recognised HK$'000	Lease modifications HK$'000	Covid-19-related rent concessions HK$'000	Early termination of lease HK$'000	Loss on disposal of assets classified as held for sale HK$'000	Exchange difference HK$'000	31 July 2020 HK$'000
Bank borrowings *(Note 26)*	587,058	34,177	–	–	–	–	–	–	621,235
Trust receipt loans *(Note 26)*	9,354	(9,354)	–	–	–	–	–	–	–
Margin loans payable *(Note 27)*	23,206	(10,109)	–	–	–	–	–	–	13,097
Liability associated with asset classified as held-for-sales *(Note 31)*	15,000	(15,188)	–	–	–	–	188	–	–
Lease liabilities *(Note 17)*	102,603	(34,008)	10,034	(9,755)	(3,984)	(3,553)	–	(35)	61,302
	737,221	(34,482)	10,034	(9,755)	(3,984)	(3,553)	188	(35)	695,634

For the year ended 31 July 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2020

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Property, plant and equipment		**1,961**	6,854
Right-of-use assets		**1,193**	—
Prepayment for acquisition of property, plant and equipment		**—**	2,490
Investment in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries	(c)	**696,756**	735,503
Rental and utility deposits		**10,397**	13,808
		714,357	762,705
Current assets			
Inventories		**44,884**	44,933
Trade and other receivables, deposits and prepayments		**15,764**	19,233
Amounts due from subsidiaries	(b)	**304**	465
Financial assets at fair value through profit or loss		**179,549**	163,826
Pledged bank deposits		**24,108**	37,559
Bank balances and cash		**49,432**	43,667
		314,041	309,683
Current liabilities			
Bank borrowings		**405,702**	578,315
Margin loans payable		**13,097**	23,206
Trade and other payables and deposits received		**20,629**	39,286
Other current liability		**—**	15,000
Amounts due to subsidiaries	(b)	**40,033**	40,846
Amount due to a related company	(b)	**440**	258
Lease liabilities		**35,150**	—
		515,051	696,911
Net current liabilities		**(201,010)**	(387,228)
Total assets less current liabilities		**513,347**	375,477
Non-current liabilities			
Bank borrowings		**214,992**	—
Provision for long service payments		**1,632**	2,216
Lease liabilities		**25,947**	—
		242,571	2,216
Net assets		**270,776**	373,261
Capital and reserves			
Share capital		**332,323**	332,323
Reserves	(a)	**(61,547)**	40,938
Total equity		**270,776**	373,261

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 27 October 2020 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 2020

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

Notes:

(a) *The reserves of the Company as at 31 July 2020 and 2019 are as follows:*

	Retained profits/ (Accumulated loss) HK$'000	**Share option reserve** HK$'000	**Total** HK$'000
At 1 August 2018	89,242	2,386	91,628
Loss and total comprehensive expense for the year	(41,215)	—	(41,215)
Dividend	(9,475)	—	(9,475)
At 31 July 2019 and 1 August 2019	38,552	2,386	40,938
Lapse of share options	1,401	(1,401)	—
Loss and total comprehensive expense for the year	(102,485)	—	(102,485)
At 31 July 2020	**(62,532)**	**985**	**(61,547)**

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

(c) *The amounts are unsecured with approximately HK$561,152,000 interest bearing of 5% to 10% and approximately HK$135,604,000 of non-interest bearing respectively. The Directors do not expect repayments from subsidiaries within the next twelve months from the end of the reporting period.*

42. MAJOR NON-CASH TRANSACTION

During the year ended 31 July 2020, the Group entered into a new lease agreement for rented shop outlets and warehouse and recognised right-of-use assets and lease liabilities of approximately HK$10,034,000 (2019: nil).

Particulars of Investment Properties

As at 31 July 2020

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

Location	Use	Lease Term	Attributable Interests of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Long	100%
Unit A on 11th Floor, Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Workshop Nos. 1, 2, 3, 5, 6, 7, 8, 9 and Store Room on 20th Floor, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the People's Republic of China ("**PRC**")	Property letting	Medium	100%
Shop No. 129, No. 103 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Shop No. 130, No. 105 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%

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