CROCODILE
2022-2023
Crocodile Garments Limited Annual Report | 鱷魚恤有限公司年報

Stock Code | 股份代號 122

Contents

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

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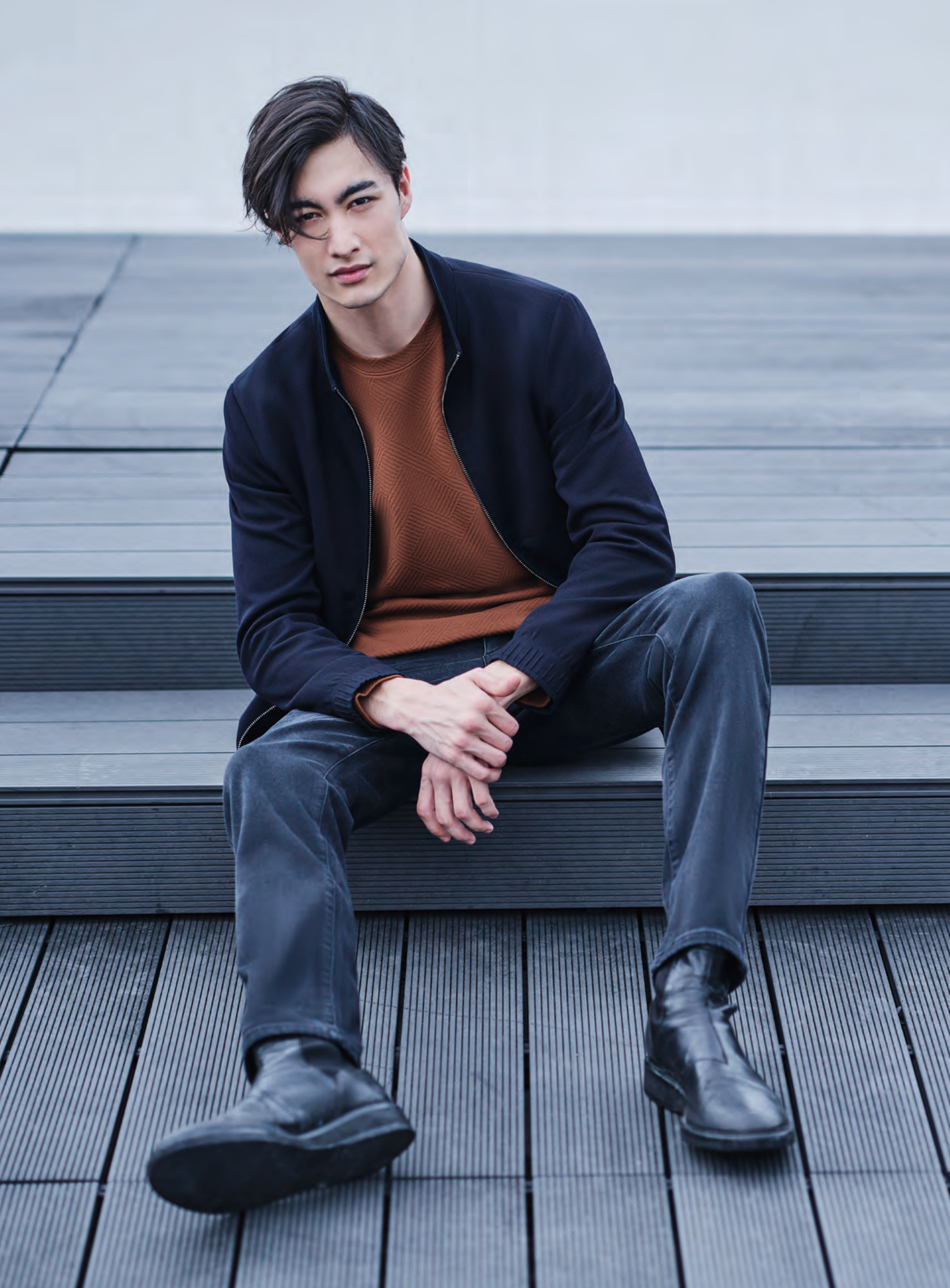
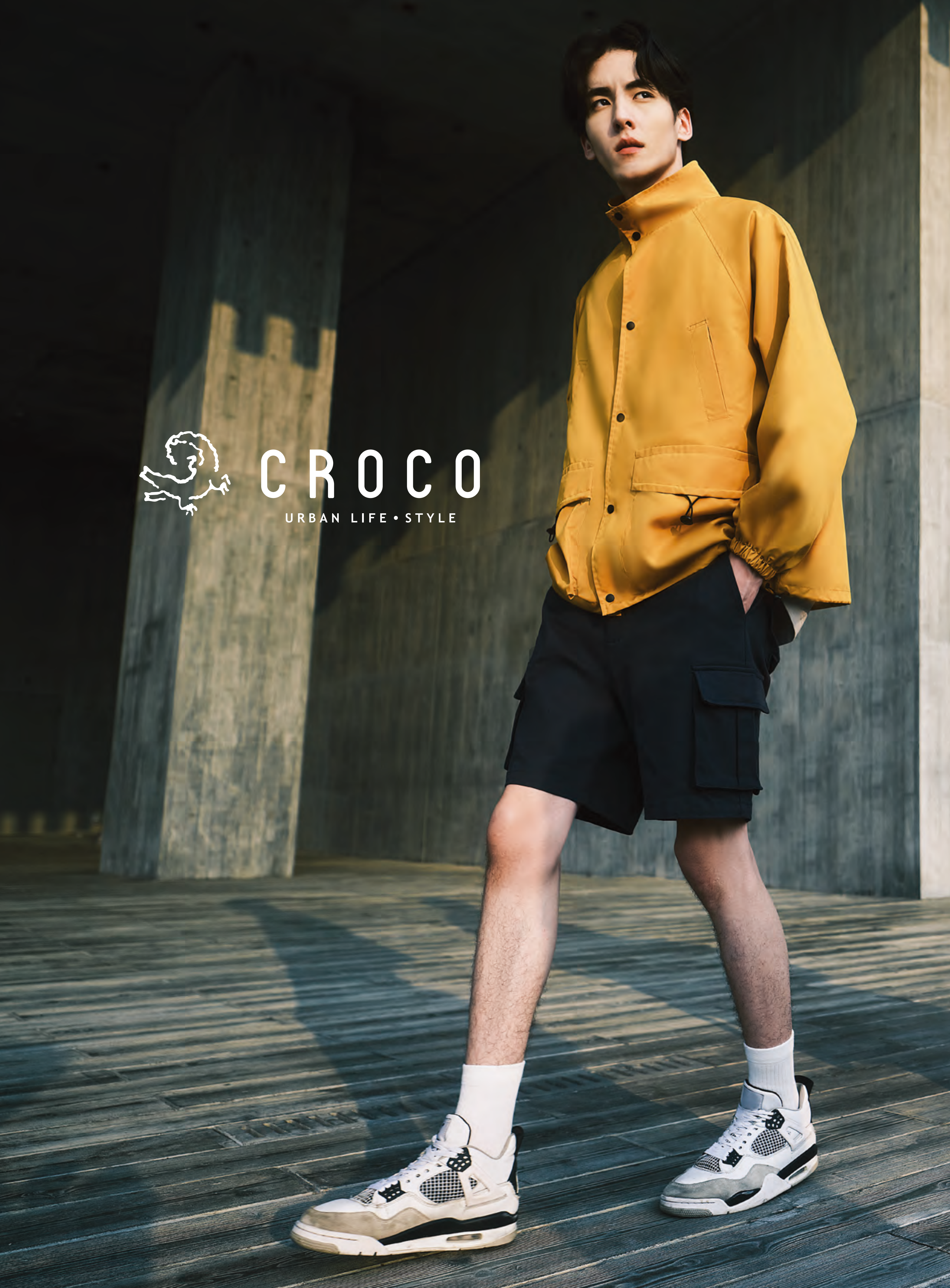
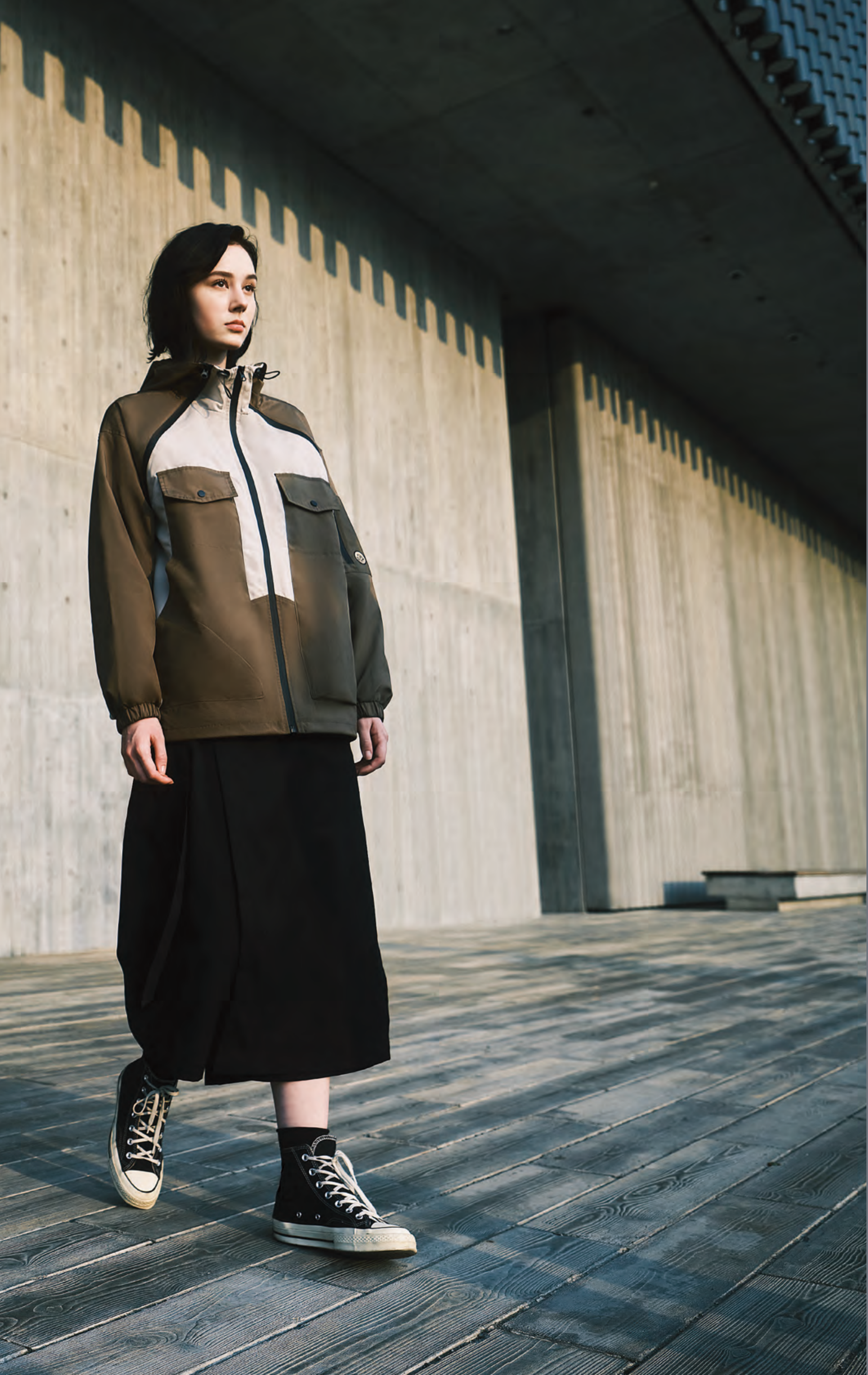
Stock Code on the Hong Kong Stock Exchange: **122**

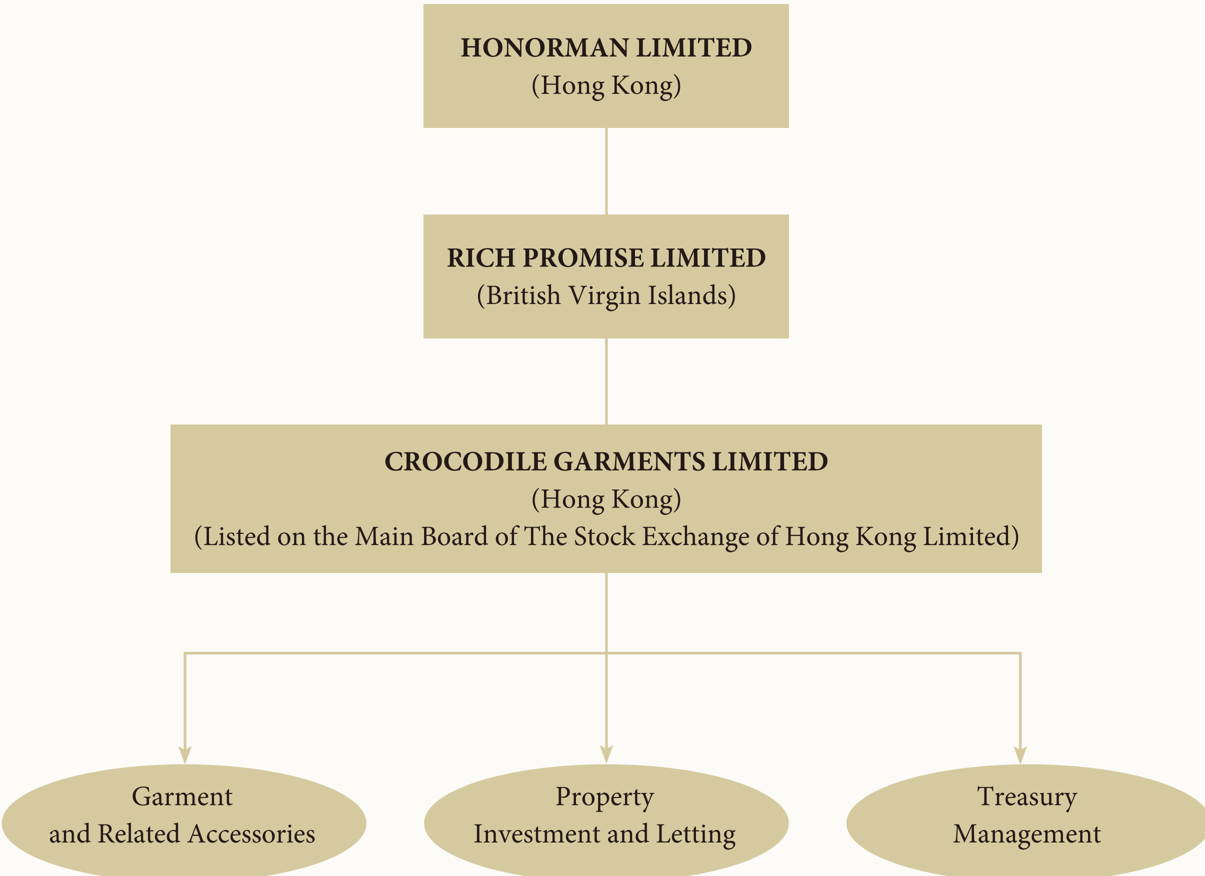



CROCO
URBAN LIFE • STYLE



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 fashion retail in Hong Kong, Macau and Mainland China, as well as property investment and letting in Hong Kong and Mainland China.



Details of the substantial shareholders' information are contained on pages 25 and 26 in this Annual Report.

Corporate Information

Place of Incorporation
Hong Kong

Board of Directors
Executive Directors
Lam Wai Shan, Vanessa
(Chairman and Chief Executive Officer)
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew

Non-executive Directors
Chow Bing Chiu
Lam Suk Ying, Diana

Independent Non-executive Directors
Leung Shu Yin, William *(Deputy Chairman)*
Fung Cheuk Nang, Clement
Woo King Hang

Executive Committee
Lam Wai Shan, Vanessa *(Chairman)*
Chow Bing Chiu

Audit Committee
Leung Shu Yin, William *(Chairman)*
Fung Cheuk Nang, Clement
Woo King Hang

Nomination Committee
Lam Wai Shan, Vanessa *(Chairman)*
Fung Cheuk Nang, Clement
Woo King Hang

Remuneration Committee
Leung Shu Yin, William *(Chairman)*
Lam Wai Shan, Vanessa
Fung Cheuk Nang, Clement

Authorised Representatives
Lam Wai Shan, Vanessa
Chan Yin Yi, Annie

Company Secretary
Chan Yin Yi, Annie

Share Registrar and Transfer Office
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Independent Auditor
Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors
Woo Kwan Lee & Lo
MinterEllison LLP
Deacons
Vincent T.K. Cheung, Yap & Co.

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

Registered Office Address
25th Floor, Crocodile Center
79 Hoi Yuen Road
Kwun Tong
Kowloon, Hong Kong

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

Stock Code
122

Board Lot
1,000 shares

Website
www.crocodile.com.hk

Chairman's Statement

Ms. Lam Wai Shan, Vanessa, M.H.
Chairman, Executive Director and Chief Executive Officer

On behalf of the board of directors ("**Board**" and "**Directors**", respectively) of Crocodile Garments Limited ("**Company**"), I would like to present the consolidated financial results of the Company and its subsidiaries ("**Group**") for the financial year ended 31 July 2023.

FINANCIAL PERFORMANCE

The Group has recorded a revenue of HK$87 million for the year ended 31 July 2023, representing a drop of 16% as compared to the previous year (2022: HK$103 million). With the improvement of gross profit margin from 72% to 84% during the year, the gross profit of the Group recorded a mild decline of 3%, to HK$73 million (2022: HK$75 million).

Following the gradual easing of the new wave of the COVID-19 situation at the beginning of the financial year, the relevant preventive measures were lifted in early 2023, leading to a return to a normal business environment. This positive trend is reflected in the notable improvement in sales of the "Crocodile" brand in Hong Kong and Macau, which increased by 33% from HK$25 million to HK$34 million. However, due to the absence of "Lacoste" brand distribution sales amounting to HK$19 million during the year, the revenue of the "Garment and Related Accessories Business" experienced a decline of HK$10 million (or 21%) to HK$40 million (2022: HK$50 million).

Chairman's Statement

FINANCIAL PERFORMANCE (continued)

Despite the decline in revenue, there is a significant positive development in the gross profit margin of this segment, which has improved from 45% to an impressive 68%. As a result, the overall gross profit increased by 18% to HK$27 million.

In response to the slower-than-expected pace of recovery in the Hong Kong retail market, the Group has proactively implemented decisive cost adjustment measures to ensure shop profitability. These measures include the closure of underperforming shops and a strategic focus on new locations with more reasonable rent benchmarks aligned with a certain percentage of sales targets. Additionally, the majority of shop leases were successfully renewed at competitive unit rents prior to the reopening of Hong Kong and the Mainland of China ("**Mainland**") border.

However, certain lease payments of over HK$20 million, which was fully impaired from right-of-use assets in previous fiscal years, were not reflected as an expense in last year's segment performance. In spite of improvement of gross profit of this segment, the absence of such lease payment expenses in the comparable year resulted in the increase in the loss incurred by the "Garment and Related Accessories Business" segment to HK$16 million compared to last year (2022: loss of HK$6 million).

For the year ended 31 July 2023, "Property Investment and Letting Business" segment recorded a slight decrease in rental income to HK$47 million (2022: HK$53 million). The fair value of the investment properties held by the Group recorded a fair value loss of HK$73 million during the year (2022: loss of HK$48 million).

Mindful of the global economic uncertainty, high interest rates and increasing tight liquidity conditions, the Group took a prudent approach in managing the portfolio of financial assets and liabilities at fair value through profit and loss in order to generate favorable returns for the Shareholders. The Group's "Treasury Management" segment recorded a profit of HK$8 million for the year ended 31 July 2023 (2022: loss of HK$25 million).

However, the introduction of the fastest and steepest interest rate hike cycle led to a higher finance costs incurred with the amount of HK$37 million during the year (2022: HK$11 million).

Combining the results of the three business segments and finance costs mentioned above with the net unallocated expenses of HK$29 million (2022: HK$36 million), gain (net of tax) arising on transfer of property, plant and equipment to investment properties at fair value of HK$64 million (2022: HK$43 million) and the exchange differences arising on translation of foreign operations of loss of HK$9 million (2022: loss of HK$3 million), the total comprehensive expenses attributable to the owners of the Company was HK$54 million for the year ended 31 July 2023 (2022: loss of HK$38 million).

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

Following the relaxation of pandemic prevention measures in early 2023, the Hong Kong and Macau retail market has returned to a state of normalcy in the second half of the financial reporting year. With a lower comparative baseline, the revenue of our traditional brand "Crocodile" improved by 33% from HK$25 million to HK$34 million.

As at 31 July 2023, the Group operated 9 (2022: 10) "Crocodile" shops. Subsequent to the financial year end, one more shop was opened in Tsim Sha Tsui to maintain same number of shop channels as last year.

During the year, the Group achieved a successful launch of its new brand, "CROCO", which boasted a distinctive brand image and unique brand identity. This strategic move aimed to target the young-aged customer segment. The Group established 2 "CROCO" shops as of 31 July 2023 and implemented effective marketing strategies on social media platforms.

This expansion into the "CROCO" brand proved fruitful, as it captured approximately 7% of the total retail sales in Hong Kong and Macau. This initial success marks a promising start for the new brand, demonstrating its potential for growth and market penetration in the targeted customer segment.

Taking into account the gradual recovery of customer spending power following the pandemic and the termination of the distribution agreement with "Lacoste", resulting in a loss of HK$19 million in corresponding sales, the overall retail revenue in Hong Kong and Macau decreased from HK$44 million to HK$37 million.

The Mainland

The Group's retail stores in Mainland China encountered severe disruptions to their operations due to the persistent COVID-19 pandemic. Strict lockdown measures imposed throughout most of the period greatly impacted the performance of these stores in the first half of the year. However, since December 2022, mobility in major Mainland cities has gradually recovered following the peak in infections with a sales rebound in the second half.

In pursuit of operational optimisation and strategic focus, the Group implemented a plan to close unprofitable shops in the Mainland. As of 31 July 2023, the Group operated a total of 4 self-operated shops in the Mainland, down from 6 shops in the previous year. Additionally, the Group's consignees closed all 6 shops during the year.

These strategic adjustments resulted in the Mainland revenue of HK$3 million for the fiscal year ended 31 July 2023, as compared to HK$6 million in the previous year. These actions reflect the Group's commitment to efficient resource allocation and prioritisation of key locations for sustained profitability in the Mainland market.

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT (continued)

Royalty Income

The Group's licensing business of the brand "Crocodile" in Hong Kong, Macau and the Mainland contributed royalty income of HK$8 million for the year ended 31 July 2023 (2022: HK$10 million). The decrease in royalty income was in line with the downturn in the Mainland retail market.

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

The Group's investment property portfolio remained intact during the year ended 31 July 2023 save for change of own-used manufacturing plant in the Mainland to investment property for the purpose of earning rental income since August 2022.

The investment properties of the Group in Hong Kong and the Mainland generated the similar level of rental revenue for the year ended 31 July 2023 of HK$45 million (2022: HK$52 million) and HK$2 million (2022: HK$1 million), respectively.

The Group's rental income in Hong Kong witnessed a decline of HK$7 million as compared to the last year. This decrease can be attributed to two key factors: (i) the increasing supply of new office premises in Kowloon East and (ii) the decreasing demand from office tenants due to the growing popularity of the work-from-home model in post-COVID era.

The rise in available office spaces in Kowloon East resulted in a more competitive market among landlords, leading to a downward trend in rental rates. Simultaneously, the shift towards remote work arrangements, where employees worked from home instead of traditional office spaces, reduced the demand for office rentals. The combined effect of the decline in the rental unit rates and increase in the vacancy rates caused the observed decline in Hong Kong's rental income during the year. The revaluation of the investment properties held by the Group in Hong Kong ticked a fair value loss of HK$69 million (2022: loss of HK$47 million) during the financial year ended 31 July 2023. The investment properties held in the Mainland also recorded a mild fair value loss of HK$4 million (2022: loss of HK$1 million), due to the downturn of the Mainland property market.

"TREASURY MANAGEMENT" SEGMENT

The global market faced a changing landscape, with the three-year COVID-19 epidemic ending but leaving behind hidden worries and unforeseen effects. Broken supply chains during the pandemic led to rising costs, stretched resources, and soaring prices, exacerbating inflation. To combat this, the US raised interest rates, impacting banks' lending business and causing adjustments in bond prices. Ongoing conflicts, such as the Russia-Ukraine war, and high energy prices added to the challenges.

Chairman's Statement

"TREASURY MANAGEMENT" SEGMENT (continued)

The Mainland and Hong Kong economies were anticipated to experience a gradual recovery in 2023. However, the overall global economic and geopolitical uncertainties have created an environment of caution, leading to a conservative approach in terms of investment and consumption.

Given the uncertainties and challenges impacting the global landscape, the Group adopted a vigilant and cautious approach in managing its portfolios of financial assets and liabilities at fair value through profit or loss. As a result of this prudent strategy, the "Treasury Management" segment of the Group achieved a profit of HK$8 million during the financial year ended 31 July 2023. This represents a significant improvement compared to a loss of HK$25 million in the comparable year. The Group's careful management of financial assets reflects its efforts to mitigate risks and capitalise on opportunities in the volatile market conditions.

PROSPECTS

Looking towards the future, our business will persistently encounter various Mainland and external uncertainties. The Mainland and Hong Kong's economy recovery post-pandemic has yet to reach its full potential and is compounded by the enduring effects of weak demand and a sluggish real estate market. It is foreseen that there will be a persistently challenging business landscape in the coming year. To seize these challenges, the Group conducted a rights issue ("**Rights Issue**") in November 2022, which provided the Group with timely and substantial funding to support our business operation and extension.

For our retail business, the Group stays in a wait-and-see attitude towards market recovery and will make prudent decisions on new shops' development plans. The Group remains committed to enhancing its product portfolio for the "Crocodile" and "CROCO" brands, aligning them with the preferences of local customers and maintaining the higher gross profit margins achieved. In addition, the Group is determined to strengthen its self-operated retail shops and improve the retail profitability by focusing on enhancing operational efficiency, refining the in-store experience, and implementing innovative marketing strategies.

In parallel, the Group also actively explores the chance to collaborate with different wholesalers and consignors. By optimising sales channels, it is expected that the Group will expand its market presence and capture new growth opportunities.

Being a landlord of investment properties, the "Property Investment and Letting Business" segment can deliver a stable rental income and reliable cash flow, effectively bolstering the Group's overall operation. Although the anticipated economic recovery in both Hong Kong and the Mainland is expected to drive steady demand for office leasing, it is important to note that rental growth would be moderate and may require some time before returning to pre-pandemic levels.

In response to the heightened availability of office spaces in the Kowloon East district, the Group is proactively undertaking a strategic repositioning of its investment properties. The objective is to attract tenants from various industries and capitalise on this opportunity to boost rental income while minimising vacancy rates.

Chairman's Statement

PROSPECTS (continued)

Furthermore, subsequent to the year-end, the Group has taken proactive measures to introduce a travel floor within its investment properties. This move involves leasing a group of travel agency tenants, which not only contributes to the recovery of the tourism industry but also enhances the Group's returns from its investment properties. By diversifying the tenant mix and tapping into the potential of the travel sector, the Group aims to optimise the utilisation of its properties and generate greater value from its real estate portfolio.

For "Treasury Management" segment, the Group has implemented a prudent investment strategy considering the prevailing market conditions. Until there is solid evidence of improved market conditions and investor interests are no longer fragile, the Group will keep cautious towards its investment portfolio to achieve favorable returns while effectively managing risk.

In response to the current economic climate characterised by increasing financing costs and global uncertainty, the Group is proactively taking steps to reduce its reliance on debt financing. It is actively working towards decreasing its existing borrowings, whenever feasible, until interest rates stabilise and return to more reasonable levels. This strategic decision aligns with the Group's commitment to financial prudence and helps mitigate the potential impact of higher interest expenses.

The recent Rights Issue has provided the Group with net proceeds that serve as a protective measure against potential increases in interest expenses and fulfill anticipated short-term funding requirements. The Group will deploy these funds thoughtfully, ensuring effective management of financial obligations and capitalising on future opportunities.

By adopting a cautious investment strategy, reducing dependency on debt financing, and strategically allocating the net proceeds from the Rights Issue, the Group is focused on creating a positive outlook and delivering favorable outcomes for its stakeholders.

CONTINGENT LIABILITIES

As at 31 July 2023, 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 and liabilities at fair value through profit or loss, the Group has not employed other financial instruments as of 31 July 2023.

Chairman's Statement

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

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

The Rights Issue announced by the Company in October 2022 on the basis of one rights share for every two existing shares of the Company at a subscription price of HK$0.1 each was completed in November 2022. The total net proceeds of the Rights Issue, after deduction of rights issue expenses, was approximately HK$42.3 million. As at 31 July 2023, the net proceeds from the Rights Issue were used as (i) HK$11.7 million for repayment of the principals of the bank borrowings; and (ii) HK$16.8 million for opening new retail shops and day-to-day operations of the Group. The remaining net proceeds of HK$13.8 million will be used according to the intended use.

Cash and cash equivalents held by the Group amounted to HK$229 million as at 31 July 2023 (2022: HK$278 million) and were mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The pledged bank deposits of approximately HK$1 million (2022: HK$3 million) 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 2023 were equivalent to HK$6 million (2022: HK$6 million) which is not freely convertible into other currencies. However, under the regulations on foreign exchange controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 July 2023, the total outstanding borrowings including margin loans of the Group amounted to HK$754 million (2022: HK$838 million). The total outstanding borrowings comprised secured margin loans of HK$3 million, secured bank term loan of HK$565 million of which HK$15 million was short-term, and secured short-term bank revolving loans of HK$186 million.

As at 31 July 2023, interests on bank borrowings are charged at floating rates. The bank borrowings and margin loans payable of the Group are denominated principally in Hong Kong dollars and United States dollars. No financial instruments for interest rate hedging purposes were employed by the Group during the year ended 31 July 2023.

CHARGES ON ASSETS

As at 31 July 2023, the Group has charged certain of its assets, including pledged bank deposits, own-use properties, financial assets at FVTPL, investment properties and right-of-use assets with carrying values of HK$1,740 million, to its bankers to secure the borrowings, margin loans payable and banking facilities granted to the Group.

Chairman's Statement

GEARING

The Group's gearing revealed by the debt-to-equity ratio at 31 July 2023 was approximately 51% (2022: 56%), expressed as a percentage of total bank borrowings and margin loans payable of total net assets. In view of the volatile worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

CAPITAL COMMITMENTS

As at 31 July 2023, the Group had capital commitments totalling HK$1 million (2022: HK$1 million), mainly for purchase of property, plant and equipment.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no major investments, acquisitions or disposals during the year ended 31 July 2023.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 108 as at 31 July 2023 (2022: 124) after closure of certain Mainland retail shops during the year. 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 program subsidies.

APPRECIATION

On behalf of the Board, I extend my heartfelt gratitude to all the staff and management members for their unwavering dedication and ongoing support. Your hard work and commitment have played a crucial role in the success and growth of Crocodile. We truly appreciate your contributions.

As we move forward, we eagerly anticipate sharing a prosperous future with each and every one of you, as well as with our esteemed shareholders and valued customers. Together, we will continue to strive for excellence, seize opportunities, and overcome challenges, ensuring the continued success and advancement of Crocodile. Thank you for being an integral part of our journey.

Lam Wai Shan, Vanessa
Chairman, Executive Director and Chief Executive Officer

Hong Kong
26 October 2023

Report of the Directors

The Directors present their report and the audited consolidated financial statements ("**Financial Statements**") of the Company and its subsidiaries ("**Group**") for the year ended 31 July 2023 ("**Year**").

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included garment and related accessories business, property investment and letting business, and treasury management. There were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this Report.

Particulars of the Company's principal subsidiaries as at 31 July 2023 are set out in Note 1 to the 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 15 of this Annual Report. The financial risk management objectives and policies of the Group are set out in Note 34 to the 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" on pages 31 to 52 of this Annual Report and an Environmental, Social and Governance Report regarding the same period will be presented as a separate report to be published on the website of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") at www.hkexnews.hk and the website of the Company at www.crocodile.com.hk under the sub-heading of "Investor Relations". The discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the results of the Group for the Year and the Group's financial position as at 31 July 2023 are set out in the Financial Statements and their accompanying notes on pages 59 to 151.

The Board does not recommend the payment of a final dividend in respect of the Year (2022: Nil). No interim dividend was paid or declared in respect of the Year (2022: 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 Director(s)" or **"ED(s)")**
Lam Wai Shan, Vanessa (Chairman and Chief Executive Officer)
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew

Non-executive Directors ("NED(s)")
Chow Bing Chiu
Lam Suk Ying, Diana

Independent Non-executive Directors ("INED(s)")
Leung Shu Yin, William (Deputy Chairman)
Fung Cheuk Nang, Clement
Woo King Hang

Retired Director
Wan Edward Yee Hwa *(retired as an Executive Director on 17 December 2022)*

In accordance with Article 100 of the Articles of Association of the Company ("**Articles of Association**"), Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew (both are Executive Directors) and Mr. Leung Shu Yin, William (an INED) are due to retire from office by rotation as Directors at the forthcoming annual general meeting of the Company ("**2023 AGM**").

Details of retiring Directors who will stand for re-election at 2023 AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), are set out in the Company's circular to be issued in November 2023.

Report of the Directors

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 are independent.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at 2023 AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the remuneration committee of the Company ("**Remuneration Committee**") and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in the Note 9 to the 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 and officers of the Company shall be indemnified out of the assets of the Company against all losses or 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 31 to the 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 Scheme" and "Directors' and Chief Executive's Interests" in this Report below and in Note 27 to the Financial Statements, at no time during the Year was the Company or any of its subsidiaries and its 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

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

Executive Directors

Ms. Lam Wai Shan, Vanessa, M.H., aged 52, is the Chairman of the Board ("**Chairman**"), Executive Director and chief executive officer of the Company ("**Chief Executive Officer**"/"**CEO**"). She has been appointed an Executive Director in February 2006, and was appointed the Chairman and the Chief Executive Officer in January 2021. She is the Chairman of the executive committee and the nomination committee of the Company ("**Executive Committee**" and "**Nomination Committee**", respectively) and a member of the Remuneration Committee. Ms. Lam holds directorships in a number of the subsidiaries of the Company. She holds a Bachelor of Arts Degree from Scripps College in California, United States of America ("**USA**") and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 25 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 Special Administrative Region of the People's Republic of China 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 during 2015 to 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 director of Honorman Limited and Rich Promise Limited, both are the substantial shareholders of the Company. She is a niece of Ms. Lam Suk Ying, Diana (NED), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both are EDs).

Dr. Lam Kin Ngok, Peter, G.B.M, G.B.S, aged 66, was appointed an Executive Director in October 1987. Dr. Lam holds directorships in a number of the subsidiaries of the Company. He is the Chairman and an Executive Director of each of Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**") and Lai Fung Holdings Limited ("**LFH**"). LSG, LSD and LFH are listed on the Main Board of the Stock Exchange. He was the Chairman and an Executive Director of Media Asia Group Holdings Limited ("**MAGHL**"), which was delisted on GEM of the Stock Exchange on 21 March 2023. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts. Dr. Lam received Gold Bauhinia Star and Grand Bauhinia Medal awarded from the Government of the HKSAR in July 2015 and July 2022 respectively.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Currently, Dr. Lam is the Chairman of the Hong Kong Trade Development Council and a standing committee member of the 14th National Committee of the Chinese People's Political Consultative Conference. 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, a member of each of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority) and the general committee of Hong Kong General Chamber of Commerce. He was appointed a member under the group of regional and global collaborations of the Chief Executive's Council of Advisers on 17 March 2023.

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

Mr. Lam Kin Hong, Matthew, B.B.S., M.H., J.P., aged 55, was appointed an Executive Director in July 1999. Mr. Lam holds directorships in a number of the subsidiaries of the Company. Mr. Lam is also an executive director of LSG and the executive deputy Chairman and an Executive Director of LFH. LSG and LFH are listed on the Main Board of the Stock Exchange. 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 of the Hong Kong Real Property Federation and a standing committee member of the Chinese People's Political Consultative Conference in Shanghai. Mr. Lam was appointed a Justices of the Peace in July 2021 and he received the Bronze Bauhinia Star awarded from the Government of the HKSAR on July 2023. He serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a member of the Consumer Council, the Chairman of Appeal Tribunal Panel (Buildings), a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. Mr. Lam also serves as a Racing Steward at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation. He 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 Ms. Lam Suk Ying, Diana (NED) and Dr. Lam Kin Ngok, Peter (ED), and an uncle of Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer).

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive Directors

Mr. Chow Bing Chiu, aged 72, is a NED. He first joined the Board of the Company as an INED in September 2004 and has been re-designated from an INED to a NED with effect from 29 March 2021. Mr. Chow is the member of Executive Committee of the Company. Mr. Chow was the member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chow is also an independent non-executive director of LSG which is listed on the Main Board of the Stock Exchange. Mr. Chow obtained his Bachelor of Laws Degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed Attesting Officer.

Ms. Lam Suk Ying, Diana, aged 68, 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 an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both EDs), and an aunt of Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer).

Independent Non-executive Directors

Mr. Leung Shu Yin, William, aged 74, was appointed the Deputy Chairman of the Company in January 2021 and has been an INED as well as the Chairman of both the Audit Committee and the Remuneration Committee since February 2011. Mr. Leung is also an independent non-executive Director of LSG and LSD. Mr. Leung resigned as independent non-executive director of Mainland Headwear Holding Limited with effect from 1 September 2023. The aforesaid companies are listed on the Main Board of the Stock Exchange. He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Mr. Fung Cheuk Nang, Clement, M.H., aged 46, was appointed an INED and a member of each of the Audit Committee and the Remuneration Committee and the Nomination Committee. Mr. Fung has extensive management experience in development and manufacturing of consumer products. He holds positions in various charitable and social organisations. Mr. Fung is currently the observer of the Independent Police Complaints Council, a member of each of the Hong Kong Council on Smoking and Health and Hospital Governing Committee (North District Hospital) of Hospital Authority. He is a member of Advisory Board of Yan Chai Hospital and was the chairman of its board of directors during 2018 to 2019. He is currently an independent non-executive director of Hi-Level Technology Holdings Limited (the issued shares of which are listed and traded on GEM of the Stock Exchange). Mr. Fung is also a director of Smarthome Technology Limited and Smarthome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong. He received the Medal of Honour awarded from the Government of Hong Kong in July 2019.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

Mr. Woo King Hang, J.P., aged 62, was appointed an INED and a member of each of the Audit Committee and the Nomination Committee on 28 January 2022. Mr. Woo has extensive experience in financial and business management. Mr. Woo is currently the vice chairman of the board of directors and a non-executive director of Centenary United Holdings Limited ("**Centenary United**"). He is also an independent non-executive director and a member of the audit committee, remuneration committee and nomination committee of Digital Domain Holdings Limited ("**DDHL**") and an independent non-executive director, the chairman of the audit committee and a member of remuneration committee and the corporate governance committee of MOS House Group Limited ("**MOS**"). Mr. Woo is also a senior advisor of a technology start-up company. Mr. Woo was an independent non-executive director of Hans Energy Company Limited ("**Hans Energy**") between June 2019 and December 2021.

Mr. Woo is a fellow member of each of the Institute of Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. He holds a Master's Degree of Business Administration from Kellogg School of Management, Northwestern University and the Hong Kong University of Science and Technology, a Bachelor's Degree of Laws from Peking University and a Master's Degree of Laws from the City University of Hong Kong.

Mr. Woo is an honorary officer of the Auxiliary Medical Service, an advisor of School of Chinese Medicine of the Chinese University of Hong Kong and a member of each of the Hospital Governing Committee, the Queen Elizabeth Hospital and Hong Kong Advisory Council on AIDS. He serves as a member of each of the Advisory Committee on Admission of Quality Migrants and Professionals and the Police Education and Welfare Trust Management Committee. He is a vice chairman of Hong Kong PHAB Association, the chairman of Kwun Tong District Senior Police Call Honorary President Council and a council member of the Hong Kong Chinese Orchestra.

Mr. Woo was a project controller of NWS Service Management Limited (a wholly-owned subsidiary of NWS Holdings Limited ("**NWSHL**") from January 2019 to April 2019. Mr. Woo also served as a financial controller and an executive director of Hip Hing Construction Company Limited (a wholly-owned subsidiary of NWSHL) from February 2006 to June 2010 and from July 2010 to December 2018 respectively. He was also a director of Bell Tea Overseas Limited ("**BTO**", formerly known as Hip Hing Overseas Limited) from 2 July 2010 to 18 October 2018. BTO was a wholly-owned subsidiary of NWSHL and incorporated in Hong Kong on 13 April 1993 and was principally engaged in the business of construction overseas. On 19 September 2018, a winding up order ("**Order**") was granted by the High Court of Hong Kong ("**High Court**") on BTO. On 5 July 2021, the High Court finally ordered that BTO be dissolved. Mr. Woo confirmed that the Order was in relation to the nonpayment for a sum arising from an arbitration case involving contractual dispute relating to the construction works of a building in Dubai which commenced in or about 2007 and was completed in or about 2011 between the petitioner of the Order and a joint venture entity ("**Joint Venture**") in which BTO had 30% interests. An award ("**Award**") was granted by an arbitration institution in Dubai in favor of the said petitioner, which then enforced the whole amount of the Award in the High Court against, among others, BTO. Mr. Woo further confirmed that he was not involved in any of the matters concerning the operations of the Joint Venture, the construction works or the said arbitration or matters leading to the granting of the Order.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

The issued shares of each of Centenary United, DDHL, MOS, Hans Energy and NWSHL are listed and traded on the Main Board of Stock Exchange.

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 Mr. Chung Chak Nam, Gabriel, Ms. Lam Wai Kei, Vicky, Mr. Lam Howard, Ms. Chan Suk Wah, Annisa and Mr. Ng Alex Kam Lik.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this Report, the following Directors (collectively, "**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:

Three Executive Directors including 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 garment and related accessories in Hong Kong, Macau and/or Mainland China, and/or property investment and letting in Hong Kong and/or Mainland China.

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

SHARE OPTION SCHEME

On 15 December 2015, the Shareholders approved the adoption of a share option scheme ("**2015 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 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.

During the Year, no share options had been granted, exercised, cancelled and lapsed in accordance with the terms of 2015 Scheme. Further details of the 2015 Scheme are set out in Note 27 to the Financial Statements.

Report of the Directors

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS

As at 31 July 2023, the following Director and chief executive of the Company who held office as of that day 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 Stock Exchange and the Company 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 Stock Exchange and the Company 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 Director	Capacity	Number of Shares: Personal interests	Number of Shares: Corporate interests	Number of underlying Shares: Personal interests	Total	Approximate percentage of total issued Shares (Note 1)
Ms. Lam Wai Shan, Vanessa	Beneficial owner and interest in controlled corporations	27,034,402	739,054,500	–	766,088,902 (Note 2)	53.90%

Notes:

1. The total number of issued Shares as at 31 July 2023 (that is 1,421,315,542 Shares) has been used for the calculation of the approximate percentage.

2. Ms. Lam Wai Shan, Vanessa (Board Chairman, Executive Director and Chief Executive Officer) ("**Ms. Vanessa Lam**") was personally interested in 27,034,402 Shares and was deemed to be interested in 739,054,500 Shares through the corporations controlled by her, namely Honorman Limited ("**Honorman**"), Rich Promise Limited ("**Rich Promise**") and Novel Voyage Development Limited ("**Novel Voyage**"). Please also read notes under sections headed "Interests in the associated corporations" and "Substantial Shareholders' Interests", in this Annual Report for details.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS (continued)

(2) Interests in the associated corporations

Long position in the ordinary shares of associated corporations						
Name of Director	Name of associated corporations	Capacity	Personal interests	Corporate interests	Total	Percentage of total issued shares
Ms. Vanessa Lam	Honorman (Note 1)	Beneficial owner	51	–	51	51%
Ms. Vanessa Lam	Rich Promise (Note 2)	Interest in controlled corporation	–	10,000	10,000	100%

Notes:

1. Honorman was owned as to 51% by Ms. Vanessa Lam and 49% by Mr. Lam Howard.

2. Rich Promise was owned as to 100% by Honorman, which in turn was owned as to 51% by Ms. Vanessa Lam.

3. Ms. Vanessa Lam is a director of both Honorman and Rich Promise.

Save as disclosed above, as at 31 July 2023, none of the Directors and the chief executive of the Company and their respective close associates had, or was deemed to have, any interest in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the 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 2023, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporation or individual who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

Long positions in the Shares and underlying Shares

Name of Substantial Shareholders	Capacity	Nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares (Note 1)
Honorman	Beneficial owner and interest in controlled corporation	Corporate	736,804,500 (Note 2)	51.84%
Rich Promise	Beneficial owner	Corporate	708,300,000 (Note 2)	49.83%
Lam Howard	Interest in controlled corporations	Corporate	736,804,500 (Note 3)	51.84%

Notes:

1. The total number of issued Shares as at 31 July 2023 (that is 1,421,315,542 Shares) has been used for the calculation of the approximate percentage.

2. Honorman was interested in 28,504,500 Shares directly and was deemed to be interested in 708,300,000 Shares indirectly held through its 100% owned subsidiary Rich Promise. Ms. Vanessa Lam was deemed to be interested in 28,504,500 Shares and 708,300,000 Shares held through Honorman and Rich Promise, her controlled corporations.

3. Mr. Lam Howard was deemed to be interested in 736,804,500 Shares held through Honorman and Rich Promise, his controlled corporations.

Save as disclosed above, the Directors are not aware of any other corporation or individual which/who, as at 31 July 2023, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 31 to the 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.

Report of the Directors

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 31 to the Financial Statements. All such related party transactions are fully exempt from the connected transaction reporting requirements under Chapter 14A of the Listing Rules.

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 4 to the 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 14 and 15 to the 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

As announced in October 2022, the Company offered rights issue to the Shareholders on the basis of one rights share for every two existing Shares held on a record date (i.e. 4 November 2022) at a subscription price of HK$0.1 per rights share ("**Rights Issue**"). Details of the Rights Issue were contained in the Company's prospectus dated 7 November 2022.

As a result, a total of 473,771,847 Shares had been allotted and issued in fully paid form at the issue price of HK$0.1 per Share on 29 November 2022. The total number of issued Shares, immediately after completion of the Rights Issue, increased to 1,421,315,542 Shares. Details of the share capital information of the Company are set out in Note 26 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2023, the Company had no reserves available for distribution to the Shareholders, in accordance with the provision of Section 297 of the Companies Ordinance (2022: Nil).

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.

At 26 October 2023, there were 546 Shareholders on the Company's register of members.

Report of the Directors

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 2023 are set out in Note 23 to the Financial Statements.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$174,500 (2022: HK$209,000).

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the Group's five largest customers and the largest customer accounted for 28% and 9%, respectively of the Group's total turnover for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 69% and 21%, 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 2019 to 2023 is set out below:

	Year ended 31 July				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**86,876**	103,288	112,000	151,267	235,348
Profit/(loss) for the year attributable to owners of the Company	**(108,786)**	(78,385)	(1,933)	(290,483)	30,607

	As at 31 July				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,343,864**	2,415,390	2,200,619	2,306,406	2,566,190
Total liabilities	**862,287**	921,963	669,098	779,665	747,425
Total equity	**1,481,577**	1,493,427	1,531,521	1,526,741	1,818,765
	2,343,864	2,415,390	2,200,619	2,306,406	2,566,190

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 31 to 52 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 Scheme" of this Report.

REVIEW BY AUDIT COMMITTEE

The Audit Committee, currently comprises three INEDs, namely Mr. Leung Shu Yin, William (Chairman), Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang has reviewed the audited Financial Statements with the management of the Company for the Year.

Report of the Directors

INDEPENDENT AUDITOR

Ernst & Young, Certified Public Accountants ("**EY**"), was appointed as independent auditor of the Company for the year ended 31 July 2023 at the annual general meeting held on 16 December 2022 in place of SHINEWING (HK) CPA Limited which retired as an independent auditor of the Company upon expiration of its term of office at the conclusion of the same meeting.

The Financial Statements for the Year have been audited by EY. EY will retire and hold office until the conclusion of the forthcoming 2023 AGM.

The Board and the Audit Committee recommended the re-appointment of EY as an the Group's external auditor for 2023/2024 for Shareholders' approval at the 2023 AGM.

On behalf of the Board

Lam Wai Shan, Vanessa
Chairman, Executive Director and Chief Executive Officer

Hong Kong
26 October 2023

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 Listing Rules.

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out from time to time in the CG Code contained in Appendix 14 to the Listing Rules throughout the Year, save for the deviation disclosed below:

Code provision C.2.1 in respect of the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Board is collectively responsible for the management and operations of the Company. Ms. Lam Wai Shan, Vanessa was appointed the Chairman of the Board ("**Board Chairman**") and the chief executive officer of the Company ("**CEO**") since January 2021. As the Board Chairman, Ms. Lam provides leadership to the Board to ensure the Board works effectively and performs its responsibilities. As the CEO, Ms. Lam has in-depth experience in the garment and retail industry. Coupled with her extensive business network and connections and numerous awards in the industry, she is responsible for leading the development and execution of long-term strategies for the Company's business. Hence, the Board believes that it is in the best interest of the Company for Ms. Lam to assume the roles of both the Board Chairman and the CEO.

Corporate Governance Report

(2) BOARD OF DIRECTORS

(2.1) Composition of the Board

The Board currently comprises eight members, of whom three are Executive Directors, two are NEDs and the remaining three are INEDs.

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

Executive Directors ("ED(s)")
Lam Wai Shan, Vanessa ("**Ms. Vanessa Lam**") (Chairman and CEO)
Lam Kin Ngok, Peter ("**Dr. Peter Lam**")
Lam Kin Hong, Matthew ("**Mr. Matthew Lam**")

Non-executive Directors ("NED(s)")
Chow Bing Chiu ("**Mr. BC Chow**")
Lam Suk Ying, Diana ("**Ms. Diana Lam**")

Independent Non-executive Directors ("INED(s)")
Leung Shu Yin, William ("**Mr. William Leung**") (Deputy Chairman)
Fung Cheuk Nang, Clement ("**Mr. Clement Fung**")
Woo King Hang ("**Mr. KH Woo**")

Retired Director
Wan Edward Yee Hwa ("**Mr. Edward Wan**")
(retired as an Executive Director on 17 December 2022)

An updated list of Directors and their respective roles and functions are set out below and can be found on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.crocodile.com.hk.

Name of Director	Position	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Lam Wai Shan, Vanessa (Board Chairman and CEO)	ED	chairman	–	member	chairman
Lam Kin Ngok, Peter	ED	–	–	–	–
Lam Kin Hong, Matthew	ED	–	–	–	–
Chow Bing Chiu	NED	member	–	–	–
Lam Suk Ying, Diana	NED	–	–	–	–
Leung Shu Yin, William (Deputy Chairman)	INED	–	chairman	chairman	–
Fung Cheuk Nang, Clement	INED	–	member	member	member
Woo King Hang	INED	–	member	–	member

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.1) Composition of the Board (continued)

As of 31 July 2023, the composition of the Board is 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 objectives of the Group and is in line with the industry practices.

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 19 to 23.

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.

Number of Board meetings held and the attendance record of each Director at the Board meetings held during the Year are set out in table on page 41 in this Annual Report. During the Year, the Board considered and approved the matters relating to: audited annual results, annual reports and ESG report for 2021/2022, proposals for the matters, including general mandates to Directors to issue and buy-back Shares, re-election of Directors, change of independent auditors and etc., for consideration by the shareholders of the Company ("**Shareholders**") at the annual general meeting held on 16 December 2022 ("**2022 AGM**"), change of the registered address of the Company's share registrar and transfer office, rights issue, the director's remuneration-related matter, unaudited interim results and interim Report for 2022/2023, issuance of powers of attorney for trademark matters, the execution of business agreement as well as the issuance of the relevant announcements either at its meetings or by written resolutions.

After the Year end, the Board held a meeting to consider and approve the annual results, this Annual Report and ESG report for 2022/2023, and proposals for the matters, including general mandates to Directors to issue and buy-back Shares, re-election of Directors, re-appointment of independent auditor, amendments to Articles of Association and etc., for consideration by the Shareholders at the annual general meeting to be held in December 2023 ("**2023 AGM**").

(2.2) 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, the Remuneration Committee and the Nomination Committee. Specific responsibilities have been delegated to the above Committees.

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.2) Responsibilities and Delegation (continued)

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 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 its Committees and the management of the Company ("**Management**"). The Listing Rules requires the Board to have a clear mechanism to oversee the environmental, social and governance ("**ESG**") management, the Board with the assistance of the Audit Committee reviewed and monitored the Group's ESG management progress and focused on matters affecting the overall business strategy.

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

(2.3) 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. Both the Nomination Committee and the Board considers that all INEDs are independent. Further, up to the date of this Annual 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.

(2.4) Relationships Between Board Members

Ms. Vanessa Lam (Board Chairman, ED and CEO) is a niece of Ms. Diana Lam (NED), Dr. Peter Lam and Mr. Matthew Lam (both are EDs). Save as disclosed in this paragraph and "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.

(2.5) Directors' and Officers' Liabilities Insurance

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

Corporate Governance Report

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policies 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. Seminars/webinars 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 briefed on the amendments to or updates on the Companies Ordinance, Listing Rules and other regulations. In addition, the Company invited the training facilitator at The Hong Kong Institution of Directors to give a talk on "Inside Information disclosure: hazards and discussion on recent cases" to the Directors and Management in August 2023.

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

	Corporate Governance/Updates on Laws, Rules and Regulations/Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Webinars/Briefings**
Executive Directors		
Lam Wai Shan, Vanessa	✔	✔
Lam Kin Ngok, Peter	✔	✔
Lam Kin Hong, Matthew	✔	✔
Non-executive Directors		
Chow Bing Chiu	✔	✔
Lam Suk Ying, Diana	✔	✔
Independent Non-executive Directors		
Leung Shu Yin, William	✔	✔
Fung Cheuk Nang, Clement	✔	✔
Woo King Hang	✔	✔

Corporate Governance Report

(4) BOARD COMMITTEES

The Board has delegated its authority to the following Committees, namely the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee to assist it in the implementation of its functions.

Each of the Board Committees should be established with specific written terms of reference which deal clearly with its authority and duties and responsibilities. The terms of reference of the Committees are available on the Stock Exchange's website at www.hkexnews.hk and/or the Company's website at www.crocodile.com.hk.

The Company Secretary is also the secretary of each Board Committees. Full minutes of the Board Committee meetings should be kept by the secretary of the Committees.

The Company Secretary shall circulate the draft minutes of the Board Committees to all their members for their comments and records within a reasonable period of time after the meetings. The Committees shall periodically prepare and present to the Board a summary of matters considered and approved by the Committees at their meetings or by written resolutions.

(4.1) Executive Committee

The Board established the Executive Committee with written terms of reference on 18 November 2005. The Executive Committee currently comprises two members, namely Ms. Vanessa Lam (Board Chairman, ED and CEO) is the Chairman and Mr. BC Chow (NED) is a member.

Ms. Vanessa Lam has been appointed the Chairman of the Executive Committee and Mr. BC Chow has been appointed a member of Executive Committee in place of Mr. Edward Wan with effect from 17 December 2022.

(a) Duties of the Executive Committee

It assists 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.

(b) Work Performed by the Executive Committee

Number of meetings held and the attendance record of each member at the Executive Committee meetings held during the Year are set out in the table on page 41 in this Annual Report.

The Executive Committee considered and approved the tenancies of the retail shops, and banking-related matters at the meetings.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee

The Board established the Audit Committee with written terms of reference on 31 March 2000. The Audit Committee currently comprises three members, namely Mr. William Leung (Chairman), Mr. Clement Fung and Mr. KH Woo. All members are INEDs.

As of 31 July 2023, the Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an Independent non-executive Director) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

(a) Duties of the Audit Committee

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

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

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

Corporate Governance Report

(4) **BOARD COMMITTEES** (continued)

(4.2) Audit Committee (continued)

(b) Work Performed by the Audit Committee

Number of meetings held and the attendance record of each member at the Audit Committee meetings held during the Year are set out in the table on page 41 in this Annual Report.

The Audit Committee considered and reviewed the audited annual results and the annual report for 2021/2022, and the unaudited interim results and the interim report for 2022/2023, including risk management and internal control systems reports, and ESG report prepared by independent advisors for the corresponding period and Year, deal with the independent auditor's engagement and fees at its meetings, and put forward the relevant recommendations to the Board for endorsement and/or approval.

After the Year end, the Audit Committee held a meeting to consider and review the audited annual results and annual report for 2022/2023, including risk management and internal control systems reports, and ESG report prepared by independent advisors for the Year, deal with the independent auditor's engagement and fees at the meeting, and put forward the relevant recommendations to the Board for endorsement and/or approval.

(4.3) Remuneration Committee

The Board established the Remuneration Committee with written terms of reference on 18 November 2005. The Remuneration Committee currently comprises three members, including two INEDs, namely Mr. William Leung (Chairman), Mr. Clement Fung, and an ED, Ms. Vanessa Lam (Board Chairman and CEO) as another member. Majority members of the Remuneration Committee are INEDs.

(a) Duties of the Remuneration Committee

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 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.

(4) BOARD COMMITTEES (continued)

(4.3) Remuneration Committee (continued)

(b) Work Performed by the Remuneration Committee

Number of meeting held and the attendance record of each member at the Remuneration Committee meeting held during the Year are set out in the table on page 41 in this Annual Report.

The Remuneration Committee considered and reviewed the Directors' remuneration-related matters either at its meeting or by written resolutions, and put forward the relevant recommendations to the Board for endorsement and/or approval.

After the Year end, the Remuneration Committee held a meeting to conduct annual review on Director's remuneration-related matters at the meeting, and put forward the relevant recommendations to the Board for endorsement and/or approval.

No Director was involved in deciding his/her own remuneration at the meeting of/written resolutions of the Remuneration Committee.

(4.4) Nomination Committee

The Board established the Nomination Committee with written terms of reference on 28 January 2022. The Nomination Committee currently comprises Ms. Vanessa Lam (Board Chairman, ED and CEO) (Chairman), and Mr. Clement Fung and Mr. KH Woo (both are INEDs) are two members. Majority members of the Nomination Committee are INEDs.

The Company adopted the board diversity policy ("**Board Diversity Policy**") sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board, and the nomination policy ("**Director's Nomination Policy**") sets out the approach to guide the Nomination Committee to identify and select appropriate candidates for appointment or re-appointment as the Directors and to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.4) Nomination Committee (continued)

(a) Duties of the Nomination Committee

The Nomination Committee is principally responsible for, among other things, reviewing the structure, size, diversity profile and skills matrix of the Board and the needs of the Board and make recommendation on any proposed changes to the Board to complement the Board to achieve the Company's corporate strategy as well as promote shareholder value; identifying suitable candidates and select or make recommendation to the Board on the selection of individuals to be nominated as Directors; assessing the independence of INEDs having regard to the criteria under the Listing Rules; making recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and reviewing the Director's Nomination Policy and the Board Diversity Policy periodically and make recommendation on any proposed revisions to the Board.

(b) Work Performed by the Nomination Committee

Number of meeting held and the attendance record of each member at the Nomination Committee meeting held during the Year are set out in the table on page 41 in this Annual Report.

The Nomination Committee conducted annual review of the composition of the Board with reference to diversity profile and skills matrix of the Board, reviewed the biographical details of Directors who stood for re-election at 2022 AGM, assessed the independence of INEDs at its meeting, and put forward the relevant recommendations to the Board for endorsement and/or approval.

After the Year end, the Nomination Committee held a meeting to conduct annual review of the composition of the Board with reference to diversity profile and skills matrix of the Board, reviewed the biographical details of Directors who will stand for re-election at 2023 AGM, assessed the independence of INEDs at the meeting, and put forward the relevant recommendations to the Board for endorsement and/or approval.

Corporate Governance Report

(5) ATTENDANCE RECORD AT MEETINGS

The attendance record (note 1) of each Director at the meetings of the Board and its Committees, 2022 AGM and extraordinary general meeting held in 2023 ("**EGM**") of the Company held during the Year is set out in the following table:

Directors	Board Meeting (note 2)	Executive Committee Meeting (note 3)	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	2022 AGM (note 4)	EGM (note 5)
Number of Meetings Held	6	2	2	1	1	1	1
	Number of Meetings Attended/Number of Meetings Held						
Executive Directors							
Ms. Lam Wai Shan, Vanessa	6/6	2/2	–	1/1	1/1	1/1	0/1
Dr. Lam Kin Ngok, Peter	6/6	–	–	–	–	0/1	0/1
Mr. Lam Kin Hong, Matthew	6/6	–	–	–	–	0/1	0/1
Non-executive Directors							
Mr. Chow Bing Chiu (note 3)	6/6	1/1	–	–	–	1/1	1/1
Ms. Lam Suk Ying, Diana	6/6	–	–	–	–	0/1	0/1
Independent Non-executive Directors							
Mr. Leung Shu Yin, William	6/6	–	2/2	1/1	–	1/1	1/1
Mr. Fung Cheuk Nang, Clement	6/6	–	2/2	1/1	1/1	1/1	1/1
Mr. Woo King Hang	6/6	–	2/2	–	1/1	1/1	1/1
Retired Director							
Mr. Wan Edward Yee Hwa (note 2 & 3) (retired as an ED on 17 December 2022)	3/3	1/1	–	–	–	0/1	N/A

Notes:

During the Year,

1. the Directors attended the meetings in person or by other electronic means through audio and/or video conferencing as permitted by the Articles of Association.
2. the Directors held six Board meetings. Mr. Edward Wan retired as Executive Director with effect from 17 December 2022, only three Board meetings were held before his retirement.
3. the Executive Committee held two meetings. Mr. Edward Wan was a member of this committee, only one meeting was held before Mr. Edward Wan's retirement. Mr. BC Chow has been appointed as a member of this committee on 17 December 2022, only one meeting was held after his appointment.
4. 2022 AGM was held on 16 December 2022. The Chairman of the Board and the Chairman of the Audit Committee, Remuneration Committee and the Nomination Committee attended the 2022 AGM.
5. the EGM was held on 27 July 2023 for consideration of a transaction. All INEDs, who were also appointed as members of the independent Board Committee for the purpose of advising the independent Shareholders in relation to the transaction attended the meeting. Mr. William Leung chaired that meeting.

Corporate Governance Report

(5) ATTENDANCE RECORD AT MEETINGS (continued)

For the Year, Ms. Vanessa Lam met all INEDs without the presence of other Directors after the Board meeting held on 28 March 2023 in compliance with code provision C.2.7 of the CG Code.

(6) CHAIRMAN AND CHIEF EXECUTIVE

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

During the Year and up to the date of this Annual Report, as explained in paragraph (1) above in this Corporate Governance Report, Ms. Vanessa Lam assumed the roles of the Chairman and the CEO simultaneously.

(7) NON-EXECUTIVE DIRECTORS

None of the existing NEDs (including INEDs) was appointed for a specific term.

(8) NOMINATION OF DIRECTOR(S)

The Board established the Nomination Committee on 28 January 2022. The Company adopted the Director's 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 Nomination Committee 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 Director's 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 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, 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.

Corporate Governance Report

(9) BOARD DIVERSITY POLICY

The Company adopted a Board Diversity Policy in July 2013 which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

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

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

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

The Board and the Nomination Committee had, at its meeting held on 26 October 2023, 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 eight 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 retail industry, property development and investment, hospitality as well as media and entertainment businesses, laws, accounting and auditing services and corporate finance, etc.

The Board currently comprises two female Directors and six male Directors. The Board considers that the gender diversity in respect of the Board is satisfactory. Gender ratio in the workforce (including Management) is 78 (female) and 30 (male), women comprise 72% of all workforce.

Corporate Governance Report

(10) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

The statement by the Independent Auditor about its reporting and auditing responsibilities for the consolidated 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 AND AUDITOR RELATED MATTERS

At the 2022 AGM, SHINEWING (HK) CPA Limited ("**SHINEWING**") retired as the independent auditor of the Company upon expiration of its term of office and Ernst & Young, Certified Public Accountants, ("**EY**") was 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 EY for the Year amounted to approximately HK$1,280,000 and HK$0, respectively.

(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 designed 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 SFO and the Listing Rules. Relevant parties are reminded to preserve the confidentiality of the inside information until it is publicly disclosed. Briefing sessions are held regularly for relevant parties to facilitate their understanding and compliance with the policy and procedures.

With a view to manage the Group's business and operational risk and to ensure smooth operation, the Group has outsourced the internal audit function to the Cheng & Cheng Risk Advisory Services Limited ("**C&C**"), independent advisor during the Year, to assist the Board and the Audit Committee in on-going monitoring of the risk management and internal control systems of the Group.

The periodic reviews have covered all material controls, including financial, operational and compliance controls of the Group. During the Year, C&C has assisted the Board in evaluating (i) the various components of the internal control system including control environment, risk assessment, control activities, information and communication, and monitoring activities; (ii) corporate governance matters; (iii) the cycle of revenue controls on Garment and related accessories business; (iv) procurement controls; (v) inventory management; and (vi) financial reporting. Appropriate recommendations for further enhancing the internal control system have been adopted. The internal control review report of the Company prepared by C&C has been presented to and reviewed by the Audit Committee and the Board. The Board considers that the Group's internal control system for the Year and up to the date of this Annual Report is effective and adequate.

Since March 2016, the Audit Committee has been delegated with the responsibilities to review the effectiveness of the Group's risk management system annually in compliance with the CG Code.

A risk management policy which sets out 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 has been adopted by the Board since July 2017.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the Year, the Audit Committee has supported the Board in monitoring the Group's risk exposures, and the design and operating effectiveness of the risk management and internal control systems by overseeing 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, C&C has assisted the Group's management to carry out an entity-level risk assessment which includes identification, evaluation and prioritisation of risk factors that the Group is facing; and to propose the recommendations on a timely basis to ensure prompt remediation actions to be taken. The enterprise risk management report of the Company prepared by C&C has been presented to and reviewed by the Audit Committee and the Board. The Board was addressed the identified risk factors and considers that the Group's risk management system in place for the Year and up to the date of this Annual Report is effective and adequate.

(15) COMPANY SECRETARY

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

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

On 27 March 2012, the Board adopted a shareholders' communication policy ("**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.

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.1) Shareholders' Communication Policy (continued)

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) annual general meetings and general meetings of the Company 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 Annual General Meetings

The 2022 AGM, was held at 3:00 p.m. on 16 December 2022 at Luxembourg Rooms I-III, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At 2022 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 2022 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Mr. BC Chow, Ms. Diana Lam and Mr. KH Woo as Directors; (iii) the authorisation of the Board to fix the Directors' remuneration; (iv) the appointment of EY as the independent auditor of the Company following the retirement of SHINEWING; and (v) the granting to the Directors the general mandates to buy back the Shares and to issue, allot and deal with additional Shares, and to extend the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

The notice of 2022 AGM and the poll results announcement in respect of the 2022 AGM were published on the respective websites of the Stock Exchange and the Company on 14 November 2022 and 16 December 2022, respectively.

The Board is of the view that the implementation and effectiveness of the Shareholders' Communication Policy conducted during the Year is satisfactory.

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a General Meeting ("GM")

Pursuant to the Articles of Association and Section 566 of the 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 25/F., Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, 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) SHAREHOLDERS' RIGHTS (continued)

(17.2) Procedures for Putting Forward Proposals at Annual General Meeting

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 annual general meeting or at least fifty (50) registered Shareholders who have a right to vote on the resolution at the annual general meeting ("**Requisitionists**") can request the Company in writing to (a) give to the Shareholders entitled to receive notice of the annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to the Shareholders entitled to receive notice of any GM any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition duly signed by the Requisitionists must be authenticated by the person or persons making it and sent to the Company at its Registered Office stated in paragraph (17.1) above no later than six (6) weeks before the annual general meeting 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 annual general meeting in the same manner as the notice of the meeting; and at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

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

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

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

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

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

25th Floor, Crocodile Center
79 Hoi Yuen Road
Kwun Tong
Kowloon, Hong Kong

Fax: (852) 2742 6733
E-mail: corpadmin@crocodile.com.hk

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

(18) DIVIDEND POLICY

The Board adopted a dividend policy ("**Dividend Policy**") on 28 January 2019 setting out the criteria and forms of dividend payout of the Company.

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

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

(19) CONSTITUTIONAL DOCUMENTS

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

(20) INVESTOR RELATIONS

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

Key Dates

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

	For Financial Year 2022/2023
Annual results announcement for the year ended 31 July 2023	26 October 2023
Latest time and date to lodge transfer documents with the Registrar on for entitlement to attending and voting at the 2023 AGM	4:30 p.m. on 7 December 2023
2023 AGM	11:00 a.m. on 13 December 2023

Corporate Governance Report

(21) OTHER CHANGES DURING THE YEAR AND AFTER THE YEAR END

(21.1) Change of Authorised Representatives

During the Year, Ms. Chan Yin Yi, Annie, the Company Secretary, has been appointed as the authorised Representative of the Company with the Stock Exchange pursuant to Rule 3.05 of the Listing Rules in place of Mr. Edward Wan with effect from 17 December 2022.

(21.2) Change of Independent Auditors

During the Year, Ernst & Young, Certified Public Accountants, have been appointed as independent auditor of the Company for the year ended 31 July 2023 at the 2022 AGM in place of SHINEWING (HK) CPA Limited which retired as an independent auditor of the Company upon expiration of its term of office at the conclusion of the same meeting.

(21.3) Proposed amendments to the Articles of Association by adoption of the amended and re-stated Articles of Association

After the Year end, the Board proposed amendments to the Articles of Association by adoption of the amended and re-stated Articles of Association. The particulars of the proposed amendments would be contained in the circular to be despatched together with a notice of 2023 AGM.

Independent Auditor's Report

EY 安永

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 (the "**Group**") set out on pages 59 to 151, which comprise the consolidated statement of financial position as at 31 July 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 2023, 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 ("**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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Investment properties are stated at fair value. The carrying amount of investment properties as at 31 July 2023 was approximately HK$1,705,884,000. Significant judgements and assumptions, including the capitalisation rate and the reversionary yield, are required to determine the fair values of the investment properties. To support management's determination of the fair values, the Group engaged external valuers to perform valuations on the investment properties at the end of the reporting period. Related disclosures are included in notes 3 and 15 to the financial statements.	Our audit procedures included, among others, (i) involving our internal valuation specialists to assist us to evaluate the valuation methodologies and certain key assumptions, including the capitalisation rate and the reversionary yield used in the valuations; (ii) assessing the key estimates and assumptions based on available information; and (iii) evaluating the objectivity, independence and competency of the external valuers. We also assessed the related disclosures in the consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets	
As at 31 July 2023, the Group's property, plant and equipment ("**PPE**") and right-of-use assets ("**ROU assets**") amounted to approximately HK$47,301,000 and HK$93,496,000, respectively. Management performs impairment assessments on the Group's PPE and ROU assets where an indicator of impairment of these assets exists. Impairment losses of HK$524,000 and HK$1,303,000 have been recognised during the year to reduce the carrying amounts of certain PPE and ROU assets, respectively, to their recoverable amounts. Management determined the recoverable amounts of the relevant cash-generating units ("**CGUs**") as at 31 July 2023 based on the value in use calculations using the discounted cash flow method. Significant judgements and estimates were involved in the assessments of the recoverable amounts, including assumptions on the growth rates and the discount rates. The outcome was sensitive to expected future market conditions and the actual performance of the relevant CGUs. The related disclosures are included in notes 3, 14 and 16 to the financial statements.	Our audit procedures included, among others, (i) evaluating the Group's policies and procedures in identifying impairment indicators; and (ii) involving our internal valuation specialists to assist us in evaluating the methodology, certain key assumptions including the growth rates and discount rates used in the value in use calculations. In evaluating management's impairment assessments, we also assessed the key assumptions used in the value in use calculations, including the growth rates and the discount rates with reference to the historical financial data, available industry and market data and business plan of management. We also assessed the related disclosures in the consolidated financial statements.

Independent Auditor's Report

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises 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 the directors 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 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 judgement and maintain professional scepticism 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.

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

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

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

We communicate with the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Yen Kai Shun, Catherine.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

26 October 2023

Consolidated Statement of Profit or Loss

Year ended 31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	5	**86,876**	103,288
Cost of sales		**(14,044)**	(28,436)
Gross profit		**72,832**	74,852
Other income	5	**16,206**	20,322
Selling and distribution expenses		**(44,683)**	(44,633)
Administrative expenses		**(50,132)**	(51,510)
Fair value losses on investment properties	15	**(73,408)**	(47,588)
Other gains/(losses), net	8	**7,777**	(20,622)
Finance costs	7	**(36,550)**	(11,102)
Share of profit/(loss) of an associate		**(1,680)**	1,896
LOSS BEFORE TAX	6	**(109,638)**	(78,385)
Income tax credit	11	**852**	–
Loss for the year attributable to owners of the Company		**(108,786)**	(78,385)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			(Restated)
– Basic (HK cents)	13	**(8.31)**	(7.24)
– Diluted (HK cents)	13	**(8.31)**	(7.24)

Consolidated Statement of Comprehensive Income

Year ended 31 July 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(108,786)**	(78,385)
Other comprehensive income/(expenses)		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,913)**	(2,785)
Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss:		
Revaluation gain on transfer of property, plant and equipment to investment properties	**84,715**	43,076
Income tax effect	**(21,179)**	–
	63,536	43,076
Other comprehensive income for the year, net of tax	**54,623**	40,291
Total comprehensive expenses for the year attributable to the owners of the Company	**(54,163)**	(38,094)

Consolidated Statement of Financial Position

31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**47,301**	84,527
Investment properties	15	**1,705,884**	1,673,478
Right-of-use assets	16(a)	**93,496**	80,542
Financial assets at fair value through profit or loss	20	**45,963**	27,568
Interest in an associate	17	**50,137**	51,817
Amount due from an associate	17	**8,126**	7,941
Deposits and prepayments	19	**5,756**	3,009
Total non-current assets		**1,956,663**	1,928,882
CURRENT ASSETS			
Inventories	18	**14,537**	12,484
Trade and other receivables, deposits and prepayments	19	**20,287**	29,344
Amount due from a related company	31(b)	**503**	–
Financial assets at fair value through profit or loss	20	**121,850**	164,000
Pledged bank deposits	21	**579**	2,924
Cash and cash equivalents	21	**229,445**	277,756
Total current assets		**387,201**	486,508
CURRENT LIABILITIES			
Trade payables, other payables and deposits received	22	**31,081**	36,288
Financial liabilities at fair value through profit or loss	20	**8,565**	–
Interest-bearing bank borrowings	23	**201,133**	249,447
Margin loans payable	24	**3,544**	28,523
Lease liabilities	16(b)	**8,923**	15,332
Tax payable		**19,303**	20,645
Total current liabilities		**272,549**	350,235
NET CURRENT ASSETS		**114,652**	136,273
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,071,315**	2,065,155

Consolidated Statement of Financial Position

31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Other payables and deposits received	22	**10,699**	6,571
Interest-bearing bank borrowings	23	**549,368**	559,960
Provision		**1,135**	1,057
Lease liabilities	16(b)	**8,209**	4,140
Deferred tax liabilities	25	**20,327**	–
Total non-current liabilities		**589,738**	571,728
Net assets		**1,481,577**	1,493,427
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**374,636**	332,323
Reserves		**1,106,941**	1,161,104
Total equity		**1,481,577**	1,493,427

Lam Wai Shan, Vanessa
Director

Chow Bing Chiu
Director

Consolidated Statement of Changes in Equity

Year ended 31 July 2023

		Attributable to owners of the Company				
	Note	Share capital HK$	Translation reserve HK$	Asset revaluation reserve HK$	Retained profits HK$	Total equity HK$
At 1 August 2021		332,323	21,549	109,689	1,067,960	1,531,521
Loss for the year		–	–	–	(78,385)	(78,385)
Other comprehensive income/ (expenses) for the year:						
Gain on property revaluation		–	–	43,076	–	43,076
Exchange differences on translation of foreign operations		–	(2,785)	–	–	(2,785)
Total comprehensive expenses for the year		–	(2,785)	43,076	(78,385)	(38,094)
At 31 July 2022 and at 1 August 2022		**332,323**	**18,764***	**152,765***	**989,575***	**1,493,427**
Loss for the year		–	–	–	**(108,786)**	**(108,786)**
Other comprehensive income/ (expenses) for the year:						
Gain on property revaluation, net of tax		–	–	**63,536**	–	**63,536**
Exchange differences on translation of foreign operations		–	**(8,913)**	–	–	**(8,913)**
Total comprehensive expenses for the year		–	**(8,913)**	**63,536**	**(108,786)**	**(54,163)**
Issue of shares	26	**47,377**	–	–	–	**47,377**
Share issue expenses	26	**(5,064)**	–	–	–	**(5,064)**
At 31 July 2023		**374,636**	**9,851***	**216,301***	**880,789***	**1,481,577**

* These reserve accounts comprise the consolidated reserves of HK$1,106,941,000 (2022: HK$1,161,104,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(109,638)**	(78,385)
Adjustments for:			
Finance costs	7	**36,550**	11,102
Bank interest income	5	**(6,632)**	(269)
Interest income on amount due from an associate	5	**(435)**	(406)
Interest income on advances to independent third parties	5	**–**	(420)
Share of loss/(profit) of an associate		**1,680**	(1,896)
Depreciation of property, plant and equipment	6	**3,701**	6,563
Depreciation of right-of-use assets	6	**11,184**	5,658
Loss/(gain) on disposal of items of property, plant and equipment	8	**(30)**	192
Impairment of trade and other receivables	8	**1**	7,331
Impairment of right-of-use assets	8	**1,303**	–
Impairment of property, plant and equipment	8	**524**	–
Reversal of provision for slow-moving inventories	6	**(3,014)**	(4,359)
Net losses/(gains) on financial instruments at fair value through profit or loss	8	**(9,625)**	26,403
Fair value losses on investment properties	15	**73,408**	47,588
Write-off of other payables	8	**(155)**	(12,278)
COVID-19-related rent concessions	5	**–**	(5,361)
Gain on early termination of leases	8	**(214)**	(25)
		(1,392)	1,438
Decrease in inventories		**780**	21,009
Decrease/(increase) in financial instruments at fair value through profit or loss		**41,945**	(28,275)
Increase/(decrease) in trade payables, other payables and deposits received		**(130)**	2,550
Decrease/(increase) in trade and other receivables, deposits and prepayments		**10,019**	(7,606)
Decrease in amounts due to related companies		**–**	(338)
Decrease/(increase) in amount due from a related company		**(503)**	45
Cash generated from/(used in) in operations		**50,719**	(11,177)
Interest paid		**(36,550)**	(11,102)
Net cash flows from/(used in) in operating activities		**14,169**	(22,279)

Consolidated Statement of Cash Flows

Year ended 31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,462**	689
Proceeds from disposal of items of property, plant and equipment		**33**	149
Withdrawal of pledged bank deposits		**2,345**	4,508
Purchase of items of property, plant and equipment		**(9,508)**	(5,680)
Deposits for purchase of items of property, plant and equipment		**(3,797)**	–
Repayment from an associate		**250**	600
Net cash flows from/(used in) investing activities		**(4,215)**	266
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	26	**47,377**	–
Share issue expenses	26	**(5,064)**	–
New bank borrowings		**58,000**	376,175
Repayment of bank borrowings		**(116,906)**	(122,000)
New margin loans		**–**	24,127
Repayment of margin loans		**(24,979)**	–
Repayment of lease liabilities		**(16,350)**	(18,913)
Net cash flows from/(used in) financing activities		**(57,922)**	259,389
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(47,968)**	237,376
Cash and cash equivalents at beginning of year		**277,756**	40,953
Effects of foreign exchange rate changes, net		**(343)**	(573)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**229,445**	277,756
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**229,445**	277,756

Notes to Financial Statements

For the year ended 31 July 2023

1. CORPORATE AND GROUP INFORMATION

Crocodile Garments Limited (the "**Company**") is a company incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company is 25th Floor, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the sale of garments and related accessories, property investment and letting and treasury management.

In the opinion of the directors of the Company (the "**Directors**"), Honorman Limited, a company incorporated in Hong Kong, is considered as the parent and ultimate parent company of the Company. Its shareholders are Ms. Lam Wai Shan, Vanessa and Mr. Lam Howard, who are the ultimate controlling shareholders of the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2023	2022	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 (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	Garment trading
Crocodile Garments (Zhong Shan) Limited* 鱷魚恤(中山)有限公司	People' Republic of China (the "**PRC**")/ Mainland China	HK$17,200,000	**100**	100	Property investment

Notes to Financial Statements

For the year ended 31 July 2023

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Guangzhou Crocodile Garments Commercial Limited* 廣州鱷魚恤商業有限公司	PRC/Mainland China	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 ("**BVI**")	US$1	**100**	100	Investment holding
Purewell Limited	Hong Kong	HK$1	**100**	100	Property investment
Croco Fashion Limited (formerly known as Keepower Limited)	Hong Kong	HK$1	**100**	100	Garment trading

* These subsidiaries are wholly foreign-owned enterprises under PRC law. The English name is for identification purposes only.

Except for Pure Goal Limited which is directly held by the Company, all other principal subsidiaries are indirectly held.

The above table lists the 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 of the Group, or are of particular importance to the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

For the year ended 31 July 2023

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets/(liabilities) at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 July 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to Financial Statements

For the year ended 31 July 2023

2.1 BASIS OF PREPARATION (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (a) the fair value of the consideration received, (b) the fair value of any investment retained and (c) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 August 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Financial Statements

For the year ended 31 July 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 August 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 August 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 August 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

For the year ended 31 July 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 6]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[7]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 5]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
7 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Notes to Financial Statements

For the year ended 31 July 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those new and revised HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 August 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. Subject to further assessment, the amendments are not expected to have any significant impact on the Group's financial statements in the period of initial application.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair value measurement

The Group measures its investment properties and financial assets/(liabilities) at fair value through profit or loss at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	Over the shorter of the lease terms and 2% to 4.5%
Plant and machinery	10%
Furniture and fixtures and leasehold improvements	Over the shorter of the lease terms and 10% to 20%
Computer equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16 *Property, Plant and Equipment*. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of lease terms and the estimated useful lives of the assets as follows:

Leasehold land	42 to 50 years
Leased premises	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as structured products, to hedge its equity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of goods

Revenue from the sale of garments and related accessories is recognised at the point in time when control of the goods is transferred to the customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Royalty income is recognised on a time proportion basis in accordance with the substance of the relevant agreements.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Share-based payments

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefits expenses, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Notes to Financial Statements

For the year ended 31 July 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Property lease classification – Group as a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Notes to Financial Statements

For the year ended 31 July 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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 located in Hong Kong 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.

Estimation uncertainty

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, are described below.

Valuation of fair values of investment properties

As at 31 July 2023, the Group's investment properties amounted to approximately HK$1,705,884,000 (2022: HK$1,673,478,000). They are stated at fair value, as determined by the Directors, based on independent external appraisals. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. Favourable and unfavourable changes to these factors would result in changes in the valuation of the Group's investment properties. Further details are contained in note 15 to the financial statements.

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. As at 31 July 2023, the carrying amount of inventories of the Group was approximately HK$14,537,000 (2022: HK$12,484,000), net of allowance for inventories of approximately HK$7,719,000 (2022: HK$12,127,000). Further details are contained in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

The Group assesses whether there are any indicators of impairment of property, plant, equipment and right-of-use assets at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In assessing value in use, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 July 2023, the carrying amounts of property, plant and equipment and right-of-use assets were approximately HK$47,301,000 and HK$93,496,000 (2022: HK$84,527,000 and HK$80,542,000), respectively. Further details are disclosed in notes 14 and 16(a) to the financial statements, respectively.

Impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on ECLs. 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 profit or loss. 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. The information about the ECLs on the Group's trade and other receivables is disclosed in note 19 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 July 2023 was HK$17,750,000 (2022: HK$16,668,000). The amount of unrecognised tax losses at 31 July 2023 was HK$555,128,000 (2022: HK$510,797,000). Further details are contained in note 25 to the financial statements.

Notes to Financial Statements

For the year ended 31 July 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) the garment and related accessories business;

(ii) the property investment and letting business; and

(iii) treasury management.

(a) Segment revenue and results

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax.

During the year ended 31 July 2023, the directors have reassessed the basis of adjusted loss before tax for reportable operating segments and considered that it is more appropriate to be measured consistently with the Group's loss before tax except that bank interest income, interest income on advances to independent third parties, government grants, finance costs, certain other income and corporate expenses are excluded from such measurement. The directors believe that the current presentation could provide a better understanding to the users of the financial statements to evaluate the Group's operating performance. Accordingly, the comparative figures in segment results have been restated.

Notes to Financial Statements

For the year ended 31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

Years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**39,894**	50,485	**46,982**	52,803	**–**	–	**86,876**	103,288
Other income from external customers	**8,114**	15,094	**437**	317	**–**	–	**8,551**	15,411
Group's total revenue and other income	**48,008**	65,579	**47,419**	53,120	**–**	–	**95,427**	118,699
Reportable segment profit/(loss) before property revaluation and share of an associate's results	**(15,937)**	(5,551)	**39,244**	44,345	**7,625**	(24,514)	**30,932**	14,280
Fair value losses on investment properties	**–**	–	**(73,408)**	(47,588)	**–**	–	**(73,408)**	(47,588)
Share of profit/(loss) of an associate	**–**	–	**(1,680)**	1,896	**–**	–	**(1,680)**	1,896
Reportable segment profit/(loss)	**(15,937)**	(5,551)	**(35,844)**	(1,347)	**7,625**	(24,514)	**(44,156)**	(31,412)
Unallocated corporate income							**7,655**	4,911
Unallocated corporate expenses							**(36,587)**	(40,782)
Finance costs							**(36,550)**	(11,102)
Loss before tax							**(109,638)**	(78,385)

Notes to Financial Statements

For the year ended 31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**170,917**	200,163	**1,775,110**	1,742,979	**121,850**	164,000	**2,067,877**	2,107,142
Unallocated corporate assets							**275,987**	308,248
Total consolidated assets							**2,343,864**	2,415,390
LIABILITIES								
Segment liabilities	**42,252**	45,856	**17,795**	17,532	**12,109**	28,523	**72,156**	91,911
Unallocated corporate liabilities							**790,131**	830,052
Total consolidated liabilities							**862,287**	921,963

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 assets at fair value through profit or loss ("**FVTPL**"), pledged bank deposits and cash and cash equivalents.

- all liabilities are allocated to reportable and operating segments, other than interest-bearing bank borrowings, tax payable and deferred tax liabilities.

Notes to Financial Statements

For the year ended 31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

(c) Other segment information

Years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**–**	–	**50,137**	51,817	**–**	–	**50,137**	51,817
Additions to property, plant and equipment	**8,965**	1,570	**543**	4,110	**–**	–	**9,508**	5,680
Additions of right-of-use assets	**14,293**	11,220	**–**	–	**–**	–	**14,293**	11,220
Depreciation	**14,437**	12,012	**448**	209	**–**	–	**14,885**	12,221
Impairment of trade and other receivables	**1**	6,431	**–**	900	**–**	–	**1**	7,331
Impairment of right-of-use assets	**1,303**	–	**–**	–	**–**	–	**1,303**	–
Impairment of property, plant and equipment	**524**	–	**–**	–	**–**	–	**524**	–
Fair value losses on investment properties	**–**	–	**73,408**	47,588	**–**	–	**73,408**	47,588
Reversal of provision for slow-moving inventories	**(3,014)**	(4,359)	**–**	–	**–**	–	**(3,014)**	(4,359)
Loss/(gain) on disposal of items of property, plant and equipment	**(30)**	192	**–**	–	**–**	–	**(30)**	192
Net losses/(gains) on financial instruments at FVTPL	**–**	–	**(2,000)**	1,889	**(7,625)**	24,514	**(9,625)**	26,403
Interest income from an associate	**–**	–	**(435)**	(406)	**–**	–	**(435)**	(406)

Notes to Financial Statements

For the year ended 31 July 2023

4. OPERATING SEGMENT INFORMATION (continued)

(d) Geographical information

(i) Revenue from external customers

	2023 HK$'000	2022 HK$'000
Hong Kong and Macau	**81,918**	95,460
Mainland China	**4,958**	7,828
	86,876	103,288

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	2023 HK$'000	2022 HK$'000
Hong Kong and Macau	**1,744,138**	1,802,968
Mainland China	**156,477**	87,396
	1,900,615	1,890,364

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

(e) Information about major customers

During the year ended 31 July 2023, none of the Group's customers contributed 10% or more of the Group's total revenue.

During the year ended 31 July 2022, revenue generated from a single customer of the Group from the segment of property investment and letting business amounting to approximately HK$10,567,000 had accounted for over 10% of the Group's total revenue.

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023	2022
	HK$'000	HK$'000
Revenue from contracts with customers		
Sales of goods transferred at a point of time	**39,894**	50,485
Revenue from other sources		
Gross rental income	**46,982**	52,803
	86,876	103,288

Revenue from contracts with customers

(i) Disaggregated revenue information

During the years ended 31 July 2023 and 2022, all revenue from contracts with customers were from the segment of garment and related accessories business.

Garment and related accessories business

	2023	2022
	HK$'000	HK$'000
GEOGRAPHICAL MARKETS		
Hong Kong and Macau	**36,594**	44,185
Mainland China	**3,300**	6,300
	39,894	50,485

Notes to Financial Statements

For the year ended 31 July 2023

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods. Other than cash sales made at retail shops of the Group, the Group allows credit periods of 30 to 60 days for receivables from department stores in which sales counters are located while the average credit period on credit card sales and sales by other electronic payment methods is 7 days.

	2023	2022
	HK$'000	HK$'000
Other income		
Royalty income	**7,548**	9,647
Bank interest income	**6,632**	269
Interest income on amount due from an associate	**435**	406
Interest income on advances to independent third parties (note 19(b))	**–**	420
Government grants*	**–**	1,852
COVID-19-related rent concessions	**–**	5,361
Others	**1,591**	2,367
	16,206	20,322

* During the year ended 31 July 2022, government grants represented cash subsidies received from the Employment Support Scheme under the Anti-epidemic Fund granted by the Government of Hong Kong as part of the relief measures under the COVID-19 pandemic. There were no unfulfilled conditions and no other contingencies attached to the receipts of these subsidies.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2023 HK\$'000**	2022 HK\$'000
Cost of inventories sold		**15,973**	32,032
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**3,571**	1,683
Reversal of provision for slow-moving inventories		**(3,014)**	(4,359)
Depreciation of property, plant and equipment	14	**3,701**	6,563
Depreciation of right-of-use assets	16(a)	**11,184**	5,658
Auditor's remuneration		**1,280**	950
Employee benefit expense (including directors' remuneration (note 9)):			
Salaries, bonuses and other benefits		**32,994**	33,909
Pension scheme contributions (defined contribution schemes)*		**1,012**	1,092
Others		**284**	(10)
		34,290	34,991

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest on bank borrowings	**35,901**	10,260
Interest on lease liabilities	**649**	842
	36,550	11,102

Notes to Financial Statements

For the year ended 31 July 2023

8. OTHER GAINS/(LOSSES), NET

An analysis of other gains/(losses), net is as follows:

	2023	2022
	HK$'000	HK$'000
Impairment of trade and other receivables	**(1)**	(7,331)
Gain/(loss) on disposal of items of property, plant and equipment	**30**	(192)
Gain on early termination of leases	**214**	25
Net gains/(losses) on financial instruments at FVTPL	**9,625**	(26,403)
Impairment of right-of-use assets (note 16(a))	**(1,303)**	–
Impairment of property, plant and equipment (note 14)	**(524)**	–
Foreign exchange differences, net	**20**	278
Write-off of other payables	**155**	12,278
Others	**(439)**	723
	7,777	(20,622)

9. DIRECTORS' REMUNERATION

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023	2022
	HK$'000	HK$'000
Fees	**706**	678
Other emoluments:		
Salaries, discretionary bonuses and other benefits	**4,307**	3,863
Pension scheme contributions	**18**	18
	4,325	3,881
	5,031	4,559

Notes to Financial Statements

For the year ended 31 July 2023

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 HK$'000	2022 HK$'000
Mr. Yeung Sui Sang^	–	36
Mr. Fung Cheuk Nang, Clement	144	144
Mr. Leung Shu Yin, William	144	144
Mr. Woo King Hang ^^	144	74
	432	398

^ resigned on 1 November 2021
^^ appointed on 28 January 2022

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2023					
Executive directors:					
Ms. Lam Wai Shan, Vanessa	10	3,841	331	18	4,200
Dr. Lam Kin Ngok, Peter	10	–	–	–	10
Mr. Lam Kin Hong, Matthew	10	–	–	–	10
Mr. Wan Edward Yee Hwa^^^	4	135	–	–	139
	34	3,976	331	18	4,359
Non-executive directors:					
Ms. Lam Suk Ying, Diana	96	–	–	–	96
Mr. Chow Bing Chiu	144	–	–	–	144
	240	-	-	-	240
	274	3,976	331	18	4,599

^^^ resigned on 17 December 2022

Notes to Financial Statements

For the year ended 31 July 2023

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

	Fees HK$'000	Salaries allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2022					
Executive directors:					
Ms. Lam Wai Shan, Vanessa	10	3,423	50	18	3,501
Dr. Lam Kin Ngok, Peter	10	–	–	–	10
Mr. Lam Kin Hong, Matthew	10	–	–	–	10
Mr. Wan Edward Yee Hwa	10	360	30	–	400
	40	3,783	80	18	3,921
Non-executive directors:					
Ms. Lam Suk Ying, Diana	96	–	–	–	96
Mr. Chow Bing Chiu	144	–	–	–	144
	240	–	–	–	240
	280	3,783	80	18	4,161

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director of the Company (2022: one), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor the chief executive of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and allowance	**4,446**	4,561
Performance related bonus	**280**	505
Pension scheme contributions	**72**	71
	4,798	5,137

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

Notes to Financial Statements

For the year ended 31 July 2023

11. INCOME TAX

No current tax has been provided for the years ended 31 July 2023 and 31 July 2022 as the Group either has unused tax losses available to offset against assessable profits or there was no estimated assessable profit for both years.

	2023	2022
	HK$'000	HK$'000
Deferred tax credit (note 25)	**(852)**	–

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax amount/(credit) at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2023

	Hong Kong		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before tax	**(102,481)**		**(7,157)**		**(109,638)**	
Tax at the statutory tax rate	**(16,909)**	**16.5**	**(1,789)**	**25.0**	**(18,698)**	**17.1**
Income not subject to tax	**(1,592)**	**1.6**	**(89)**	**1.2**	**(1,681)**	**1.5**
Expenses not deductible for tax	**12,480**	**(12.2)**	**251**	**(3.5)**	**12,731**	**(11.6)**
Losses attributable to an associate	**277**	**(0.3)**	**–**	**–**	**277**	**(0.3)**
Tax losses not recognised	**7,820**	**(7.6)**	**775**	**(10.8)**	**8,595**	**(7.8)**
Tax losses utilised from previous periods	**(406)**	**0.4**	**–**	**–**	**(406)**	**0.4**
Temporary difference not recognised	**(1,670)**	**1.6**	**–**	**–**	**(1,670)**	**1.5**
Tax amount/(credit) at the Group's effective rate	**–**	**–**	**(852)**	**11.9**	**(852)**	**0.8**

11. INCOME TAX (continued)

2022

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(81,622)		3,237		(78,385)	
Tax at the statutory tax rate	(13,467)	16.5	809	25.0	(12,658)	16.1
Income not subject to tax	(785)	0.9	(850)	(26.3)	(1,635)	2.1
Expenses not deductible for tax	9,564	(11.7)	245	7.6	9,809	(12.5)
Profits attributable to an associate	(313)	0.4	–	–	(313)	0.4
Tax losses not recognised	5,411	(6.6)	107	3.3	5,518	(7.0)
Tax losses utilised from previous periods	(45)	0.1	(311)	(9.6)	(356)	0.5
Temporary difference not recognised	(365)	0.4	–	–	(365)	0.4
Tax amount at the Group's effective rate	–	–	–	–	–	–

The Group has applied the mandatory temporary exception from recognising and disclosing information about deferred taxes related to Pillar Two income taxes. The Group is in the process of assessing the related exposure from Pillar Two income taxes.

The share of tax attributable to an associate amounted to HK$84,000 (2022: HK$44,000) and is included in "Share of profit/(loss) of an associate" in the consolidated statement of profit or loss.

12. DIVIDENDS

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 July 2023 (2022: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 1,309,130,819 (2022: 1,082,907,080 (restated)) in issue during the year, as adjusted to reflect the rights issue during the year ended 31 July 2023.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 July 2023 and 2022 in respect of a dilution as the Company had no dilutive potential ordinary shares in issue.

Notes to Financial Statements

For the year ended 31 July 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures and leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 July 2023						
At 1 August 2022:						
Cost	115,537	2,606	35,480	9,477	3,597	166,697
Accumulated depreciation and impairment	(37,555)	(2,574)	(31,077)	(8,387)	(2,577)	(82,170)
Net carrying amount	77,982	32	4,403	1,090	1,020	84,527
At 31 July 2022, net of accumulated depreciation and impairment	77,982	32	4,403	1,090	1,020	84,527
Additions	–	–	4,473	3,474	1,561	9,508
Disposals	–	–	–	(3)	–	(3)
Depreciation provided during the year	(995)	(2)	(1,115)	(997)	(592)	(3,701)
Surplus on revaluation	24,223	–	–	–	–	24,223
Transfer from investment properties (note 15)	11,022	–	–	–	–	11,022
Transfer to investment properties (note 15)	(77,751)	–	–	–	–	(77,751)
Impairment	–	–	(524)	–	–	(524)
At 31 July 2023, net of accumulated depreciation and impairment	34,481	30	7,237	3,564	1,989	47,301
At 31 July 2023:						
Cost	35,890	2,483	30,181	12,753	4,711	86,018
Accumulated depreciation and impairment	(1,409)	(2,453)	(22,944)	(9,189)	(2,722)	(38,717)
Net carrying amount	34,481	30	7,237	3,564	1,989	47,301

Notes to Financial Statements

For the year ended 31 July 2023

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures and leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 July 2022						
At 1 August 2021:						
Cost	100,895	2,677	54,741	13,553	9,690	181,556
Accumulated depreciation and impairment	(35,984)	(2,636)	(53,917)	(12,914)	(8,161)	(113,612)
Net carrying amount	64,911	41	824	639	1,529	67,944
At 31 July 2021, net of accumulated depreciation and impairment	64,911	41	824	639	1,529	67,944
Additions	–	–	4,789	791	100	5,680
Disposals	–	–	(338)	(3)	–	(341)
Depreciation provided during the year	(4,738)	(8)	(872)	(336)	(609)	(6,563)
Surplus on revaluation	6,117	–	–	–	–	6,117
Transfer from investment properties (note 15)	24,868	–	–	–	–	24,868
Transfer to investment properties (note 15)	(11,360)	–	–	–	–	(11,360)
Exchange realignment	(1,816)	(1)	–	(1)	–	(1,818)
At 31 July 2022, net of accumulated depreciation and impairment	77,982	32	4,403	1,090	1,020	84,527
At 31 July 2022:						
Cost	115,537	2,606	35,480	9,477	3,597	166,697
Accumulated depreciation and impairment	(37,555)	(2,574)	(31,077)	(8,387)	(2,577)	(82,170)
Net carrying amount	77,982	32	4,403	1,090	1,020	84,527

At 31 July 2023, certain of the Group's buildings with a net carrying amount of approximately HK$34,481,000 (2022: HK$24,454,000) were pledged to secure bank loans granted to the Group (note 23).

Notes to Financial Statements

For the year ended 31 July 2023

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 July 2023, the Group's management identified certain retail shops which continued to underperform and estimated the corresponding recoverable amounts of their property, plant and equipment and right-of-use assets. Based on these estimates, impairment losses of HK$524,000 and HK$1,303,000 were recognised to write down the carrying amounts of these property, plant and equipment and right-of-use assets to their recoverable amounts of HK$572,000 and HK$1,422,000, respectively, as at 31 July 2023. The estimates of the recoverable amounts were based on value in use. The discount rate applied to the cash flow projections was 11.5%.

15. INVESTMENT PROPERTIES

	2023	2022
	HK$'000	HK$'000
Carrying amount at beginning of year	**1,673,478**	1,725,948
Net loss from a fair value adjustment	**(73,408)**	(47,588)
Transfer from property, plant and equipment (note 14)	**77,751**	11,360
Transfer from right-of-use assets (note 16(a))	**71,752**	68,640
Transfer to property, plant and equipment (note 14)	**(11,022)**	(24,868)
Transfer to right-of-use assets (note 16(a))	**(22,474)**	(59,292)
Exchange realignment	**(10,193)**	(722)
Carrying amount at end of year	**1,705,884**	1,673,478

All of the Group's property 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.

Unipress started to redevelop the KT Property in 2007 and the redevelopment was completed in September 2009. The KT Property was renamed as the 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 a 50% equity interest and accounted for it as an associate (note 17).

The Group's investment properties were revalued on 31 July 2023 based on valuations performed by Savills Valuation and Professional Services Limited and Zhongshan Xiangshan Zhi Qin Asset Appraisal Firm (2022: Savills Valuation and Professional Services Limited), independent professionally qualified valuers (the "**Valuers**"), at HK$1,705,884,000 (2022: HK$1,673,478,000).

15. INVESTMENT PROPERTIES (continued)

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

At 31 July 2023, certain investment properties of approximately HK$1,523,156,000 (2022: HK$1,624,470,000) of the Group were pledged to banks to secure the bank loans granted to the Group (note 23).

Further particulars of the Group's investment properties are included on page 152.

Fair value hierarchy

All investment properties were classified under Level 3 in the fair value hierarchy. During the years ended 31 July 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Properties held in Hong Kong HK$'000	**Properties held in Mainland China** HK$'000	**Total** HK$'000
At 1 August 2021	1,704,000	21,948	1,725,948
Net loss from a fair value adjustment recognised in profit or loss	(47,370)	(218)	(47,588)
Transfer from property, plant and equipment	11,360	–	11,360
Transfer from right-of-use assets	68,640	–	68,640
Transfer to property, plant and equipment	(24,868)	–	(24,868)
Transfer to right-of-use assets	(59,292)	–	(59,292)
Exchange realignment	–	(722)	(722)
At 31 July 2022 and at 1 August 2022	**1,652,470**	**21,008**	**1,673,478**
Net loss from a fair value adjustment recognised in profit or loss	**(69,318)**	**(4,090)**	**(73,408)**
Transfer from property, plant and equipment	**–**	**77,751**	**77,751**
Transfer from right-of-use assets	**–**	**71,752**	**71,752**
Transfer to property, plant and equipment	**(11,022)**	**–**	**(11,022)**
Transfer to right-of-use assets	**(22,474)**	**–**	**(22,474)**
Exchange realignment	**–**	**(10,193)**	**(10,193)**
At 31 July 2023	**1,549,656**	**156,228**	**1,705,884**

Notes to Financial Statements

For the year ended 31 July 2023

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range or weighted average 2023	2022
Hong Kong – Office	Direct comparison approach	Adjusting factors (to reflect locations, size, age and maintenance)	**99% to 100%**	85% to 110%
	Income capitalisation approach	Capitalisation rate and reversionary yield (derived from monthly market rent)	**3.4%**	3.3%
		Reversionary rent	**HK$28.8 per square foot**	HK$30.5 per square foot
Hong Kong – Industrial	Direct comparison approach	Adjusting factors (to reflect locations, size, age and maintenance)	**86% to 100%**	93% to 109%
Mainland China – Retail	Income capitalisation approach	Capitalisation rate and reversionary yield (derived from monthly market rent)	**5.5%**	5.5%
		Reversionary rent	**RMB240 per square metre**	RMB242 per square metre
Mainland China – Office	Income capitalisation approach	Capitalisation rate and reversionary yield (derived from monthly market rent)	**5.5%**	5.5%
		Reversionary rent	**RMB70 per square metre**	RMB69 per square metre
Mainland China – Industrial	Direct comparison approach	Adjusting factors (to reflect locations, size, age and maintenance)	**79% to 100%**	–
	Depreciated replacement cost approach	Average land accommodation value	**RMB1,092 per square metre**	–
		Average construction cost unit rate	**RMB2,310 per square metre**	–

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The fair values of the investment properties of the Group were determined either based on the income capitalisation approach, direct comparison approach or depreciated replacement cost 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 retail, office and industrial properties in Hong Kong and Mainland China and the adjusted transaction price to reflect location, size, age and maintenance of the Group's investment properties. For those determined based on the direct comparison approach, the fair values of the investment properties were determined by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, size, age and maintenance of the property. The depreciated replacement cost is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the investments less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. 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 management of the Group determines the appropriate valuation techniques and inputs for fair value measurements. Management works closely with the Valuers to establish the appropriate valuation techniques and inputs to the model.

A significant increase/(decrease) in the estimated adjusting factors, reversionary rent, average land accommodation value and average construction cost unit rate in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the capitalisation rate and reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

16. LEASES

The Group as a lessee

The Group has lease contracts for various retail shops, office premises and warehouse used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease ranging from 42–50 years, and no ongoing payments will be made under the terms of these land leases. Leases of retail shops, office premises and warehouse generally have lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased properties outside the Group.

Notes to Financial Statements

For the year ended 31 July 2023

16. LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	**Leased premises** HK$'000	**Total** HK$'000
As at 1 August 2021	44,288	4,644	48,932
Additions	–	11,220	11,220
Surplus on revaluation	36,959	–	36,959
Transfer from investment properties (note 15)	59,292	–	59,292
Transfer to investment properties (note 15)	(68,640)	–	(68,640)
Depreciation charge	(1,948)	(3,710)	(5,658)
Termination	–	(1,131)	(1,131)
Exchange realignment	(387)	(45)	(432)
As at 31 July 2022 and 1 August 2022	**69,564**	**10,978**	**80,542**
Additions	**–**	**14,293**	**14,293**
Surplus on revaluation	**60,492**	**–**	**60,492**
Transfer from investment properties (note 15)	**22,474**	**–**	**22,474**
Transfer to investment properties (note 15)	**(71,752)**	**–**	**(71,752)**
Depreciation charge	**(2,372)**	**(8,812)**	**(11,184)**
Impairment	**–**	**(1,303)**	**(1,303)**
Exchange realignment	**–**	**(66)**	**(66)**
As at 31 July 2023	**78,406**	**15,090**	**93,496**

At 31 July 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately HK$78,406,000 (2022: HK$58,304,000) were pledged to secure interest-bearing bank borrowings granted to the Group (note 23).

Further details of impairment of right-of-use assets are disclosed in note 14 to the financial statements.

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	HK$'000	HK$'000
Carrying amount at beginning of year	**19,472**	34,131
New leases	**14,293**	11,220
Termination	**(214)**	(1,156)
Accretion of interest recognised during the year	**649**	842
COVID-19-related rent concessions	**–**	(5,361)
Payments	**(16,999)**	(19,755)
Exchange realignment	**(69)**	(449)
Carrying amount at end of year	**17,132**	19,472
Analysed into:		
Current portion	**8,923**	15,332
Non-current portion	**8,209**	4,140

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain premises in the prior year.

Notes to Financial Statements

For the year ended 31 July 2023

16. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 HK$'000	2022 HK$'000
Depreciation of right-of-use assets	**11,184**	5,658
Interest expense on lease liabilities	**649**	842
Impairment of right-of-use assets	**1,303**	–
COVID-19-related rent concessions	**–**	(5,361)
Expense relating to short-term leases	**2,465**	2,597
Expense relating to variable lease payments not included in the measurement of the lease liabilities	**2,051**	1,688
Gain on early termination of leases	**(214)**	(25)
Total amount recognised in profit or loss	**17,438**	5,399

(d) The total cash outflow for leases is disclosed in note 29(c) to the financial statements.

The Group as a lessor

The Group leases out its investment properties (note 15) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$46,982,000 (2022: HK$52,803,000), details of which are included in note 5 to the financial statements.

At 31 July 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**47,103**	34,588
After one year but within two years	**31,767**	25,445
After two years but within three years	**9,019**	10,707
After three years but within four years	**1,616**	299
After four years but within five years	**600**	–
	90,105	71,039

17. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE

	2023	2022
	HK$'000	HK$'000
Share of net assets	**50,137**	51,817
Amount due from an associate	**8,126**	7,941

The amount due from an associate is unsecured, interest bearing at 5.875% (2022: 5%) per annum and has 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 a non-current asset. There was no recent history of default and past due amounts for the amount due from an associate. As at 31 July 2023 and 2022, the loss allowance was assessed to be minimal.

Particulars of the associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and business**	**Percentage of ownership interest attributable to the Group**	**Principal activity**
Mass Energy Limited ("**Mass Energy**")	Ordinary shares	Hong Kong	50	Property investment

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company.

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

According to the Development Agreement as disclosed in note 15, the titles of all car parking spaces of the Crocodile Center were assigned to Mass Energy, a company which is owned in equal proportions by LSG and the Group. In the opinion of the directors, the investment is strategically beneficial to the Group.

Notes to Financial Statements

For the year ended 31 July 2023

17. INTEREST IN AN ASSOCIATE AND AMOUNT DUE FROM AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of Mass Energy adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023	2022
	HK$'000	HK$'000
Current assets	**1,704**	2,974
Non-current assets	**116,268**	119,000
Current liabilities	**(619)**	(316)
Non-current liabilities	**(17,079)**	(18,024)
Net assets	**100,274**	103,634
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the associate	**50,137**	51,817
Carrying amount of the investment	**50,137**	51,817
Revenue	**1,799**	1,746
Profit/(loss) and total comprehensive income/(expenses) for the year	**(3,360)**	3,792

18. INVENTORIES

	2023	2022
	HK$'000	HK$'000
Finished goods	**14,537**	12,484

Notes to Financial Statements

For the year ended 31 July 2023

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables		**9,053**	16,209
Impairment		**(6,946)**	(12,048)
	(a)	**2,107**	4,161
Other receivables		**38,334**	46,216
Impairment		**(33,134)**	(34,816)
	(b)	**5,200**	11,400
Deposits and prepayments		**18,736**	16,792
		26,043	32,353
Analysed into:			
Non-current portion		**5,756**	3,009
Current portion		**20,287**	29,344
		26,043	32,353

(a) For the retail business, other than cash sales made at retail shops of the Group, the Group allows credit periods of 30 to 60 days for receivables from department stores in which sales counters are located while the average credit period on credit cards sales and sales by other electronic payment methods is 7 days. For the property investment and letting business, monthly rentals are payable in advance by tenants in accordance with the leases. Overdue balances are regularly reviewed by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral over these balances. Trade receivables are non-interest-bearing. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

Notes to Financial Statements

For the year ended 31 July 2023

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

(a) (continued)

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 **HK$'000**	2022 HK$'000
0 to 90 days	**1,073**	1,368
91 to 180 days	**224**	2,333
181 to 365 days	**507**	460
Over 365 days	**303**	–
	2,107	4,161

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 **HK$'000**	2022 HK$'000
At beginning of year	**12,048**	11,111
Impairment losses, net	**1**	1,286
Written off as uncollectible	**(4,575)**	–
Exchange realignment	**(528)**	(349)
At end of year	**6,946**	12,048

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

(a) (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 July 2023

		Past due				
	Credit impaired	**0 to 90 days**	**91 to 180 days**	**181 to 365 days**	**Over 365 days**	**Total**
Expected credit loss rate	**100%**	**0%**	**0%**	**0%**	**0%**	**77%**
Gross carrying amount (HK$'000)	**6,946**	**1,073**	**224**	**507**	**303**	**9,053**
Expected credit losses (HK$'000)	**6,946**	**–**	**–**	**–**	**–**	**6,946**

As at 31 July 2022

		Past due				
	Credit impaired	0 to 90 days	91 to 180 days	181 to 365 days	Over 365 days	Total
Expected credit loss rate	100%	0%	0%	0%	–	74%
Gross carrying amount (HK$'000)	12,048	1,368	2,333	460	–	16,209
Expected credit losses (HK$'000)	12,048	–	–	–	–	12,048

(b) Other receivables are categorised into "performing", "doubtful" and "default". "Performing" refers to financial assets where there has been a low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired. "Doubtful" refers to financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. "Default" refers to financial assets that are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of those assets have occurred. An impairment analysis is performed at each reporting date by considering the probability of default of counterparties. The Group also takes into account forward-looking information to reflect the debtors' probability of default under the current conditions and forecasts of future economic conditions, as appropriate.

Notes to Financial Statements

For the year ended 31 July 2023

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

(b) (continued)

Analysis of the gross carrying amount by the Group's internal credit rating and year end classification:

As at 31 July 2023

	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
Internal rating grade				
Performing	**5,200**	**–**	**–**	**5,200**
Doubtful	**–**	**–**	**–**	**–**
Default	**–**	**–**	**33,134**	**33,134**
	5,200	**–**	**33,134**	**38,334**

As at 31 July 2022

	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
Internal rating grade				
Performing	11,400	–	–	11,400
Doubtful	–	–	–	–
Default	–	–	34,816	34,816
	11,400	–	34,816	46,216

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

(b) (continued)

The movements in the loss allowance for impairment of other receivables are as follows:

	Lifetime ECL – Credit impaired (Stage 3)	
	2023	2022
	HK$'000	HK$'000
At beginning of year	**34,816**	29,725
Impairment losses, net	–	6,045
Exchange realignment	**(1,682)**	(954)
At end of year	**33,134**	34,816

As at 31 July 2023, net royalty receivables of the Group of nil (2022: Nil), net of allowance for impairment of approximately HK$26,134,000 (2022: HK$27,816,000), were included in 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 2022, the Group made reversal of provision for impairment of approximately HK$955,000.

As at 31 July 2023, included in gross other receivables of the Group were advances of HK$7,000,000 (2022: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2022. As at 31 July 2023 and 2022, a provision for impairment amounting to HK$7,000,000 was made.

Notes to Financial Statements

For the year ended 31 July 2023

20. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Unlisted investments in Hong Kong	**45,963**	27,568
Current assets		
Listed investments		
Equity investments listed in Hong Kong	**41,054**	65,600
Equity investments listed outside Hong Kong	**19,003**	4,841
Debt investments listed in Hong Kong	**149**	37,650
Debt investments listed outside Hong Kong	**2,717**	13,695
Perpetual securities listed in Hong Kong	**4,860**	2,622
Perpetual securities listed outside Hong Kong	**4,446**	1,518
	72,229	125,926
Unlisted investments		
Fund investments	**15,044**	7,699
Debt investments	**34,386**	30,375
	49,430	38,074
Derivative financial instruments		
Structured products	**191**	–
Total financial assets at fair value through profit or loss classified as current assets	**121,850**	164,000
Total financial assets at fair value through profit or loss	**167,813**	191,568
Current liabilities		
Derivative financial instruments		
Structured products	**(8,565)**	–
Total financial liabilities at fair value through profit or loss	**(8,565)**	–

20. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The above unlisted investments classified as non-current assets were mainly comprised of investment in preference shares issued by a private limited liability company established in the BVI with a fair value as at 31 July 2023 of HK$33,943,000 (2022: HK$27,568,000). The investee is principally engaged in the property investment business. There is no fixed maturity period of 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 unlisted investments classified as non-current assets were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above investments classified as current assets were classified as financial assets at fair value through profit or loss as they are held for trading.

The structured products were a series of forward contracts for the Group to accumulate and decumulate, respectively, specific units of certain securities listed on The Stock Exchange of Hong Kong Limited and The New York Stock Exchange according to the contracts at predetermined prices on every trading day. The structured products would be terminated automatically if the closing prices of the underlying securities on any specified trading day during the contract periods are at or above, and at or below, respectively, the predetermined knock-out prices.

As at 31 July 2023, certain financial assets at fair value through profit or loss of HK$103,464,000 (2022: HK$36,742,000) of the Group were pledged to secure the margin loans payable (note 24).

21. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

	2023	2022
	HK$'000	HK$'000
Cash and bank balances	**229,445**	277,756
Bank deposits	**579**	2,924
	230,024	280,680
Less: Pledged bank deposits for margin loans payable (note 24)	**(579)**	(2,924)
Cash and cash equivalents	**229,445**	277,756

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to HK$5,668,000 (2022: HK$6,373,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to Financial Statements

For the year ended 31 July 2023

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	2023 HK$'000	2022 HK$'000
Trade payables	(a)	**4,359**	3,523
Other payables and accruals	(b)	**24,513**	21,379
Deposits received		**12,908**	17,957
		41,780	42,859
Less: Non-current portion		**(10,699)**	(6,571)
Current portion		**31,081**	36,288

(a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**2,875**	700
91 to 180 days	**–**	165
181 to 365 days	**1,221**	270
Over 365 days	**263**	2,388
	4,359	3,523

Trade payables are non-interest-bearing and are normally settled on terms between 30 and 90 days.

(b) Other payables are non-interest-bearing and have an average term of three months.

23. INTEREST-BEARING BANK BORROWINGS

	2023			2022		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**6.03–6.77**	**On demand/ 2023–2024**	**201,133**	1.72–3.49	On demand/ 2022–2023	249,447
Non-current						
Bank loans – secured	**6.72**	**2024–2042**	**549,368**	2.42	2023–2042	559,960
			750,501			809,407

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**201,133**	249,447
In the second year	**16,396**	23,631
In the third to fifth years, inclusive	**56,328**	74,421
Beyond five years	**476,644**	461,908
	750,501	809,407

(a) The Group's bank borrowings are secured by the pledge of the following assets:

	2023 HK$'000	2022 HK$'000
Buildings	**34,481**	24,454
Right-of-use assets	**78,406**	58,304
Investment properties	**1,523,156**	1,624,470
	1,636,043	1,707,228

(b) The borrowings of the Group were mainly denominated in Hong Kong dollars and United States dollars.

Notes to Financial Statements

For the year ended 31 July 2023

24. MARGIN LOANS PAYABLE

	2023		2022	
	Effective interest rate (%)	**HK$'000**	Effective interest rate (%)	HK$'000
Within one year	**6.39**	**3,544**	2.10–3.40	28,523

As at 31 July 2023, the margin loans payable were secured by the debt and equity securities held under the margin accounts, with a total market value of HK$103,464,000 (2022: HK$36,742,000) and pledged bank deposits of HK$579,000 (2022: HK$2,924,000).

25. DEFERRED TAX

The movements in deferred tax asset/(liabilities) during the year are as follows:

	Fair value adjustments arising from revaluation of property, plant and equipment HK$'000	**Depreciation allowance in excess of related depreciation** HK$'000	**Losses available for offsetting against future tax taxable profits** HK$'000	**Total** HK$'000
At 1 August 2021	–	(15,391)	15,391	–
Deferred tax credited/(charged) to profit or loss during the year (note 11)	–	(1,277)	1,277	–
At 31 July 2022 and 1 August 2022	–	**(16,668)**	**16,668**	–
Deferred tax credited/(charged) to profit or loss during the year (note 11)	**852**	**(1,082)**	**1,082**	**852**
Deferred tax charged to other comprehensive income during the year	**(21,179)**	–	–	**(21,179)**
At 31 July 2023	**(20,327)**	**(17,750)**	**17,750**	**(20,327)**

25. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	(20,327)	–
	(20,327)	–

The Group has tax losses arising in Hong Kong of HK$641,382,000 (2022: HK$589,890,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$21,326,000 (2022: HK$21,928,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of tax losses of HK$555,128,000 (2022: HK$510,797,000) as it is not considered probable that taxable profits will be available against which the tax losses can be utilised. In addition, the Group has deductible temporary differences of HK$30,300,000 (2022: HK$40,427,000) for which deferred tax assets have not been recognised. The related tax effects are as follows:

	2023 HK$'000	2022 HK$'000
Tax losses	93,409	86,145
Deductible temporary differences	5,000	6,670
	98,409	92,815

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Notes to Financial Statements

For the year ended 31 July 2023

25. DEFERRED TAX (continued)

At 31 July 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China since there was no temporary difference attributable to retained profits of the Group's subsidiaries established in Mainland China (2022: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

26. SHARE CAPITAL

Shares

	2023 **HK$'000**	2022 HK$'000
Issued and fully paid:		
1,421,315,542 (2022: 947,543,695) ordinary shares	**374,636**	332,323

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital HK$'000**
At 1 August 2021, 31 July 2022 and 1 August 2022	947,543,695	332,323
Rights issue (note)	473,771,847	47,377
Share issue expenses	–	(5,064)
At 31 July 2023	1,421,315,542	374,636

Note: A rights issue of one rights share for every two existing shares held by members on the register of members on 29 November 2022 was made, at an issue price of HK$0.1 per rights share, resulting in the issue of 473,771,847 shares for a total cash consideration, before expenses, of HK$47,377,000.

Share options

Details of the Company's share option scheme are included in note 27 to the financial statements.

27. SHARE OPTION SCHEME

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 to 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.

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.

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 options to the expiry date of the 2015 Scheme. The exercise price of any share option is determined by the directors, shall be at least 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 the offer 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 trading days immediately preceding the date of the offer of grant.

As at 31 July 2023, there were no outstanding shares in respect of which share options had been granted under the 2015 Scheme (2022: Nil).

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 63 of the financial statements.

Notes to Financial Statements

For the year ended 31 July 2023

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$14,293,000 (2022: HK$11,220,000) and HK$14,293,000 (2022: HK$11,220,000), respectively, in respect of lease arrangements for certain leased premises.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank borrowings HK$'000	**Margin loans payable HK$'000**	**Lease liabilities HK$'000**
At 1 August 2022	**809,407**	**28,523**	**19,472**
Changes from financing cash flows	**(58,906)**	**(24,979)**	**(16,350)**
Interest expense	–	–	**649**
Interest paid classified as operating cash flows	–	–	**(649)**
New leases	–	–	**14,293**
Foreign exchange movement	–	–	**(69)**
Termination of lease contracts	–	–	**(214)**
At 31 July 2023	**750,501**	**3,544**	**17,132**

2022

	Interest-bearing bank borrowings HK$'000	Margin loans payable HK$'000	Lease liabilities HK$'000
At 1 August 2021	555,232	4,396	34,131
Changes from financing cash flows	254,175	24,127	(18,913)
Interest expense	–	–	842
Interest paid classified as operating cash flows	–	–	(842)
New leases	–	–	11,220
Foreign exchange movement	–	–	(449)
Covid-19-related rent concessions from lessors	–	–	(5,361)
Termination of lease contracts	–	–	(1,156)
At 31 July 2022	809,407	28,523	19,472

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 **HK$'000**	2022 HK$'000
Within operating activities	**5,165**	5,127
Within financing activities	**16,350**	18,913
	21,515	24,040

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023 **HK$'000**	2022 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**1,033**	696

Notes to Financial Statements

For the year ended 31 July 2023

31. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	Notes	**2023** **HK$'000**	2022 HK$'000
Short-term lease payments and building management fees paid or payable to related companies	(i), (iii)	**140**	127
Lease payment and interest expense on lease liabilities paid or payable to related companies	(i), (iii)	**3,161**	4,287
Company secretarial fee charged by a related company	(ii), (iii)	**–**	807
Rental income and building management fee income received or receivable from a related company	(i), (iii)	**2,014**	452
Interest income received or receivable from an associate	17	**435**	406

Notes:

(i) The members of the key management personnel of the related companies are director and/or substantial shareholder(s) of the Company.

(ii) The related company is controlled by a director of the Company.

(iii) These transactions were entered into based on terms stated in the respective agreements or contracts and were charged on the basis mutually agreed by the respective parties.

31. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

Particulars of the amounts due from related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	Notes	**At 31 July 2023 HK$'000**	**Maximum amount outstanding during the year HK$'000**	**At 31 July 2022 and at 1 August 2022 HK$'000**	Maximum amount outstanding during the prior year HK$'000	At 1 August 2021 HK$'000
HVC Limited	(i)	**503**	**503**	–	–	–
Lai Sun Development Company Limited	(ii)	–	–	–	45	45
		503		–		45

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

Notes:

(i) Ms. Lam Wai Shan, Vanessa has certain shareholding interests in this company and is one of the key management personnel members of this company.

(ii) Dr. Lam Kin Ngok, Peter is a director of this company.

(c) Compensation of key management personnel of the Group:

	2023 HK$'000	2022 HK$'000
Short term employee benefits	**8,908**	8,549
Post-employment benefits	**90**	89
Total compensation paid to key management personnel	**8,998**	8,638

Further details of the directors' emoluments are included in note 9 to the financial statements.

Notes to Financial Statements

For the year ended 31 July 2023

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss			
	Mandatorily designated as such HK$'000	Held for trading HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	45,963	121,850	–	167,813
Trade receivables	–	–	2,107	2,107
Other receivables	–	–	5,200	5,200
Financial assets included in deposits and prepayments	–	–	12,491	12,491
Amount due from an associate	–	–	8,126	8,126
Amount due from a related company	–	–	503	503
Pledged bank deposits	–	–	579	579
Cash and cash equivalents	–	–	229,445	229,445
	45,963	121,850	258,451	426,264

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	–	4,359	4,359
Financial liabilities included in other payables and accruals	–	21,210	21,210
Deposits received	–	12,908	12,908
Financial liabilities at fair value through profit or loss	8,565	–	8,565
Interest-bearing bank borrowings	–	750,501	750,501
Margin loans payable	–	3,544	3,544
Lease liabilities	–	17,132	17,132
	8,565	809,654	818,219

Notes to Financial Statements

For the year ended 31 July 2023

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2022

Financial assets

	Financial assets at fair value through profit or loss			
	Mandatorily designated as such HK$'000	Held for trading HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	27,568	164,000	–	191,568
Trade receivables	–	–	4,161	4,161
Other receivables	–	–	11,400	11,400
Financial assets included in deposits and prepayments	–	–	13,416	13,416
Amount due from an associate	–	–	7,941	7,941
Pledged bank deposits	–	–	2,924	2,924
Cash and cash equivalents	–	–	277,756	277,756
	27,568	164,000	317,598	509,166

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	3,523
Financial liabilities included in other payables and accruals	14,808
Deposits received	17,957
Interest-bearing bank borrowings	809,407
Margin loans payable	28,523
Lease liabilities	19,472
	893,690

Notes to Financial Statements

For the year ended 31 July 2023

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	HK\$'000	HK\$'000	**HK\$'000**	HK\$'000
Financial assets				
Financial assets at fair value through profit or loss	**167,813**	191,568	**167,813**	191,568
Financial liabilities				
Financial liabilities at fair value through profit or loss	**8,565**	–	**8,565**	–

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, trade receivables, other receivables, financial assets included in deposits and prepayments, amount due from a related company, trade payables, margin loans payable, the current portion of financial liabilities included in other payables and accruals, deposits received, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities/the repayable on demand clause of these instruments or because the effect of discounting is not material.

The fair values of amount due from an associate and the non-current portion of financial assets included in deposits and prepayments, financial liabilities included in other payables and accruals, deposits received and interest-bearing bank borrowings have been calculated and assessed mainly by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, as appropriate. The changes in fair value as a result of the Group's own non-performance risk for other borrowing as at 31 July 2023 and 31 July 2022 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments classified as current assets are based on the value quoted by the brokers based on the underlying investment value at the end of the reporting period. The fair value of the unlisted investment in preference shares is based on the option pricing model determined by an independent valuer. The fair value of other unlisted investment has been estimated based on the surrender values, which are calculated and quoted by the issuer. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group entered into derivative financial instruments with financial institutions. As at 31 July 2023, the structured products are measured using a valuation technique based on assumptions that are supported by observable market prices or rates. The carrying amounts of the structured products are the same as their fair values.

Notes to Financial Statements

For the year ended 31 July 2023

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 July 2023 and 2022:

	Valuation technique	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted investment in preference shares	Option pricing model backsolve valuation method for equity compensation	Expected term of the instrument	The higher the expected term, the higher the fair value
		Anticipated volatility	The higher the anticipated volatility, the higher the fair value

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

<u>Assets measured at fair value:</u>

As at 31 July 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	72,229	61,641	33,943	167,813

Notes to Financial Statements

For the year ended 31 July 2023

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 July 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	125,926	38,074	27,568	191,568

The movements in fair value measurements within Level 3 during the year are as follows:

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through profit or loss:		
At beginning of year	**27,568**	29,457
Additions	**4,375**	–
Net gains/(losses) recognised in profit or loss	**2,000**	(1,889)
At end of year	**33,943**	27,568

Liabilities measured at fair value:

As at 31 July 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Financial liabilities at fair value through profit or loss	**–**	**8,565**	**–**	**8,565**

The Group did not have any financial liabilities measured at fair value as at 31 July 2022.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise financial assets at fair value through profit or loss, trade receivables, other receivables, financial assets included in deposits and prepayments, amounts due from an associate and a related company, pledged bank deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, deposits received, interest-bearing bank borrowings and margin loans payable. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, including principally structured products. The purpose is to manage the equity price risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group was exposed to the risk of changes in market interest rates in relation to interest-bearing bank borrowings, margin loans payable, bank balances and pledged bank deposits with a floating interest rate. It is the Group's policy to keep its bank balances, pledged bank deposits, interest-bearing bank borrowings and margin loans payable at floating rate of interest so as to minimise the fair value interest rate risk.

As at 31 July 2023, if the interest rates had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the loss before tax for the year would have decreased/increased by HK$7,535,000 (2022: HK$8,349,000). Variable-rate bank balances (other than pledged bank deposits) are excluded from sensitivity analysis as the directors consider that the exposure to cash flow interest rate risk arising from variable-rate bank balances is insignificant.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual listed investments included in financial assets at fair value through profit or loss (note 20) as at 31 July 2023. The Group's price risk is concentrated on equity and debt securities quoted on the Stock Exchange and the resources sector quoted on Singapore Exchange Limited, the Stuttgart Stock Exchange, the Frankfurt Stock Exchange, the Tokyo Stock Exchange and the New York Stock Exchange.

As at 31 July 2023, if the prices had been 10% higher/lower while holding all other variables constant, the loss before tax for the year would have decreased/increased by approximately HK$7,223,000 (2022: HK$12,593,000).

Notes to Financial Statements

For the year ended 31 July 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain financial assets at fair value through profit or loss, pledged bank deposits, cash and cash equivalents and margin loans payable are denominated in United States Dollar ("**USD**"), RMB, Japanese Yen **("JPY"**), and Euro ("**EUR**") which are currencies other than the functional currencies of the relevant group entities. Since the Hong Kong dollar is pegged to the USD, the Group's exposure to foreign currency risk in respect of the bank balances denominated in USD is considered to be minimal.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB, JPY and EUR exchange rates, with all other variables held constant, of the Group's loss before tax (arising from RMB, JPY and EUR denominated financial instruments). There is no impact on equity except for retained profits.

	Increase/ (decrease) in exchange rate %	**Increase/ (decrease) in loss before tax** HK$'000
2023		
If Hong Kong dollar weakens against RMB	**5**	**(283)**
If Hong Kong dollar strengthens against RMB	**(5)**	**283**
If Hong Kong dollar weakens against JPY	**5**	**(14)**
If Hong Kong dollar strengthens against JPY	**(5)**	**14**
If Hong Kong dollar weakens against EUR	**5**	**(19)**
If Hong Kong dollar strengthens against EUR	**(5)**	**19**
2022		
If Hong Kong dollar weakens against RMB	5	(319)
If Hong Kong dollar strengthens against RMB	(5)	319
If Hong Kong dollar weakens against JPY	5	(15)
If Hong Kong dollar strengthens against JPY	(5)	15
If Hong Kong dollar weakens against EUR	5	(18)
If Hong Kong dollar strengthens against EUR	(5)	18

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group mainly trades on credit with recognised and creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms are in general subject to certain credit verification procedures. In addition, receivable balances are monitored by management on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 July. The amounts presented are gross carrying amounts for financial assets.

As at 31 July 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	9,053	9,053
Other receivables	5,200	–	33,134	–	38,334
Financial assets included in deposits and prepayments					
– Normal**	12,491	–	–	–	12,491
Amount due from an associate	8,126	–	–	–	8,126
Amount due from a related company	503	–	–	–	503
Pledged bank deposits					
– Not yet past due	579	–	–	–	579
Cash and cash equivalents					
– Not yet past due	229,445	–	–	–	229,445
	256,344	–	33,134	9,053	298,531

Notes to Financial Statements

For the year ended 31 July 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 July 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	16,209	16,209
Other receivables	11,400	–	34,816	–	46,216
Financial assets included in deposits and prepayments					
– Normal**	13,416	–	–	–	13,416
Amount due from an associate	7,941	–	–	–	7,941
Pledged bank deposits					
– Not yet past due	2,924	–	–	–	2,924
Cash and cash equivalents					
– Not yet past due	277,756	–	–	–	277,756
	313,437	–	34,816	16,209	364,462

* For trade receivables to which the Group applies the simplified approach for impairment, further detailed information is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in deposits and prepayments is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty, by geographical region and by industry sector. As at 31 July 2023, the Group's concentration of credit risk by geographical location is mainly in Mainland China (2022: Hong Kong), which accounted for 84% (2022: 71%) of the total trade receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, margin loans and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand or less than 1 year HK$'000	**1 to 2 years HK$'000**	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**4,359**	–	–	–	**4,359**
Financial liabilities included in other payables and accruals	**21,210**	–	–	–	**21,210**
Deposits received	**3,043**	**6,114**	**3,751**	–	**12,908**
Interest-bearing bank borrowings	**239,695**	**52,815**	**158,445**	**735,006**	**1,185,961**
Margin loans payable	**3,545**	–	–	–	**3,545**
Lease liabilities	**9,539**	**5,395**	**3,190**	–	**18,124**
	281,391	**64,324**	**165,386**	**735,006**	**1,246,107**

2022

	On demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	3,523	–	–	–	3,523
Financial liabilities included in other payables and accruals	14,808	–	–	–	14,808
Deposits received	11,386	1,430	5,141	–	17,957
Interest-bearing bank borrowings	263,856	36,921	110,764	550,744	962,285
Margin loans payable	28,542	–	–	–	28,542
Lease liabilities	15,780	4,208	–	–	19,988
	337,895	42,559	115,905	550,744	1,047,103

Notes to Financial Statements

For the year ended 31 July 2023

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 July 2023 and 31 July 2022.

The Group monitors capital using a gearing ratio, which is total interest-bearing debts divided by capital. Total interest-bearing debts included interest-bearing bank borrowings and margin loans payable. Capital comprises equity attributable to owners of the Company. The gearing ratios at the end of the reporting periods were as follows:

	2023 **HK$'000**	2022 HK$'000
Interest-bearing bank borrowings (note 23)	**750,501**	809,407
Margin loans payable (note 24)	**3,544**	28,523
Total interest-bearing debts	**754,045**	837,930
Equity attributable to owners of the Company	**1,481,577**	1,493,427
Gearing ratio	**50.9%**	56.1%

Notes to Financial Statements

For the year ended 31 July 2023

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**4,238**	1,642
Right-of-use assets	**3,775**	9,385
Investments in subsidiaries	**4,050**	4,050
Amounts due from subsidiaries	**760,699**	722,150
Financial assets at fair value through profit or loss	**12,020**	–
Rental and utility deposits	**426**	3,005
	785,208	740,232
CURRENT ASSETS		
Inventories	**11,561**	9,578
Trade and other receivables, deposits and prepayments	**12,365**	18,948
Amounts due from subsidiaries	**9,749**	643
Financial assets at fair value through profit or loss	**121,850**	164,000
Pledged bank deposits	**579**	2,924
Cash and cash equivalents	**208,881**	257,462
Total current assets	**364,985**	453,555
CURRENT LIABILITIES		
Trade payables, other payables and deposits received	**12,685**	11,708
Financial liabilities at fair value through profit or loss	**8,565**	–
Amounts due to subsidiaries	**38,657**	38,492
Interest-bearing bank borrowings	**201,133**	249,447
Margin loans payable	**3,544**	28,523
Lease liabilities	**3,900**	13,920
Total current liabilities	**268,484**	342,090
NET CURRENT ASSETS	**96,501**	111,465
TOTAL ASSETS LESS CURRENT LIABILITIES	**881,709**	851,697

Notes to Financial Statements

For the year ended 31 July 2023

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

	2023	2022
	HK$'000	HK$'000
NON-CURRENT LIABILITIES		
Other payables	**271**	–
Interest-bearing bank borrowings	**549,368**	559,960
Provision	**1,135**	1,057
Lease liabilities	**–**	3,860
Total non-current liabilities	**550,774**	564,877
Net assets	**330,935**	286,820
EQUITY		
Share capital	**374,636**	332,323
Accumulated losses (note)	**(43,701)**	(45,503)
Total equity	**330,935**	286,820

Lam Wai Shan, Vanessa
Director

Chow Bing Chiu
Director

Notes to Financial Statements

For the year ended 31 July 2023

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

Note:

The movements of the Company's accumulated losses are as follows:

	HK$'000
At 1 August 2021	(29,437)
Loss and total comprehensive expenses for the year	(16,066)
At 31 July 2022 and 1 August 2022	**(45,503)**
Profit and total comprehensive income for the year	**1,802**
At 31 July 2023	**(43,701)**

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation. These reclassifications have no impact on the Group's total equity as at 31 July 2023 and 2022, or on the Group's loss for the years ended 31 July 2023 and 2022.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 October 2023.

Particulars of Investment Properties

As at 31 July 2023

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, and 12th Floor (whole 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%
Yongbian village, Shaxi Town, Zhongshan, the PRC	Property letting	Medium	100%

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