CROCODILE
2020-2021
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***


CROCODILE
52-CROCC
eshop: www.crocodile.com.hk


CROCO KIDS

Corporate Profile

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

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

Corporate Information

Place of Incorporation
Hong Kong

Board of Directors
Executive Directors
Lam Wai Shan, Vanessa
(Chairman and Chief Executive Officer) *(Note 1)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Edward Yee Hwa

Non-executive Directors
Chow Bing Chiu *(Note 2)*
Lam Suk Ying, Diana

Independent Non-executive Directors
Leung Shu Yin, William *(Deputy Chairman)* *(Note 3)*
Fung Cheuk Nang, Clement *(Note 4)*
Yeung Sui Sang

Audit Committee
Leung Shu Yin, William *(Chairman)*
Fung Cheuk Nang, Clement *(Note 4)*
Yeung Sui Sang

Remuneration Committee
Leung Shu Yin, William *(Chairman)*
Chow Bing Chiu
Fung Cheuk Nang, Clement *(Note 4)*
Wan Edward Yee Hwa
Yeung Sui Sang

Authorised Representatives
Lam Wai Shan, Vanessa
Wan Edward Yee Hwa *(Note 5)*

Company Secretary
Ko Ming Kin

Notes:

1. *Dr. Lam Kin Ming (the then Chairman, Executive Director, Chief Executive Officer and Authorised Representative) deceased on 8 January 2021.*

   Ms. Lam Wai Shan, Vanessa acted as the Deputy Chief Executive Officer up to 21 January 2021 and was appointed as the Chairman and Chief Executive Officer with effect from 22 January 2021.

2. *Mr. Chow Bing Chiu acts as the executor and trustee of the late Dr. Lam Kin Ming since 8 January 2021 and was re-designated from an Independent Non-executive Director to a Non-executive Director and ceased to be a member of the Audit Committee with effect from 29 March 2021.*

3. *Mr. Leung Shu Yin, William was appointed as the Deputy Chairman with effect from 22 January 2021.*

4. *Mr. Fung Cheuk Nang, Clement was appointed as an Independent Non-executive Director and a member of each of the Audit Committee and the Remuneration Committee with effect from 29 March 2021.*

5. *Mr. Wan Edward Yee Hwa was appointed as the Authorised Representative with effect from 22 January 2021.*

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

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

Solicitors
INCE & Co.
MinterEllison LLP
Vincent T.K. Cheung, Yap & Co.

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

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

Principal Place of Business
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

FINANCIAL PERFORMANCE

The revenue of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2021 shed to HK$112,000,000 (2020: HK$151,267,000), and the gross profit of the Group slid by about 23%, to HK$81,438,000 (2020: HK$105,310,000).

The pandemic of the COVID-19 was lingering and continued to dent the "Garment and related accessories business" segment of the Group during the year ended 31 July 2021. Having the COVID-19 mutated to more contagious variants, social and travel restrictions as well as compulsory quarantine or medical surveillance order are still in place, limiting local and tourist footfall and spooking consumers. The revenue of this segment, including the Mainland of China ("**Mainland**"), dropped by about 38% to HK$59,137,000 (2020: HK$94,868,000).

To tackle the ongoing difficulties, the Group revamped the retail network sophisticatedly by closing and relocating the under-performing shops to improve the shop layout effectiveness. Also, the Group has struggled to attain rent concessions from landlords of the existing shops to further enhance the operational efficiency. In addition, there were significant reductions in the rental expenses and depreciations of the retail shops after the large impairment loss in respect of these right-of-use assets of HK$39,349,000 had already been recognised as at the end of the last financial year. As a result, the loss of "Garment and related accessories business" segment trimmed by about 86% to approximately HK$15,113,000 (2020: HK$105,250,000).

Chairman's Statement

FINANCIAL PERFORMANCE (continued)

The "Property investment and letting business" segment of the Group remained to be a buffer by continuously generated rental income of HK$52,863,000 for the year ended 31 July 2021 (2020: HK$56,399,000); and the revaluation of the investment properties of the Group notched fair value losses of HK$3,538,000 as at 31 July 2021 (2020: HK$161,185,000).

Attributed to the adherence to pragmatic discipline in managing the investment portfolio, the "Securities trading" segment of the Group logged a profit of HK$4,670,000 in the year ended 31 July 2021 (2020: loss of HK$17,523,000) albeit fatigued global economic recovery, mounting inflation and rising cases of the faster spreading COVID-19 strain.

Combining the results of the three business segments above with the share of loss of an associate of HK$1,170,000 (2020: HK$2,559,000) and the exchange differences arising on translation of foreign operations of profit of HK$6,713,000 (2020: loss of HK$1,541,000), the total comprehensive income attributable to the owners of the Company was HK$4,780,000 for the year ended 31 July 2021 (2020: expense of HK$292,024,000).

FINAL DIVIDEND

The board of director of the Company ("**Board**") has resolved not to recommend the payment of a final dividend for the year ended 31 July 2021 (2020: Nil).

No interim dividend was declared during the year (2020: Nil).

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

Despite the launch of vaccination programs on massive scales by various governments, the epidemic of COVID-19 was still nagging with emergence of the more contagious variants. The "Garment and related accessories business" segment of the Group in Hong Kong and Macau were severely impeded. With the social-distancing measures and border restrictions being in force, the pedestrian flow was inevitably throttled and customer spending was marred.

To tide over the harsh market environment, the Group kept on orchestrating the shop locations, bargaining with landlords for rental concessions and more flexible lease terms in order to enhance the return on retail channel. As at 31 July 2021, the Group operated 11 (2020: 17) "Crocodile" shops and 5 (2020: 6) "Lacoste" shops.

The Group pursued its unwavering policy of providing high value-for-money merchandises under the premier brand "Crocodile" to fortify the market competitiveness; and implemented stringent measures on merchandise procurement and speeded up stock clearances in selected outlets to rein in the inventory level and rationalise the liquidity position.

In addition, the Group fostered the efficiency of different departments to secure the operation being lean and swift to avoid excessive outlays.

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT (continued)

The Mainland

Though the pandemic was put under better control in the Mainland than elsewhere, the tit-for-tat relationship with the United States shadowed the business sentiment in the Mainland.

Mindful of the uncertainty above, the Group managed its own sales channels cautiously after its restructuring of several years, and as at 31 July 2021, there was a total of 13 (2020: 14) shops in the Mainland, including self-operated shops of 7 (2020: 7) and those operated by the Group's consignees of 6 (2020: 7). The revenue of this segment was HK$7,687,000 for the year ended 31 July 2021 (2020: HK$7,248,000).

Royalty Income

The Group's licensing business of the brand "Crocodile" in Hong Kong, Macau and the Mainland contributed royalty income of HK$5,098,000 for the year ended 31 July 2021 (2020: HK$2,354,000); and accredited to the endeavor to chase the settlement of royalty income, there was a net reversal of provision for doubtful debts due from licensees of HK$5,005,000 (2020: HK$7,004,000).

Seasonality

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

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

The Group's investment property portfolio remained intact since 31 July 2020.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the year ended 31 July 2021 of HK$51,703,000 (2020: HK$55,231,000) and HK$1,160,000 (2020: HK$1,168,000), respectively.

After the tumble of the property markets in Hong Kong and the Mainland in the last financial year ended 31 July 2020, there was not much change in the values of the investment properties held by the Group on revaluations, with fair value losses of HK$2,000,000 as at 31 July 2021 (2020: HK$160,500,000) in Hong Kong and losses of HK$1,538,000 (2020: HK$685,000) in the Mainland.

"SECURITIES TRADING" SEGMENT

The global path to economic recovery was choppy. Many countries, particularly in Asia, were battling with the highly contagious Delta variant of the COVID-19 and resumed lockdown. Another market fear was the escalating inflation. However, the interminable loose monetary policies in major western economies fueled the already-high levels of expansion and supported the market sentiment for risky assets.

Facing such conflicting investment conditions, the Group enforced strict and prudent guidelines of managing the portfolio; and the "Securities trading" segment of the Group succeeded to make a profit of HK$4,670,000 in the year ended 31 July 2021 (2020: loss of HK$17,523,000).

Chairman's Statement

PROSPECTS

Even the vaccination has been accelerated worldwide, the mutation of virus strains remains ahead. Against the backdrop of tidal pandemic, there is no sign of rebound in number of visitors to Hong Kong soon. Having Hong Kong as its the principal place of business, the "Garment and related accessories business" segment of the Group will have to depend heavily on the local consumption as its core support in the coming financial year. Accordingly, the Group is closely monitoring the market conditions and will focus on local customer preferences when designing and marketing its merchandises.

Moreover, the Group will carry on preserving working capital plans by proactively restraining inventory level, confining costs and expenditures, and fighting for rent concessions and more flexible lease terms for retail shops in order to improve its overall operating efficiency.

On the other hand, as disclosed in the Company's announcement dated 10 June 2021, the agreement on distribution in respect of the "Lacoste" brand was terminated. The negotiation with the counterparty, Lacoste Operations S.A., for smooth transition is still in progress. Anyway, the Group opines that it does not have a material adverse impact on the "Garment and related accessories business" segment.

To stabilise the rental income of the "Property investment and letting business" segment amid the decline in demand for commercial properties in the uptrend of work-from-home in many businesses and the increase in supply of office premises in Eastern Kowloon, Hong Kong where most of the Group's investment properties situated, the Group has been offering favourable lease terms to attract and retain valuable tenants.

The Group will consider to reposition certain own-use and investment properties for optimising the usages and improving the return.

On the financial aspect, the international money flows are substantially driven by the moves of the world's biggest two economies.

Buoyed by around a trillion dollars of fiscal stimulus and the ultra-easy monetary policy, the United States economy showed sign of surpassing its pre-pandemic level. The Federal Reserve inclined to taper its asset purchases sooner rather than later. Extensive regulatory tightening in the Mainland to narrow the disparity between the rich and poor has rocked many gigantic consortiums and has deflationary effects.

The era of extremely low cost funding will end. The imminent global investment ambience is expected to be completely different. The Group will continue its defensive and vigilant strategy in selecting the financial assets at fair value through profit and loss in the investment portfolio of the "Securities trading" segment to achieve sustainable returns and managing its financial position.

The Group has been streamlining its back-office structure to strengthen the procedural efficacy.

The forthcoming year 2021/22 earmarks the 70th anniversary of "Crocodile" stellar establishment in the apparel business. Grounded on this brilliant milestone, the Group will follow its excellent tradition of staging prestige products and quality service to its esteemed clients to reciprocate their patronage of years; and will take a prudent approach in evaluating opportunities for further expansion of its footprint.

Chairman's Statement

CONTINGENT LIABILITIES

As at 31 July 2021, the Group had no material contingent liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE RISK EXPOSURE

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss and fixed interest rate arrangement, the Group has not employed other financial instruments for the year ended 31 July 2021.

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

Cash and cash equivalents held by the Group amounted to HK$40,953,000 as at 31 July 2021 (2020: HK$86,402,000) and were mainly denominated in Hong Kong dollars, United States dollars, Japanese Yen and Renminbi. The pledged bank deposits of approximately HK$7,432,000 (2020: HK$24,108,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2021 were equivalent to HK$13,108,000 (2020: HK$17,585,000) 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 2021, the total outstanding borrowings including margin loans of the Group amounted to HK$559,628,000. The total outstanding borrowings comprised secured margin loans of HK$4,396,000, secured bank term loan of HK$214,992,000 of which HK$8,958,000 was short-term, and secured short-term bank revolving loans of HK$340,240,000. Short-term bank loans were repayable within a period not exceeding one year.

Interests on bank borrowings are charged at fixed and floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. Save for the fixed interest rate arrangement, no financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2021.

GEARING

The Group's gearing revealed by the debt to equity ratio at 31 July 2021 was approximately 37%, 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.

Chairman's Statement

CHARGES ON ASSETS

As at 31 July 2021, the Group has charged certain of its assets, including own-use properties, investment properties and right-of-use assets with carrying values of HK$1,713,651,000, to its bankers to secure banking facilities granted to the Group.

CAPITAL COMMITMENTS

Save the capital commitment on a financial asset at fair value through profit or loss of HK$1,476,000, the Group had no material capital commitments as at 31 July 2021.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no major investments, acquisitions or disposals in the year ended 31 July 2021.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 157 as at 31 July 2021 (2020: 203). 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 would like to thank all members of staff and management for their dedication and continuous support and look forward to sharing the prosperous future of Crocodile with them and all the shareholders and customers.

Last but not least, I express my heartfelt appreciation to respectful Dr. Lam Kin Ming for his commitments and persevering contributions to the success of Crocodile for decades.

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

Hong Kong
29 October 2021

Report of the Directors

The directors of the Company ("**Directors**") present their report and the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Company and its subsidiaries (together, "**Group**") for the year ended 31 July 2021 ("**Year**").

PRINCIPAL ACTIVITIES

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

Particulars of the Company' principal subsidiaries as at 31 July 2021 are set out in Note 18 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") can be found in the "*Chairman's Statement*" set out on pages 8 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in Note 35(b) to the Consolidated Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "*Corporate Governance Report*" and "*Environmental, Social and Governance Report*" on pages 28 to 45 and pages 46 to 70 of this Annual Report, respectively. These 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 2021 are set out in the Consolidated Financial Statements and their accompanying notes on pages 76 to 157.

The board of Directors ("**Board**") does not recommend the payment of a final dividend in respect of the Year (2020: Nil). No interim dividend was paid or declared in respect of the Year (2020: Nil).

Report of the Directors

DIRECTORS

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

Executive Directors ("Executive Directors")
Lam Kin Ming *(the then Chairman and Chief Executive Officer)(Deceased on 8 January 2021)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer up to 21 January 2021 and appointed as Chairman and Chief Executive Officer with effect from 22 January 2021)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Edward Yee Hwa

Non-executive Directors ("NEDs")
Chow Bing Chiu *(Re-designated from an INED to a NED with effect from 29 March 2021)*
Lam Suk Ying, Diana

Independent Non-executive Directors ("INEDs")
Leung Shu Yin, William *(Appointed as Deputy Chairman with effect from 22 January 2021)*
Fung Cheuk Nang, Clement *(Appointed with effect from 29 March 2021)*
Yeung Sui Sang

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

In accordance with Article 94 of the Articles of Association, Mr. Fung Cheuk Nang, Clement ("**Mr. Clement Fung**", appointed by the Board as an INED with effect from 29 March 2021, and together with Ms. Vanessa Lam, "**Retiring Directors**") will retire at the forthcoming AGM and, being eligible, will offer himself for re-election.

Details of the Retiring Directors proposed for re-election at the forthcoming AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively), are set out in the Company's circular dated 19 November 2021.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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

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 12 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all 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 32 to the Consolidated Financial Statements headed "*Related Party Transactions*", no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "*Share Option Schemes*" and "*Directors*' and *Chief Executives' Interests*" in this Report below and in Note 29 to the Consolidated 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

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

Executive Directors

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

Ms. Lam Wai Shan, **Vanessa, M.H**., aged 50, is the chairman of the Company (“**Chairman**”), Executive Director and chief executive officer of the Company (“**Chief Executive Officer**”). She has been appointed an Executive Director in February 2006, and was appointed the Chairman and the Chief Executive Officer in January 2021 and is currently a member of the executive committee of the Company (“**Executive Committee**”). In addition, Ms. Lam was appointed as a director of Rich Promise Limited (“**RPL**”, the ultimate holding company of the Company) in January 2021. 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 23 years of experience in the retail 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 Hong Kong in July 2016.

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

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

Dr. Lam Kin Ngok, Peter, G.B.S, aged 64, was appointed an Executive Director in October 1987. He is the chairman and an executive director of each of Lai Sun Garment (International) Limited (“**LSG**”), Lai Sun Development Company Limited (“**LSD**”) and Media Asia Group Holdings Limited (“**MAGHL**”). Dr. Lam was the chairman and an executive director of Lai Fung Holdings Limited (“**Lai Fung**”) (from 25 November 1993 to 31 October 2012) as well as an executive director of eSun Holdings Limited (“**eSun**”) (from 15 October 1996 to 13 February 2014). The issued shares of LSG, LSD, Lai Fung and eSun are listed and traded on the Main Board of the Stock Exchange while MAGHL’s issued shares are listed and traded on GEM of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts and received the Gold Bauhinia Star awarded from the Government of Hong Kong in July 2015.

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 13th National Committee of the CPPCC. He is also the chairman of Hong Kong Chamber of Films Limited, a life honorable president of Hong Kong Motion Picture Industry Association Limited, a director of The Real Estate Developers Association of Hong Kong, a trustee of The Better Hong Kong Foundation, a vice chairman of Friends of Hong Kong Association Limited, a director of Hong Kong-Vietnam Chamber of Commerce Limited, an honorary chairman of Federation of HK Jiangsu Community Organisations, the president of Hong Kong Association of Cultural Industries Limited, the chairman of Hong Kong Cultural Development Research Institute Limited, a non-official member of the Trade and Industry Advisory Board, 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.

Dr. Lam is a younger brother of the late Dr. KM Lam and Ms. Diana Lam, an elder brother of Mr. Matthew Lam, and an uncle of Ms. Vanessa Lam.

Mr. Lam Kin Hong, Matthew, M.H., J.P., aged 53, was appointed an Executive Director in July 1999. Mr. Lam is also an executive director of LSG and the executive deputy chairman and an executive director of Lai Fung. He graduated from University College London in the United Kingdom with a Bachelor of Science Degree and underwent training as a lawyer with an international law firm, Reed Smith Richards Butler. Mr. Lam is a co-founding partner and managing partner of Nixon Peabody CWL in Hong Kong, 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 CPPCC in Shanghai. Mr. Lam was appointed a Non-official Justice of the Peace in July 2021. He serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a member of the Consumer Council, a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. Mr. Lam also serves as an Honorary Judge of Racing at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation. 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 the late Dr. KM Lam, Ms. Diana Lam and Dr. Peter Lam, and an uncle of Ms. Vanessa Lam.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Wan Edward Yee Hwa, aged 85, is an Executive Director and currently a member of both of the Executive Committee and the Remuneration Committee. He first joined the Board as an INED in December 1993 and was re-designated as an Executive Director in February 2011. Mr. Wan was the chairman of the audit committee of the Company ("**Audit Committee**") and the Remuneration Committee until 31 January 2011. He was also a non-executive director of each of LSG and LSD from 1 February 2011 to 18 December 2012. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and has been a certified public accountant in Hong Kong since 1961.

Non-executive Directors

Mr. Chow Bing Chiu, aged 70, joined the Board as an INED in September 2004 and was re-designated from an INED to a NED since 29 March 2021. He is currently a member of the Remuneration Committee and was a member of the Audit Committee from 30 September 2004 to 28 March 2021.

Mr. Chow is also an independent non-executive director of LSG. He acts as the executor and trustee of the late Dr. KM Lam since 8 January 2021.

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

Ms. Lam is a younger sister of the late Dr. KM Lam, an elder sister of Dr. Peter Lam and Mr. Matthew Lam, and an aunt of Ms. Vanessa Lam.

Independent Non-executive Directors

Mr. Leung Shu Yin, William, aged 72, is an INED as well as the chairman of both the Audit Committee and the Remuneration Committee since February 2011 and was appointed the deputy chairman of the Company in January 2021. Mr. Leung is also an independent non-executive director of each of LSG, LSD and Mainland Headwear Holdings Limited (the issued shares of which are listed and traded on the Main Board of the Stock Exchange). He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the HKICPA. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

Mr. Fung Cheuk Nang, Clement, **M.H.**, aged 44, was appointed an INED and a member of each of the Audit Committee and the Remuneration Committee on 29 March 2021. 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, a member of Advisory Board of Yan Chai Hospital and was the chairman of its board of directors (2018-2019). 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.

Mr. Yeung Sui Sang, aged 83, was appointed an INED in October 2001 and is currently a member of the Audit Committee and the Remuneration Committee. Before joining the Lai Sun Group in March 1988, he had worked in the Hong Kong civil service for over 30 years. Mr. Yeung first joined LSG as administration manager and was later appointed administration controller of the Lai Sun Group. He was also appointed to the boards of LSG, Asia Television Limited and later eSun. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various members of such Group.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Four Executive Directors including Dr. KM Lam (deceased on 8 January 2021), Ms. Vanessa Lam, Dr. Peter Lam and Mr. Matthew Lam held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of manufacture, retail and wholesale of fashions in Hong Kong, Macau and/or Mainland China, and/or property investment and letting in Hong Kong and/or Mainland China.

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

Report of the Directors

SHARE OPTION SCHEMES

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

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

The share options entitling the grantees to subscribe for 2,900,000 Shares lapsed on 27 March 2021. Since then and as at 31 July 2021, there were no outstanding share options and the Company may grant options under the 2015 Scheme to subscribe for a maximum of 94,754,369 Shares (representing approximately 10% of the existing total issued Shares).

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

		Number of underlying Shares comprised in share options					
Category/Name of participants	**Date of grant** (dd/mm/yyyy) *(Note 1)*	**As at 1 August 2020**	**Granted during the Year**	**Lapsed during the Year**	**As at 31 July 2021**	**Exercise period** (dd/mm/yyyy)	**Exercise price per Share** (HK$) *(Note 2)*
Directors							
Lam Kin Ming *(Note 3)*	27/03/2018	900,000	—	(900,000)	—	27/03/2018 – 26/03/2021	0.842
Lam Wai Shan, Vanessa	27/03/2018	2,000,000	—	(2,000,000)	—	27/03/2018 – 26/03/2021	0.842
Total		**2,900,000**	—	**(2,900,000)**	—		

Notes:

1. *The above share options were vested on the date of grant.*
2. *The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.*
3. *Dr. KM Lam deceased on 8 January 2021. Mr. Chow Bing Chiu ("**Mr. BC Chow**", a NED) acts as the executor and trustee of the late Dr. KM Lam.*

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the Year. Further details of the 2015 Scheme are disclosed in Note 29 to the Consolidated Financial Statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

The following Directors and chief executives of the Company who held office on 31 July 2021 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

		Number of Shares		Number of underlying Shares		
Name of Directors	Capacity	Personal interests	Corporate interests	Personal interests	Total	Approximate percentage of total issued Shares *(Note 1)*
Lam Kin Ming *(Note 2)*	Beneficial owner and owner of controlled corporation	19,003,000	472,200,000 *(Note 3)*	Nil	491, 203,000	51.84%
Lam Wai Shan, Vanessa	Beneficial owner and owner of controlled corporation	5,532,500	1,500,000 *(Note 4)*	Nil	7,032,500	0.74%
Wan Edward Yee Hwa	Beneficial owner	610,000	Nil	Nil	610,000	0.06%

Notes:

1. *The total number of issued Shares as at 31 July 2021 (that is 947,543,695 Shares) has been used for the calculation of the approximate percentage.*

2. *Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.*

3. *RPL beneficially owned 472,200,000 Shares, representing approximately 49.83% of the total issued Shares. The late Dr. KM Lam was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.*

4. *Ms. Vanessa Lam was deemed to be interested in the same 1,500,000 Shares by virtue of her 50% shareholding interest in Novel Voyage Development Limited.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS (continued)

(2) Interests in the Associated Corporation

RPL – the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL

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

Notes:

1. *Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.*
2. *Ms. Vanessa Lam was appointed as a director of RPL with effect from 25 January 2021.*

Save as disclosed above, as at 31 July 2021, none of the Directors and the chief executives of the Company and their respective close associates had, or was deemed to have, any interest in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executives or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 July 2021, so far as it is known by or otherwise notified by any Director or the chief executives 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	Capacity	Nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares *(Note 1)*
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 *(Note 3)*	49.83%
Lam Kin Ming *(Note 2)*	Beneficial owner and owner of controlled corporation	Personal and corporate	491,203,000 *(Note 3)*	51.84%

Notes:

1. *The total number of issued Shares as at 31 July 2021 (that is 947,543,695 Shares) has been used for the calculation of the approximate percentage.*

2. *Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.*

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

   The late Dr. KM Lam was personally interested in 19,003,000 Shares.

Save as disclosed above, the Directors are not aware of any other corporation or individual which/who, as at 31 July 2021, 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 32 to the Consolidated Financial Statements headed "*Related Party Transactions*", at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under Note 32 to the Consolidated 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 7 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 15 and 17 to the Consolidated Financial Statements, respectively. Further details of the Group's investment properties are set out in "*Particulars of Investment Properties*" section in this Annual Report.

SHARES ISSUED IN THE YEAR

Details of the Shares issued by the Company during the Year are set out in Note 28 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2021, the Company had no reserves available for distribution to the Shareholders, in accordance with the provision of Section 297 of the Companies Ordinance (2020: Nil).

Details of the distributable reserve are set out in Note 37 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

PRE-EMPTIVE RIGHTS

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

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 July 2021 are set out in Note 24 to the Consolidated Financial Statements.

Report of the Directors

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$84,000 (2020: HK$13,000).

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the Group's five largest customers accounted for less than 30.0% of the Group's total turnover for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 84.8% and 23.0%, 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.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2017 to 2021 is set out below:

	Year ended 31 July				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**112,000**	151,267	235,348	265,004	264,119
(Loss)/profit for the year attributable to owners of the Company	**(1,933)**	(290,483)	30,607	162,493	88,118

	As at 31 July				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,200,619**	2,306,406	2,566,190	2,769,161	2,377,674
Total liabilities	**669,098**	779,665	747,425	969,570	738,759
Total equity	**1,531,521**	1,526,741	1,818,765	1,799,591	1,638,915
	2,200,619	2,306,406	2,566,190	2,769,161	2,377,674

Report of the Directors

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 45 of this Annual Report.

EQUITY-LINKED AGREEMENT

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

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

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

On behalf of the Board

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

Hong Kong
29 October 2021

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2021 ("**Year**") save for the deviations from code provisions A.2.1, A.4.1, A.5.1 and E.1.2 as follows:

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

In view of the present composition of the board of directors of the Company ("**Board**" and "**Directors**", respectively) during the Year under review, the in-depth knowledge of the chairman of the Company ("**Chairman**", i.e. both the late Dr. Lam Kin Ming ("**Dr. KM Lam**") and Ms. Lam Wai Shan, Vanessa ("**Ms. Vanessa Lam**")) of the Company's operations and the garment and retail industry in general, their extensive business network and connections, numerous awards for their works in the industry, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. KM Lam (deceased on 8 January 2021) and Ms. Vanessa Lam (since 22 January 2021) to assume the roles of both the Chairman and the chief executive officer of the Company ("**CEO**").

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

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

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES (continued)

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). Pursuant to the CG Code, the Company has adopted its nomination policy in January 2019 ("**Nomination Policy**") for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage. A Board meeting was held on 29 March 2021 in resolving the appointment of Mr. Fung Cheuk Nang, Clement ("**Mr. Clement Fung**") as an INED with effect from 29 March 2021.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Due to other pre-arranged business commitments, Dr. KM Lam was not present at the AGM held on 14 December 2020. However, Ms. Vanessa Lam present at that meeting took the chair pursuant to Article 72 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

Corporate Governance Report

(2) BOARD OF DIRECTORS

(2.1) Responsibilities and Delegation

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

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

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

Decisions relating to the aforesaid matters and any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to the Executive Committee and the management of the Company. Since a new reporting requirement under the Listing Rules for the Board to have a clear mechanism to oversee the environmental, social and governance ("**ESG**") management became effective for the Year, the Board has delegated the ESG management to the Executive Committee in order to focusing on matters affecting the overall business strategy, and to review and monitor the Group's ESG management progress.

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

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

(2.2) Composition of the Board

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

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

Executive Directors
Lam Kin Ming *(the then Chairman and Chief Executive Officer)(Deceased on 8 January 2021)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer up to 21 January 2021 and appointed as Chairman and Chief Executive Officer with effect from 22 January 2021)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Wan Edward Yee Hwa

Non-executive Directors
Chow Bing Chiu *(Re-designated from an INED to a NED with effect from 29 March 2021)*
Lam Suk Ying, Diana

Independent Non-executive Directors
Leung Shu Yin, William *(Appointed as Deputy Chairman with effect from 22 January 2021)*
Fung Cheuk Nang, Clement *(Appointed with effect from 29 March 2021)*
Yeung Sui Sang

An updated list of Directors and their respective roles and functions can also be found on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.crocodile.com.hk. The brief biographical particulars of the existing Directors and senior management of the Company are set out in the section headed "*Biographical Details of Directors and Senior Management*" of the Report of the Directors on pages 17 to 20.

Ms. Vanessa Lam (Chairman, Executive Director and CEO since 22 January 2021) is the eldest daughter of the late Dr. KM Lam and a niece of Ms. Lam Suk Ying, Diana (NED), Dr. Lam Kin Ngok, Peter ("**Dr. Peter Lam**") and Mr. Lam Kin Hong, Matthew ("**Mr. Matthew Lam**") (both Executive Directors).

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.2) Composition of the Board (continued)

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

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

(2.3) Independent Non-executive Directors

The Company has complied with Rule 3.10(2) of the Listing Rules which requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs a written annual confirmation of his independence for the Year pursuant to Rule 3.13 of the Listing Rules. The Board considers that all INEDs are independent. Further, up to the date of this 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) Directors' and Officers' Liabilities Insurance

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

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Corporate Governance Report

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

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 arranged for the Directors to attend seminars/webinars organised by certain organisations and professional bodies.

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**	**Read Materials**	**Attend Seminars/ Webinars/ Briefings**
Executive Directors				
Dr. Lam Kin Ming *(Note 1)*	✓	✓	✓	—
Ms. Lam Wai Shan, Vanessa *(Note 2)*	✓	✓	✓	✓
Dr. Lam Kin Ngok, Peter	✓	✓	✓	—
Mr. Lam Kin Hong, Matthew	✓	✓	✓	✓
Mr. Wan Edward Yee Hwa	✓	✓	✓	✓
Non-executive Directors				
Mr. Chow Bing Chiu *(Note 3)*	✓	✓	✓	✓
Ms. Lam Suk Ying, Diana	✓	✓	✓	—
Independent Non-executive Directors				
Mr. Leung Shu Yin, William *(Note 4)*	✓	✓	✓	✓
Mr. Fung Cheuk Nang, Clement *(Note 5)*	✓	✓	✓	✓
Mr. Yeung Sui Sang	✓	✓	✓	✓

Notes:

1. *Dr. KM Lam (the then Chairman, Executive Director and CEO) deceased on 8 January 2021.*

2. *Ms. Vanessa Lam acted as the Deputy CEO up to 21 January 2021 and was appointed as the Chairman and CEO with effect from 22 January 2021.*

3. *Mr. Chow Bing Chiu ("**Mr. BC Chow**") acts as the executor and trustee of the late Dr. KM Lam since 8 January 2021 and was re-designated from an INED to a NED with effect from 29 March 2021.*

4. *Mr. Leung Shu Yin, William ("**Mr. William Leung**") was appointed as the Deputy Chairman with effect from 22 January 2021.*

5. *Mr. Clement Fung was appointed as an INED with effect from 29 March 2021.*

Corporate Governance Report

(4) BOARD COMMITTEES

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

(4.1) Remuneration Committee

On 18 November 2005, the Board established a Remuneration Committee which currently comprises five members, including three INEDs, namely Mr. William Leung (Chairman), Mr. Clement Fung (appointed on 29 March 2021) and Mr. Yeung Sui Sang ("**Mr. SS Yeung**"), an NED, Mr. BC Chow and an Executive Director, Mr. Wan Edward Yee Hwa.

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

(a) Duties of the Remuneration Committee

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

(b) Work Performed by the Remuneration Committee

The Remuneration Committee held two meetings during the Year to consider the remuneration packages relating to the appointment of an INED, Mr. Clement Fung, and the re-designation of Mr. BC Chow, and discuss the Company's remuneration-related matters. No Director was involved in deciding his/her own remuneration at the meeting of/written resolutions of the Remuneration Committee.

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

(4.2) Audit Committee

On 31 March 2000, the Board established an Audit Committee which currently comprises three INEDs, namely Mr. William Leung (Chairman), Mr. Clement Fung (appointed on 29 March 2021) and Mr. SS Yeung. Mr. BC Chow was re-designated from an INED to a NED and accordingly ceased as a member of the Audit Committee on 29 March 2021. 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)

(a) Duties of the Audit Committee (continued)

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

(b) Work Performed by the Audit Committee

The Audit Committee held two meetings during the Year and has reviewed, among other things, the audited consolidated financial statements of the Company for the year ended 31 July 2020, the unaudited interim results of the Company for the six months ended 31 January 2021, the Company's internal control review report and enterprise risk management report prepared by Annie Chiu & Co., Certified Public Accountants (Practising), being the independent advisor of the Company ("**ACC**" or "**Independent Advisor**"); and put forward relevant recommendations to the Board for approval.

On 29 October 2021, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Company's management in the presence of the representatives of the Company's independent auditor (i.e. SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**" or "**Independent Auditor**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by the Independent Advisor.

(5) ATTENDANCE RECORD AT MEETINGS

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

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Annual General Meeting
Number of Meetings Held	4	2	2	1
	Number of Meetings Attended/ Number of Meetings Held			
Executive Directors				
Dr. Lam Kin Ming (Note 1)	1/1	—	—	0/1
Ms. Lam Wai Shan, Vanessa (Note 2)	4/4	—	—	1/1
Dr. Lam Kin Ngok, Peter	4/4	—	—	0/1
Mr. Lam Kin Hong, Matthew	4/4	—	—	0/1
Mr. Wan Edward Yee Hwa	4/4	2/2	2/2	1/1
Non-executive Directors				
Mr. Chow Bing Chiu (Note 3)	4/4	2/2	2/2	1/1
Ms. Lam Suk Ying, Diana	4/4	—	—	0/1
Independent Non-executive Directors				
Mr. Leung Shu Yin, William (Note 4)	4/4	2/2	2/2	1/1
Mr. Fung Cheuk Nang, Clement (Note 5)	1/1	—	1/1	—
Mr. Yeung Sui Sang	4/4	2/2	2/2	1/1

Notes:

1. *Dr. KM Lam (the then Chairman, Executive Director and CEO) deceased on 8 January 2021.*

2. *Ms. Vanessa Lam acted as the Deputy CEO up to 21 January 2021 and was appointed as the Chairman and CEO with effect from 22 January 2021.*

3. *Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam since 8 January 2021 and was re-designated from an INED to a NED and accordingly ceased to be a member of the Audit Committee with effect from 29 March 2021.*

4. *Mr. William Leung was appointed as the Deputy Chairman with effect from 22 January 2021.*

5. *Mr. Clement Fung was appointed as an INED and a member of each of the Audit Committee and the Remuneration Committee with effect from 29 March 2021.*

For the Year, Ms. Vanessa Lam met all INEDs without the presence of other Directors after the Board meeting held on 22 January 2021 in compliance with code provision A.2.7 of the CG Code.

Corporate Governance Report

(6) CHAIRMAN AND CHIEF EXECUTIVE

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

During the Year and up to the date of this Annual Report, as explained in Paragraph (1) above, Dr. KM Lam (deceased on 8 January 2021) and Ms. Vanessa Lam (since 22 January 2021) assumed the roles of the Chairman and the CEO simultaneously.

(7) NON-EXECUTIVE DIRECTORS

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

(8) NOMINATION OF DIRECTORS

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

The Shareholders may also propose a person for election as a Director, details of which are set out in "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is available on the Company's website at www.crocodile.com.hk. During the Year, a Board meeting was held in resolving the appointment of Mr. Clement Fung as an INED with effect from 29 March 2021.

(9) BOARD DIVERSITY POLICY

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

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

(9) BOARD DIVERSITY POLICY (continued)

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

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

In compliance with code provision A.5.2(a) of the CG Code, the Board had, at its Board meeting held in July 2021, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, garment and retail industry, property development and investment, hospitality as well as media and entertainment businesses, laws, accounting and auditing services and corporate finance, etc.

(10) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

Corporate Governance Report

(13) INDEPENDENT AUDITOR' S REMUNERATION

At the AGM held on 14 December 2020, SHINEWING was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by SHINEWING for the Year amounted to approximately HK$850,000 and HK$68,000, respectively. The non-audit services represented the reporting on the agreement with the preliminary announcement of results of the Group for the Year.

(14) RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems of the Group, and the effective risk management and internal control systems enhance the Group's ability in achieving business objectives, safeguarding assets, complying with applicable laws and regulations and contribute to the effectiveness and efficiency of its operations. As such, the Group's internal control procedures include a comprehensive budgeting, information reporting and performance monitoring system. The risk management and internal control systems are 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules. Relevant parties are reminded to preserve the confidentiality of the inside information until it is publicly disclosed. Briefing 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 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, ACC 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; and (ii) the cycles of cash and bank, expenditure and property, plant and equipment of the Group. Appropriate recommendations for further enhancing the internal control system have been adopted. The internal control review report of the Company prepared by ACC as the Independent Advisor 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.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Since March 2016, the Audit Committee has been delegated with the responsibilities to review the effectiveness of the Group's risk management system annually in compliance with code provision C.2.1 of 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.

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, ACC 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 ACC as the Independent Advisor 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 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.

Corporate Governance Report

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

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

(16.2) Details of the Last General Meeting

The last GM, being the AGM for 2020 ("**2020 AGM**"), was held at 11:00 a.m. on 14 December 2020 at Montparnasse Rooms I-III, 2/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At the 2020 AGM, Shareholders approved by a vast majority of votes (i) the appointment of Ms. Vanessa Lam as chairman of the 2020 AGM; (ii) the adoption of the audited financial statements of the Company for the year ended 31 July 2020 and the reports of the directors and the independent auditor thereon; (iii) the re-election of Dr. KM Lam, Dr. Peter Lam and Mr. Matthew Lam as the Executive Directors and Mr. William Lam as an INED; (iv) the authorisation of the Board to fix the Directors' remuneration; (v) the re-appointment of SHINEWING as the Independent Auditor for the Year and the authorisation of the Board to fix their remuneration; and (vi) 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 2020 AGM and the poll results announcement in respect of the 2020 AGM were published on the respective websites of the Stock Exchange and the Company on 13 November 2020 and 14 December 2020.

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a GM

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

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

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

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

(17.2) Procedures for Putting Forward Proposals at AGM

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

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

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS (continued)

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

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

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

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

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

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

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

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

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

(18) DIVIDEND POLICY

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

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

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.

Corporate Governance Report

(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 2020/2021
Annual results announcement for the year ended 31 July 2021	29 October 2021
Latest time and date to lodge transfer documents with the Registrar for entitlement to attending and voting at the 2021 AGM	4:30 p.m. on 14 December 2021
2021 AGM	11:00 a.m. on 20 December 2021

	For Financial Year 2021/2022
Interim results announcement for the six months ending 31 January 2022	on or before 31 March 2022
Annual results announcement for the year ending 31 July 2022	on or before 31 October 2022
2022 AGM	December 2022

Environmental, Social and Governance Report

Crocodile Garments Limited (hereinafter referred as "**Company**", and together with its subsidiaries referred as "**Group**") is delighted to publish its annual Environmental, Social and Governance ("**ESG**") report, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**" and "**Stock Exchange**", respectively). The Group has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide during the period from 1 August 2020 to 31 July 2021 ("**Reporting Year**").

REPORTING BOUNDARY

This report covers the Group's principal operations in two subject areas, namely, Environmental and Social of the "Garment and related accessories business" and "Property investment and letting business" in Hong Kong and Mainland China during the Reporting Year, unless otherwise stated. These two business operations represent the core operations of the Group during the Reporting Year. The scope of this report includes a total of 3 offices, 2 warehouses, all retail stores (23 retail stores as of 31 July 2021) in Hong Kong and Mainland China, and the dormitory for its employees in Mainland China. Franchise store in Macao Special Administrative Region of the People's Republic of China ("**PRC**"), which the Group has relatively less control, is excluded from the scope.

REPORTING PRINCIPLES

The preparation of this report has applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, process, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality Assessment".

Quantitative – key performance indicators ("**KPI**"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Consistency – consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Environmental, Social and Governance Report

ESG COMMITMENT

The board of directors of the Company ("**Board**" and "**Directors**", respectively) understands its full responsibility for overseeing the Group's ESG issues and risks. The Board is committed to managing and minimising its environmental and social impact. To prioritise material ESG issues and identify potential risks, the Group conducts materiality assessment and pays attention to the metrics which are most relevant to "Garment and related accessories business" and "Property investment and letting business". To discharge the Group's responsibility effectively, the Group evaluates and manages its environmental and social issues. The Board reviews the Group's performance and effectiveness of policies and measures through meetings every year.

SUSTAINABILITY MISSION AND VISION

Having been a "Caring Company" for more than a decade, the Group believes that a high standard of corporate social responsibility is essential for building up and maintaining a good corporate and social relationship, motivating staff and creating a sustainable return to the Group. The Group is committed to contributing to the sustainability of the environment and community in which the Group conducts businesses and where its stakeholders live.

Apart from focusing on business development, the Group also actively shoulders social corporate responsibilities. The Group is committed to strictly complying with laws and regulations related to environmental protection and social compliances. The Group is determined to reduce its environmental impact, and promptly implements the 3R concept, namely, "Recycle", "Reduce" and "Reuse" to promote green living. The Group eliminates unnecessary packaging materials while ensuring the protection of the product is not compromised. Besides, the Group encourages the public to take actions to protect the environment and improve the quality of the environment.

The Group is committed to adopting good employee-oriented human resource management practices, while supporting community activities, and sponsoring and donating to society and charitable organisations to promote social services and community welfare.

AWARDS

(i) Since 2008, the Group has been certified as a "Hong Kong Green Organisation" by the Environmental Campaign Committee and issued a "Wastewi$e" Certificate of "Excellence Level" and a "Energywi$e" Certificate of "Basic Level" by the Environmental Campaign Committee for 13 consecutive years.

(ii) The Group has been awarded the "Caring Company" for 13 consecutive years and has garnered the "10 years Plus Caring Company Logo" by The Hong Kong Council of Social Service, recognising the Group's commitment to corporate social responsibility and continuous effort in community services.

(iii) The Group has participated in the "Good Employer Charter" Scheme launched by the Hong Kong Labour Department as a signatory organisation and was accredited "Family-friendly Good Employer" under the "Good Employer Charter 2020" in recognition of its efforts in promoting a family-friendly employment culture.

Environmental, Social and Governance Report

AWARDS (continued)

(iv) The Group has been awarded for the "Quality Tourism Services Scheme" for more than 15 consecutive years from the Hong Kong Tourism Board, recognising the Group's high-quality services.

(v) Since 2006, the Group has been awarded the "Hong Kong Top Brand Mark (Top Mark) – Ordinary & Premier Mark" on men's wear by Hong Kong Brand Development Council.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group communicates regularly with and gathers feedback from stakeholders through various channels to understand their expectations, build and maintain a good relationship, and identify the most significant environmental and social aspects of the Group's operations to its stakeholders. The table below outlines the Group's various dialogue channels for different types of stakeholders:

Stakeholders	Means of communications
Shareholders	• Shareholders' annual and general meetings • Press release, such as annual reports, interim reports, periodic announcements and circulars • The Company's website • Website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") • Survey • Share registrar
Clients	• Meeting and promotion activities • Email or telephone • Social media: Youtube, IG, WeChat, Facebook and Weibo • Facebook live, Wechat live • WhatsApp (online ordering hotline) • Suning.com (online shop) • Customer service hotline, SMS, EMD, MMS • Survey
Suppliers	• Supplier meetings • Email or telephone • WeChat • Survey
Internal Stakeholders (such as Directors & employees)	• Email • Training • Survey

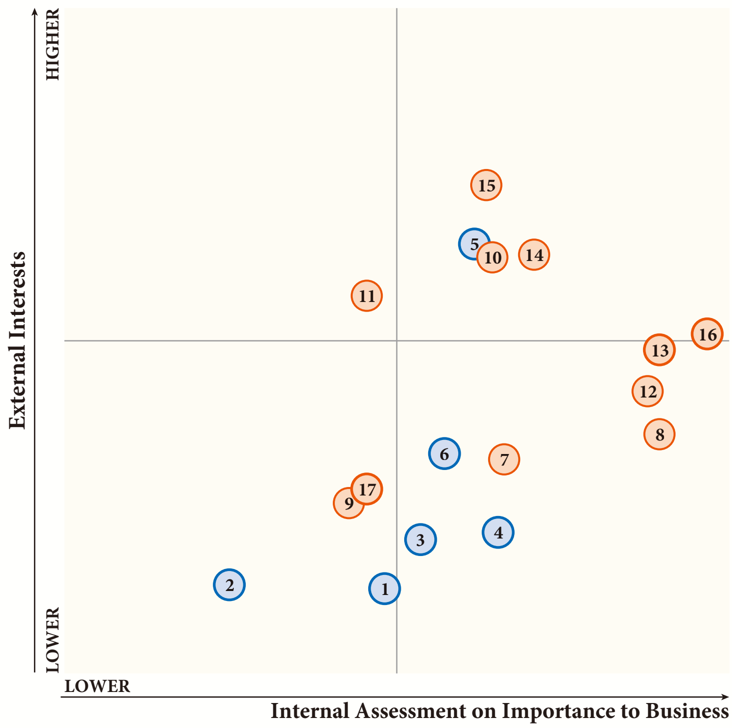
In addition to publishing news on the Company's website, third-party professionals (such as registered Public Interest Entities (PIE) auditors, lawyers and share registrar) and webpages (such as HKEX's website) are also engaged to publish news on their behalf to reduce public concerns or to address key topics.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

During the Reporting Year, the Group has specifically engaged Board members, shareholders, clients, suppliers, senior management and frontline and other employees to gain further insights on ESG aspects they find material. The Materiality Matrix below shows the result of the Group's materiality assessment process:

MATERIALILTY OF DIFFERENT TOPICS FROM STAKEHOLDER ENGAGEMENT



Environmental		Social	
1	Energy	7	Employment
2	Water	8	Occupational Health and Safety
3	Air Emission and Climate Change	9	Development and Training
4	Waste and Effluent	10	Labour Standards
5	Other Raw Materials Consumption	11	Supplier Management
6	Environmental Protection Measures	12	Intellectual Property
		13	Data Protection
		14	Customer Service
		15	Product/Service Quality
		16	Anti-corruption
		17	Community Investment

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT (continued)

Following topics have been deemed as the most important by stakeholders:

(i) Product/Service Quality;
(ii) Anti-corruption;
(iii) Customer Service;
(iv) Other Raw Materials Consumption; and
(v) Labour Standards.

The Group reviews and manages the material aspects with policies and best practice and will continue to work towards building positive relations with its stakeholders, improving the overall ESG performance and developing better control on ESG-related risks. The Group strives to reduce its impact on the environment and society, and to achieve sustainable and optimum economic growth with the Group's strategy on new products and energy business.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on its ESG approach and performance. Stakeholders may at any time give their suggestions or share their views with the Group via email at corpadmin@crocodile.com.hk.

A. ENVIRONMENTAL

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

The Group strictly abides by laws, rules and regulations enforced by the PRC and Hong Kong in relation to environmental protection and pollution control, including but not limited to the followings:

(i) Environmental Protection Law of the PRC;
(ii) Energy Conservation Law of the PRC; and
(iii) Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.

A. ENVIRONMENTAL (continued)

No cases of material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been recorded during the Reporting Year.

A1. Emissions

A1.1 Air Emissions

Air pollutants emitted by the Group were mainly generated from the use of Group's motor vehicles to deliver products to and from its stores and warehouses. The Group strives to realign the routes of transportation to maximise the cost effectiveness while keeping the emission of pollutant as low as feasible.

During the Reporting Year, air pollutant emission of nitrogen oxides (NOx), sulphur oxides (SOx) and respiratory suspended particles (PM) were 165.76 kg (2020: 158.73 kg), 0.37 kg (2020: 0.41 kg) and 8.30 kg (2020: 7.51 kg), respectively. The amount of air emission was similar to the previous reporting year.

A1.2 GHG Emissions

During the Reporting Year, 479.40 tonnes (2020: 762.59 tonnes) of carbon dioxide equivalent (CO_2eq) were emitted, resulting in an intensity of 0.0043 tonnes/'000 revenue. The reported GHG emissions of the Group were attributed to the following activities:

(i) direct (scope 1) GHG emissions: the mobile combustion of fuels for transportation;

(ii) indirect (scope 2) GHG emissions: purchased electricity; and

(iii) other Indirect (scope 3) GHG emissions: fresh water and sewerage processing, and paper waste disposal at landfills.

Scope	Emission sources	GHG Emission (in tonnes CO_2eq)	Subtotal (in tonnes CO_2eq)	GHG emission (in %)
Scope 1	Gasoline	24.05	65.94	14%
Direct GHG emission	Diesel	41.89		
Scope 2 Indirect GHG emission	Purchased electricity	395.28	395.28	82%
Scope 3	Fresh water processing	7.48	18.18	4%
Other Indirect	Sewerage processing	3.59		
GHG emission	Paper waste disposed at landfills	7.11		
Total GHG Emission			**479.40**	**100%**

Environmental, Social and Governance Report

A. ENVIRONMENTAL (continued)

A1. Emissions (continued)

A1.2 GHG Emissions (continued)

Notes:

1. *Emission factors were referred to Appendix 27 to the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.*

2. *Emission factors for purchased electricity in Hong Kong and Mainland China were obtained from HK Electric Investments and HK Electric Investments Limited, CLP Power Hong Kong Limited and The Ministry of Ecology and Environment of the PRC respectively.*

A1.3 Hazardous Waste

The Group's businesses disposed of 213.5 kg of hazardous waste, consisting mainly of waste electronic and electrical equipment and fluorescent lamp, representing an intensity of 0.0019 kg/'000 revenue.

A1.4 Non-hazardous Waste

Non-hazardous waste generated by the Group's business operations during the Reporting Year included waste office paper and general office waste. A total of 9.5 tonnes of non-hazardous waste, of which of 32% was office/general garbage, 53% was carton boxes and 16% was paper, were generated during the Reporting Year. The waste intensity was 0.000085 tonnes/'000 revenue.

A1.5 Measures to Mitigate Emissions

The Group is aware of the emissions generated from its operations. Since the Group's operations involve distribution of products, which result in air and GHG emissions from mobile combustion, the Group strives to plan and adjust transportation routes to maximise the cost effectiveness while preventing emissions.

The Group has initiated a target of 3% emission reduction in coming 5 years, using this Reporting Year as a baseline. The Group plans to increase overall portfolio energy efficiency from existing levels whenever possible and decrease the Group's energy consumption. The Group will minimise emissions from vehicles by optimising the transportation route.

A1.6 Wastes Handling and Reduction Initiatives

Hazardous waste generated by the Group was collected by licensed handlers or property management of the office buildings, warehouses and dormitory for proper recycling or treatment before disposal. The reusable parts or accessories of the waste electronic and electrical appliance are either retained or sent to waste management and recycling companies to convert into raw materials. All carton boxes were collected by the property management of the office buildings and were sent to recyclers.

Environmental, Social and Governance Report

A. **ENVIRONMENTAL** (continued)

A1. **Emissions** (continued)

A1.6 Wastes Handling and Reduction Initiatives (continued)

The Group has implemented the following waste reduction initiatives:

(i) placing recycling bins and promote recycling of wastepaper, plastic bottles, and aluminium cans in office;

(ii) filing documents electronically whenever possible;

(iii) using recycled paper, toners and cartridges for printing and photocopying;

(iv) setting the default mode of the printers and computers to black and white printing;

(v) simplifying product packaging and encouraging retail customers to use their own shopping bags;

(vi) providing reusable tableware for employees to reduce the use of disposable tableware;

(vii) placing water dispensers in common areas to reduce the demand of bottled water; and

(viii) collecting used red pockets at the end of Chinese New Year.

The Group also consolidates its retail network by shutting down stores with poor performance and negotiated with landlords to get short-term leases and rent concessions, avoiding the generation of hazardous and non-hazardous waste during relocation.

The Group has awarded the "Wastewi$e Certificate" of "Excellence Level" and recognised as a Hong Kong Green Organisation by the Environmental Campaign Committee for its effort in pursuing environmental initiatives and participation. The Group would review its initiatives and strive for better performance.

The Group has set a target of 3% waste reduction in coming 5 years, using this Reporting Year as a baseline. The Group encourages its employees to separate and recycle the waste generated as much as possible. With recycling measures implemented, the Group believes that it can effectively reduce the amount of waste being sent to the landfill.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (continued)

A2. Use of Resources

The Group upholds and promotes the principle of effective use of resources. To meet the Group's environmental commitments, various efficiency initiatives have been implemented to minimise energy use and water consumption.

A2.1 Energy Consumption

During the Reporting Year, purchased electricity and gasoline were consumed for office and warehouse operations, and transportation respectively. A total of 876.70 MWh electricity consumption of the Group was recorded. The consumption of gasoline and diesel were 15,749 Litres and 8,744 Litres respectively. The total energy consumption was calculated to be 1,114.14 MWh, representing an energy intensity of 0.0099 kWh/'000 revenue during the Reporting Year.

The major source of energy used by the Group was electricity. It was used in all areas of the Group's business operations, such as general lighting, powering of laptops, printers, Point-of-Sale systems and other electrical equipment in the offices, stores and warehouses. The Group has been actively seeking for more energy efficient equipment to reduce electricity consumption and hence, GHG emission. Under the pandemic of Coronavirus Disease 2019 (COVID-19), shops were closed or shortened the business hours so fewer units of electricity were consumed.

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

Energy Consumption Sources	**Consumption** (in individual unit)	**Consumption** (in MWh)
Purchased Electricity	876,699 kWh	876.70
Gasoline	15,749 Litres	143.86
Diesel	8,744 Litres	93.58
Total		**1,114.14**

Note: Conversion factors were referred to the IEA Energy Statistics Manual and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

Environmental, Social and Governance Report

A. ENVIRONMENTAL (continued)

A2. Use of Resources (continued)

A2.2 Water Consumption

The water consumption of the Group was totally 17,948 m^3 (2020: 19,748 m^3), resulting in an intensity of 0.16 m^3/'000 revenue. Water was used in the pantries and washrooms of the warehouses and offices. The Group constantly reminds its employees of the importance of saving water. As some retail outlets of the Group are in shopping malls, water usage was managed by the property management and therefore consumption figures were not available. Nevertheless, the Group spares no effort to save natural resources of the Earth.

Although the situation of COVID-19 pandemic in Hong Kong has become stable in the second half of the Reporting Year, there were still several imported cases of variants of viruses. The Group has always put employees' health as the top priority, and maintaining hygiene is the most important element when it comes to preventing the spread of diseases. The Group therefore increased the frequency of cleaning, which leads to a higher water consumption.

A2.3 Energy Use Efficiency Initiative

The Group has adopted the following measures to consume energy efficiently:

(i) establishing energy saving policies and guidelines and inform employees thereof via email;

(ii) including energy efficiency requirements when procuring energy-related products;

(iii) assigning representatives to coordinate energy saving programs;

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

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

(vi) applying lighting zone control to enable switching on/off lighting independently in different parts in offices;

(vii) applying electronic ballasts for at least 50% of the applicable lighting devices in offices;

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

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

(x) ensuring indoor temperature controllers are correctly set to maintain temperature at 24°C-26°C in offices.

A. ENVIRONMENTAL (continued)

A2. Use of Resources (continued)

A2.3 Energy Use Efficiency Initiative (continued)

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

(i) controlling the usage of air-conditioning units during night-time;
(ii) using LED lamps in public areas; and
(iii) switching off some passenger lifts after office hours.

In addition, the Group has joined and supported various environmental protection programs organised by reputable institutions. Its dedication has been recognised with certifications.

The Group aims at a 3% reduction in energy use in coming 5 years, using this Reporting Year as a baseline. The plan of the Group is to increase overall energy efficiency from existing levels and decrease its energy consumption by ensuring the above measures are stringently followed. Energy-saving LED lights or electrical appliance were also installed whenever feasible. The Group will regularly review and update its energy use efficiency initiatives.

A2.4 Water Use Efficiency Initiatives

The Group's businesses do not involve heavy use of water, and thus no formal policy has been implemented. Nevertheless, the Group reminds its employees to conserve water resources. When a water leak is found, it will be repaired immediately to prevent water loss. There was no issue in sourcing water that is fit for purpose.

The Group aims at a 3% decrease in water use in coming 5 years, using this Reporting Year as a baseline. The Group will remind its employees to be conscious of their water consumption.

A2.5 Packaging Materials

The total weight of packing materials, including paper, recycle bags and plastic bags, used was 5.6 tonnes (2020: 11.5 tonnes) during the Reporting Year. The Group prevents over-packaging and encourages its customers to bring their own bags instead of purchasing shopping bags. The Group also uses recyclable packaging materials whenever possible. Coupled with the fashionable and beautiful designs, the plastic bags can reuse by customers.

A3. The Environment and Natural Resources

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

Environmental, Social and Governance Report

A. ENVIRONMENTAL (continued)

A3. The Environment and Natural Resources (continued)

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

A4. Climate Change

Climate change can lead to business disruption, physical damage and increased operational costs caused by extreme weather events. Abnormal weather results in more frequent typhoons and heavy rains, reducing the foot traffic in shopping malls, and even requiring suspension of business. Bad weather also delays product delivery or cause damage of products.

The Group manages related risks by building climate resilience while identifying opportunities in its business operations to lower its carbon footprint. The Group negotiates with its suppliers to ensure the requirements can be met. The Group would continuously propose and study potential remediation measures to fulfil the increasingly stringent regulations and the rising stakeholders' interest in sustainability.

B. SOCIAL

1. Employment and Labour Practices

B1. Employment

The Group stringently complies with the national and local laws and regulations concerning employment and labour practices, including but not limited to the following:

(i) The Employment Ordinance of Hong Kong;
(ii) The Sex Discrimination Ordinance of Hong Kong;
(iii) The Disability Discrimination Ordinance of Hong Kong;
(iv) The Race Discrimination Ordinance of Hong Kong;
(v) Labour Law of the PRC;
(vi) Labour Contract Law of the PRC;
(vii) Law of the PRC on the Protection of Rights and Interests of Women;
(viii) Law of the PRC on the Protection of Minors;
(ix) Law of the PRC on the Protection of Disabled Persons; and
(x) Social insurance Law of the PRC.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Year.

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

Environmental, Social and Governance Report

B. SOCIAL (continued)

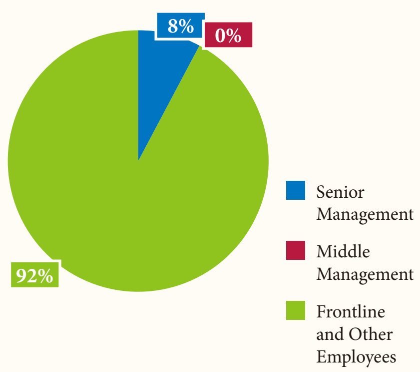
1. Employment and Labour Practices (continued)

B1. Employment (continued)

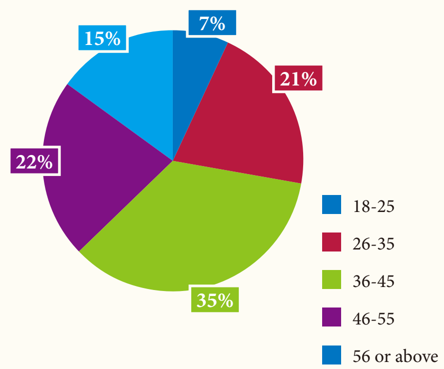
Workforce

At the end of the Reporting Year, the Group had a total of 157, of which 89% were full-time employees. The figures below present the workforce distribution by different categories.

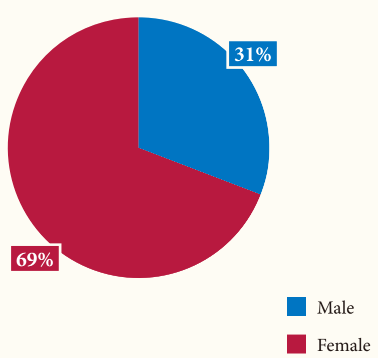
Category



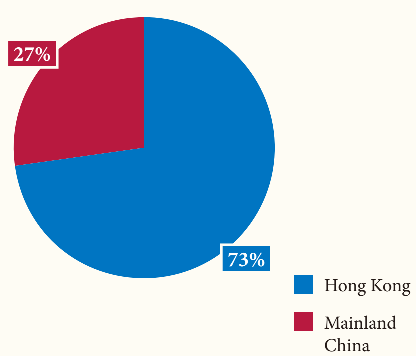
Age



Gender



Geographic Location



Environmental, Social and Governance Report

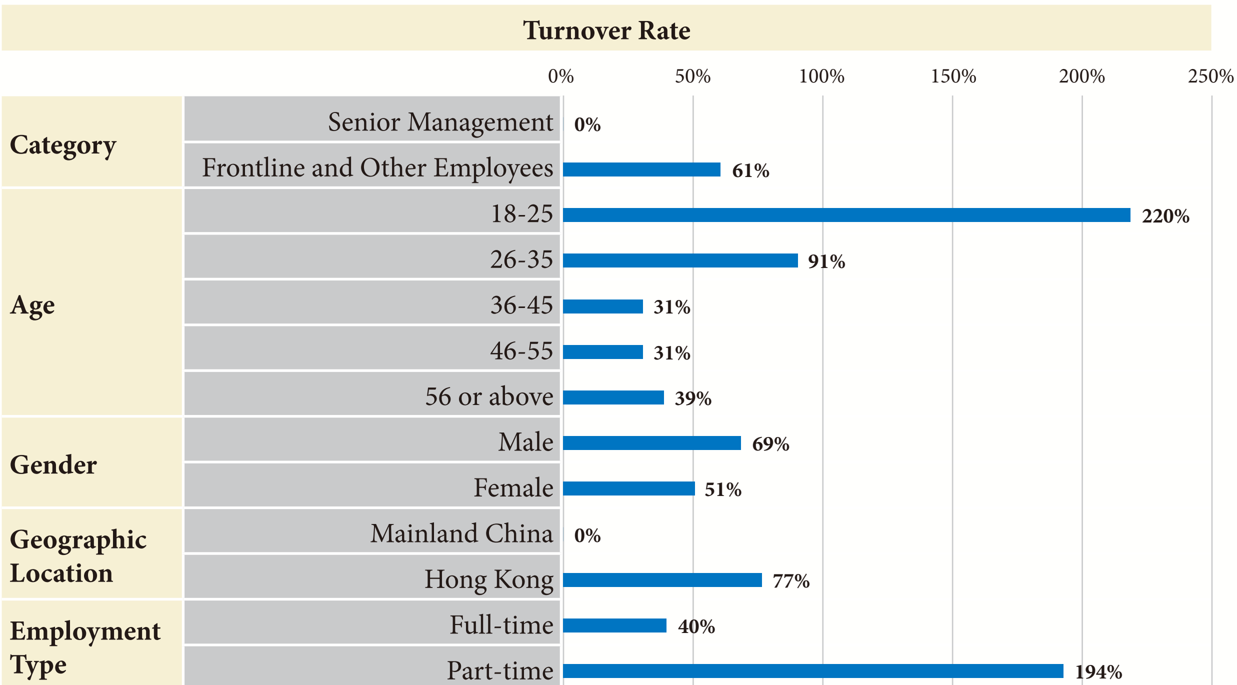
B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

B1. Employment (continued)

Turnover

The total turnover rate of the Group during the Reporting Year was 57%. The detailed distribution is illustrated in the graph below:



The demographic groups with the highest level of turnover were employees between 18 - 25 years old and part-time employees.

Recruitment and Dismissal

The recruitment procedure is guided by relevant laws and regulations such as the Labour Law of the PRC and the Employment Ordinance of Hong Kong. The Group adopts a fair recruitment policy to offer open and equal opportunities, free of gender, race, family status and age discrimination, with a view to recruiting the best talents. The Group's employee handbook outlines the terms and conditions of employment, expectations for employees' conducts and behaviours, so as employees' rights and benefits. The Group reviews its compensation and benefits programs regularly to ensure that its compensation and benefits packages remain competitive. Such benefits include mandatory provident fund, subsidised medical care, share option scheme, employee insurance, staff discount on purchases, education subsidies and special leaves.

Environmental, Social and Governance Report

B. **SOCIAL** (continued)

1. **Employment and Labour Practices** (continued)

B1. Employment (continued)

Recruitment and Dismissal (continued)

The Group's employee handbook contains resignation and retirement policies. The Group has formulated resignation forms and resignation questionnaires, ensuring smooth progress of the resignation process and allowing the resignated employees to express opinions on the Group. Termination of employment contract shall be made in writing by either party. An employee may be summarily dismissed without advance notice or payment in lieu of notice for serious misconduct in accordance with relevant laws.

Compensation, Allowance and Benefits

Apart from stringently following applicable laws and regulations, the Group strives to provide various benefits to its employees. Employees are entitled to basic salaries, statutory holidays, various types of paid leave (annual, compensation, marriage, maternity, paternity, sick, etc.), medical allowance, education subsidies, transportation allowance, and staff discount. Free oral check-ups, scaling and polishing are also provided to employees once a year. To provide greater protection for employees, the Group strengthens and extends the medical insurance coverage to employees in Mainland China. The Group continues to provide family leave. This Reporting Year, the Group provides an additional day off during the Lunar New Year, so that employees can spend time with their families. Discretionary bonus may also be provided to employees at the sole discretion of the management of the Company ("**Management**").

Working Hours

The Group implements flexible working hours. Employees can choose the working hours that best suit their schedules, which facilitates work-life balance among employees. Also, the Group limits the opening hours of the head office and warehouses to ensure adequate rest periods are provided for its employees.

Equal Opportunity

The Group endeavours to promote the concept of equal opportunity and non-discrimination in the employment practices. It has established and implemented policies that promote a harmonious and respectful workplace. Equal opportunities are offered to candidates and employees during recruitment, internal transfer and promotion, on the grounds of equality on gender, nationality, marital status, disability and religious belief. Any employee is entitled to the same benefits and equal treatment. The Group takes a zero-tolerance policy against any workplace harassment and discrimination through exercising a grievance reporting mechanism. No incidences of workplace discrimination were filed during the Reporting Year.

Environmental, Social and Governance Report

B. **SOCIAL** (continued)

1. **Employment and Labour Practices** (continued)

B1. Employment (continued)

Communication

At the end of each year, heads of each department conduct performance evaluation with their subordinates. Appraisal interviews are conducted, and appraisal forms are filled to review their performance and technical level in the previous year. Work goals and areas for improvement are discusses, encourage them to set and strive to meet new goals.

The Group hosts an annual dinner each year if possible. Gathering employees in the annual dinner not only fosters team spirit, but also shows appreciation and rewards the employees for their hard work. However, due to the COVID-19 pandemic, the gathering was suspended during the Reporting Year.

B2. Employee Health and Safety

Workplace safety is of the Group's high priority. The Group strictly complies with all applicable laws and regulations in relation to occupational health and safety, including but not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases, the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

The Group attaches great importance to the health and well-being of its employees. The Group is committed to providing a safe and comfortable work environment for its employees. To provide employees with health protection, in addition to regular defaunation, replacement of filters in water dispensers, and cleaning of air-conditioning systems, the Group has also added certified natural air sanitising and purifying liquid to the air-conditioning systems to reduce the risk of infection. Fire escape signs are displayed to guide people from wherever they are in a building, via a place of relative safety to the assembly area.

Environmental, Social and Governance Report

B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

B2. Employee Health and Safety (continued)

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

(i) cleaning and disinfecting offices and retail shops regularly;

(ii) covering switches of elevators, main entrance, printers and electric lights with protective films and disinfect the films at least thrice a day;

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

(iv) providing hand sanitisers and disposable masks for all employees and visitors; and

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

For any employees encountering the arrangement of compulsory quarantine or "lockdown" arranged by the government, they can receive their full normal pay or be regarded as sick leave if sick leave certificate and relevant certificate during the period is provided. Employees are entitled to a total of 3 days of vaccination leave for two COVID-19 vaccination doses received so that they can have sufficient time to recuperate after getting vaccinated. Free pre-vaccination health assessments are provided to employees, who can go for the health assessments during office hours to encourage employees to get vaccinated.

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

Occupational Health and Safety Statistics

	2020/2021	**2019/2020**	**2018/2019**
Work-related fatality	**0**	0	0
Work injury cases	**0**	0	4
Lost days due to work injury	**0**	0	101

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards had been identified during the Reporting Year.

Environmental, Social and Governance Report

B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

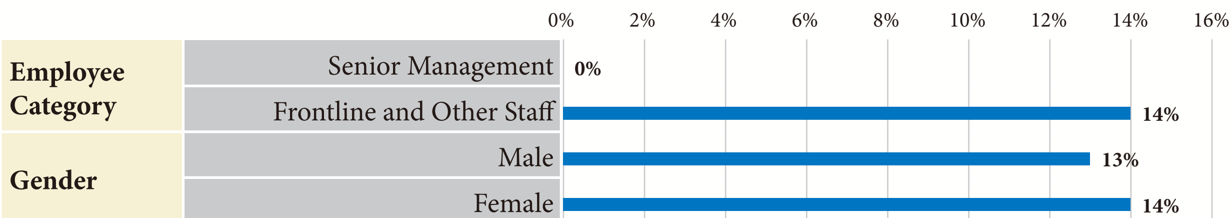
B3. Development and Training

The Group believes that employees are the valuable assets of an enterprise and regards human resources as part of the corporate wealth. The Group provides on-the-job training and development opportunities to facilitate its employees' career progression and to enhance their competencies in performing their jobs effectively and efficiently. Through different kinds of training, employees' professional knowledge on corporate operations, occupational and management skills are enhanced.

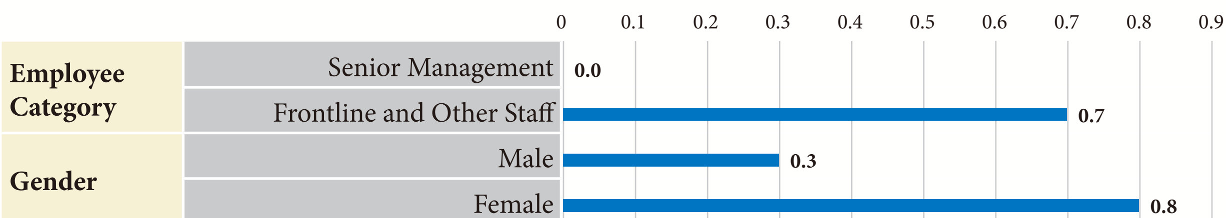
The Group encourages self-development of employees through attending external training programs. Employees can apply for the sponsorship for external training programs relevant to their jobs. Prior approval from their department heads is required and applicants must present relevant certificates to the Human Resources Department for verification after completing the course.

As the local COVID-19 situation has become more stable in the first half of 2021, external training, both online and face-to-face classes, has been resumed. Employees were encouraged to receive training provided by external parties. However, when compared with the previous reporting year, the number of training hours has decreased. During the Reporting Year, the Group has provided training for 13% of its employees and all activities held strictly followed the government's restriction and guidance on group gathering to prevent the spread of COVID-19. A total of 96 hours of training has been provided to 21 employees. Due to the outbreak of the COVID-19 pandemic, less training was provided. Employees will be given more training opportunities when the pandemic situation has markedly improved.

% of employees trained



Average training hours per employee



Environmental, Social and Governance Report

B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

B4. Labour Standards

Safeguarding the rights of employees and creating an environment of respect, integrity and fairness for employees are of paramount importance to the Group. Child labour and forced labour is strictly prohibited in the Group. For operations in Hong Kong, the Group ensures full compliance to relevant regulations and refers to the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong). For the Group's operations in Mainland China, it ensures full compliance to relevant laws and regulations in the Labour Law and the Labour Contract Law of the PRC which stipulate the prevention of the use of child labour of ages under 16 and the prevention of any unlawful way of forced labour.

The Human Resources Department implements comprehensive checking system during the recruitment process to ensure compliance with all the applicable laws and regulations regarding employment and labour standards. If child labour or forced labour is found, the employment shall be terminated.

The Group prohibits unauthorised overtime work. Should overtime work be required, employees will be paid according to the relevant legal requirements.

The Group strictly forbids any forms of workplace harassment. Upon finding or encountering any suspicious actions, employees can make a complaint to the Human Resources Department. The case will be investigated thoroughly and confidentially in accordance with the guidelines in handling harassment complaints.

The Group has equally stringent requirements for its contractors who are required to observe and comply with the same applicable regulations at the relevant jurisdictions. If child or forced labour is found in any place of production, the Group will warn the particular supplier. If repeated violations occur, the Group will terminate all business with the supplier concerned.

No non-compliance with relevant laws and regulations relating to preventing child and forced labour had been identified during the Reporting Year.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Operating Practices

B5. Supply Chain Management

Supply chain management is of crucial when it comes to a sustainable business strategy. The Group adheres to the principle that both the quality of its products and stable business relationship with its premier suppliers are essential to maximise the "Crocodile" brand value in long-term. Hence, the Group has adopted a stringent approach in procurement by conducting a preliminary assessment on the potential suppliers' credentials to ascertain their backgrounds, production facilities and goodwill. The Group also checks whether the products and services provided by the suppliers meet the relevant safety and environmental protection standards. The Group has also actively promoted material saving and extensive use of environmentally friendly clothing materials.

The Group makes a preliminary assessment on the supplier's official website to understand its background, production facilities, and corporate responsibilities. The Group will also check whether the potential suppliers obtain any certificates regarding their corporate responsibility, product, or other relevant recognition, and prevent cooperating with suppliers with negative news and reviews, including the environmental and social performance, etc. After assessing the potential suppliers' credentials preliminarily, the Group will select the suppliers by further scrutinising the qualities of their fabrics, yarns, manufacturing parts and delivery capabilities, and examining whether the materials and/or products supplied comply with the relevant safety and environmental standards.

During the Reporting Year, the Group had engaged 279 product suppliers, of which 96% were from Mainland China and 4% were from overseas. The Group has also engaged 188 suppliers for office supplies and equipment, of which 95% were from Hong Kong and the rest were from Mainland China.

Environmental, Social and Governance Report

B. **SOCIAL** (continued)

2. **Operating Practices** (continued)

B6. Product Responsibility

Product and Service Quality

The Group requires all suppliers and manufacturers of its products and packaging to comply with the Group's policy. The Group keeps its sourcing protocols reviewed regularly and up-to-date in order to maintain the high quality and safety standards of its products and customer satisfaction. The Group cooperates only with suppliers which can provide products of high quality and checks if flaws are found to ensure the product quality.

The Group cherishes feedback from customers, which helps the Group improve its services and product quality. The Retail Department is responsible for handling customer suggestions relating to products and services to ensure timely responses are provided to customers' inquiries and opinions.

During the Reporting Year, the Group did not recall any products for safety and health reasons. Yet, it had received 20 products and service related complaints. All complaints have been solved by product exchange or communication. The Group continues to provide training to new employees, senior sales and supervisors, enabling them to better understand customer needs and excel their performance to meet customer's expectations.

Product Labelling, Health and Safety, and Advertising

For any marketing and promotional activities, the Group ensures that relevant activities observe applicable laws and regulations such as the Advertisement Law of the PRC. No false nor misleading contents shall be contained in any advertisement.

During the Reporting Year, the Group had not recorded any cases of material non-compliance with laws and regulations regarding health and safety, advertising, labelling and privacy matters relating to products and services provided.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Operating Practices (continued)

B6. Product Responsibility (continued)

*Intellectual Properties ("**IPs**")*

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

As of 31 July 2021, 502 active trademarks had been registered within various regions, including Hong Kong, Mainland China and overseas.

Data Protection

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

Environmental, Social and Governance Report

B. **SOCIAL** (continued)

2. **Operating Practices** (continued)

B6. Product Responsibility (continued)

Data Protection (continued)

To preserve the confidentiality of customer personal data and other sensitive information, the Group maintains the following data privacy principles:

(i) Without authorisation of the Company's chairman or authorised persons, employees shall not disclose any confidential information of the Group, such as the Group's undisclosed business policies, the Group's performance, sales information, cost, customer information, product styles and personal information of other employees, etc.

(ii) Employees who are authorised to access or manage such information must take adequate confidentiality measures to prevent such information from being misused or misunderstood. The Group strictly prohibits all employees from taking or reselling the Group's property, including server, computer systems, other equipment, etc., and can only be used for purposes related to the Group's businesses or other purposes approved by the Company's chairman or authorised persons.

(iii) Employees are not allowed to change any equipment, facilities, or installed software without the approval of the Company's chairman or the authorised persons, or develop any applications that have not been approved by the supervisor.

(iv) When using personal computer software, appropriate security measures should be taken, and only personal computer software provided by suppliers specified by the Group can be used. The use of all computer software must strictly abide by the provisions of the Group's employee handbook.

(v) Data is backed up every day and is protected by firewalls to prevent hackers. In addition to the storage devices of the Group, data is also stored in authorised third-party companies, ensuring that data will not be lost accidentally.

(vi) Personal data of applicants will be properly destroyed or deleted permanently after 60-90 days.

During the Reporting Year, the Group had not received of any noticeable cases of unauthorised use of/access to personal and private information of employees and customers.

Environmental, Social and Governance Report

B. SOCIAL (continued)

2. Operating Practices (continued)

B7. Anti-corruption

The Group advocates strong work ethic that insists on compliance with law, integrity, honesty and professional dedication. The Group strictly observes the Criminal Law of the PRC, Anti-Unfair Competition Law of the PRC, Anti-Money Laundering Law of the PRC, Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), and other laws and regulations relating to commercial bribery.

The Group forbids any form of acceptance of advantages or acts of bribery. Explicit rules concerning employees' professional integrity are stated on the Group's employee handbook. It is the Group's principle that all staff are not allowed to receive or offer any advantages such as money, gift, loan, reward, contract and service from or to any business associates. All employees are required to declare whether there is a conflict of interest when they sign the employment contract. If there are any cases of conflict of interest afterwards, the concerning employee is required to update and notify, based on his/her seniority, the Management or the Board.

The Group has a whistle-blowing policy which encourages reporting of any suspected corruption issues. Investigation will be carried out promptly for any suspected fraudulent incidents and staff will be dismissed if found to have committed fraud; and the case will be reported to the respective authority when necessary.

The Group provides training to its Directors and employees to ensure that they are aware of money laundering and extortion related operation and suspicious activities or transactions. Due to the COVID-19 pandemics, training was suspended during the Reporting Year. The Group will continue to arrange talks to its employees to reinforce their knowledge regarding the importance and practice of anti-corruption when the pandemic of COVID-19 is soothing.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to corruption, bribery, fraud and money laundering had been identified during the Reporting Year.

Environmental, Social and Governance Report

B. **SOCIAL** (continued)

2. **Operating Practices** (continued)

B8. Community Investment

While formal policies on community engagement are yet to be established, the Group continues to put resources in public education and environmental protection and strives to implement corporate social responsibility and to participate in public welfare activities. During the Reporting Year, the Group had involved in the following volunteering activities:

Activities	Details	Resources contributed
Yan Chai Hospital Raffle Tickets Sale 2020	Donations; employees participating in charity sales	15 employees participated for a total of approximately 45 hours
Donation of old furniture to the Yan Chai Hospital	Employees helped to collect, and deliver old furniture to the schools of Yan Chai Hospital	8 employees participated for a total of approximately 16 hours
Study tours Sponsorship - Yan Chai Hospital Lim Por Yen Secondary School Fund 2020/2021	Sponsorship for Yan Chai Hospital Lim Por Yen Secondary School Fund	Cash sponsorships
Yan Chai Charity Cookies 2020	Employees helped to sell charity cookies	5 employees participated for a total of approximately 15 hours
Used Clothes Recycling Scheme	Employees helped to collect, sort and deliver used clothes to the Salvation Army	8 employees participated for a total of approximately 16 hours
Red pocket reuse and recycle program	Employees collect red pockets and send them to the Greeners Action	15 employees participated for a total of approximately 15 hours
2020 Badminton (Autumn) Training Camp Sponsorship	Sponsorship for Guangzhou Badminton Association	Cash sponsorships

Independent Auditor's Report

信永中和 ShineWing

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

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

Opinion

We have audited the consolidated financial statements of Crocodile Garments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 76 to 157, which comprise the consolidated statement of financial position as at 31 July 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

Independent Auditor's Report

Valuation of investment properties

Refer to Note 17 to the consolidated financial statements and the accounting policies on page 90.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2021, the carrying amount of investment properties was approximately HK$1,725,948,000, representing 78% of the Group's total assets, with fair value loss of approximately HK$3,538,000 recognised for the year ended 31 July 2021. We have identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the involvement of significant judgments and estimates made by the management of the Company in assessing its fair value.	Our procedures were designed to challenge the valuation process and reasonableness of the key assumptions and estimates adopted in assessing the fair value of investment properties. We have challenged the reasonableness of the methodologies, key assumptions and the input data used in the valuation with reference to the recent market transacted prices, together with market and other externally available information.

Impairment of right-of-use assets

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 90 to 94.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2021, the carrying amount of right-of-use assets was approximately HK$48,932,000, representing 2% of the Group's total assets, with impairment loss of HK$4,427,000 recognised for the year ended 31 July 2021. We have identified impairment of right-of-use assets as a key audit matter as it involves a significant degree of judgement by the management in assessing whether there are any indicators of impairment for right-of-use assets at the end of the reporting period and in the estimation of recoverable amount of the right-of-use assets. The determination of the recoverable amount for right-of-use assets involves the use of assumptions and estimations including estimated revenue growth rate, operating costs and discount rate.	Our procedures were designed to evaluate the management's assessment of the indicators of impairment and, where such indicators were identified, assessed the reasonableness of management's impairment testing and identify any valuation risk of right-of-use assets. We have discussed and challenged with the management on the key assumptions used in the management's impairment assessment. We have assessed the reasonableness of key assumptions used in the impairment assessment, including the estimated revenue growth rate, operating costs, pre-tax discount rate, recent market transacted prices, together with market and other externally available information.

Independent Auditor's Report

Valuation for inventories

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 98.

Key audit matter	How our audit addressed the key audit matter
We have identified valuation of inventories as a key audit matter because the Group has significant amount of inventories of approximately HK$29,134,000, representing 11% of the Group's current assets as at 31 July 2021. Provisions consideration included inventory aging profiles and the determination of the methods and assumptions such as period to sell to determine the percentages to apply to aged inventory. The assumptions adopted are subject to the changing trends which require significant judgment based on experience.	Our procedures were designed to assess the judgment and assumptions used by the management in calculating the inventory provisions. We reviewed management's assessment of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories. We assessed the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reasonableness of management's assessment by considering the utilisation or release of previously recorded provisions and the net realisable value of inventories.

Other Information

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Hong Kong
29 October 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Revenue	6	**112,000**	151,267
Cost of sales		**(30,562)**	(45,957)
Gross profit		**81,438**	105,310
Fair value losses on investment properties	17	**(3,538)**	(161,185)
Other income	6	**16,026**	15,184
Selling and distribution expenses		**(45,178)**	(112,996)
Administrative expenses		**(46,871)**	(54,837)
Other gains (losses), net	8	**8,892**	(61,372)
Finance costs	9	**(11,532)**	(20,318)
Share of loss of an associate	19(b)	**(1,170)**	(2,559)
Loss before tax	11	**(1,933)**	(292,773)
Income tax credit	10	**—**	2,290
Loss for the year attributable to owners of the Company		**(1,933)**	(290,483)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,713**	(1,541)
Other comprehensive income (expense) for the year		**6,713**	(1,541)
Total comprehensive income (expense) for the year attributable to owners of the Company		**4,780**	(292,024)
		HK Cents	HK Cents
Losses per share			
— Basic	14	**(0.20)**	(30.66)
— Diluted	14	**(0.20)**	(30.66)

Consolidated Statement of Financial Position

As at 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	15	**67,944**	68,293
Investment properties	17	**1,725,948**	1,727,756
Right-of-use assets	16	**48,932**	46,387
Financial asset at fair value through profit or loss ("**FVTPL**")	22	**29,457**	29,054
Amount due from an associate	19(a)	**8,135**	8,323
Interest in an associate	19(b)	**49,921**	51,091
Rental and utility deposits	21	**3,344**	10,421
		1,933,681	1,941,325
Current assets			
Inventories	20	**29,134**	49,116
Trade and other receivables, deposits and prepayments	21	**29,135**	25,906
Financial assets at FVTPL	22	**160,239**	179,549
Amount due from a related company	32(b)	**45**	—
Pledged bank deposits	23	**7,432**	24,108
Bank balances and cash	23	**40,953**	86,402
		266,938	365,081
Current liabilities			
Bank borrowings	24	**349,198**	406,243
Margin loans payable	25	**4,396**	13,097
Trade and other payables and deposits received	26	**47,465**	51,217
Amounts due to related companies	32(b)	**338**	472
Lease liabilities	16	**25,510**	35,355
Tax payable		**21,357**	19,755
		448,264	526,139
Net current liabilities		**(181,326)**	(161,058)
Total assets less current liabilities		**1,752,355**	1,780,267

Consolidated Statement of Financial Position

As at 31 July 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Bank borrowings	24	**206,034**	214,992
Deposits received	26	**5,829**	10,821
Provision for long service payments		**350**	1,766
Lease liabilities	16	**8,621**	25,947
Deferred tax liabilities	27	**—**	—
		220,834	253,526
Net assets		**1,531,521**	1,526,741
Capital and reserves			
Share capital	28	**332,323**	332,323
Reserves		**1,199,198**	1,194,418
Total equity		**1,531,521**	1,526,741

The consolidated financial statements on pages 76 to 157 were approved and authorised for issue by the board of directors of the Company on 29 October 2021 and are signed on its behalf by:

Lam Wai Shan, Vanessa
Director

Wan Edward Yee Hwa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2021

	Attributable to owners of the Company					
	Share capital HK$'000	Translation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 August 2019	332,323	16,377	109,689	1,357,990	2,386	1,818,765
Loss for the year	—	—	—	(290,483)	—	(290,483)
Other comprehensive expense:						
Exchange differences arising on translation of foreign operations	—	(1,541)	—	—	—	(1,541)
Total comprehensive expense for the year	—	(1,541)	—	(290,483)	—	(292,024)
Lapse of share options	—	—	—	1,401	(1,401)	—
At 31 July 2020 and 1 August 2020	332,323	14,836	109,689	1,068,908	985	1,526,741
Loss for the year	—	—	—	(1,933)	—	(1,933)
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	6,713	—	—	—	6,713
Total comprehensive income (expense) for the year	—	6,713	—	(1,933)	—	4,780
Lapse of share options	—	—	—	985	(985)	—
At 31 July 2021	**332,323**	**21,549**	**109,689**	**1,067,960**	**—**	**1,531,521**

Consolidated Statement of Cash Flows

For the year ended 31 July 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(1,933)**	(292,773)
Adjustments for:		
Finance costs	**11,532**	20,318
Bank interest income	**(52)**	(106)
Interest income from an associate	**(412)**	(445)
Interest income on advances to independent third parties	**(840)**	(840)
Share of loss of an associate	**1,170**	2,559
Depreciation of property, plant and equipment	**5,878**	10,335
Depreciation of right-of-use assets	**4,812**	44,615
Impairment loss recognised in respect of property, plant and equipment	**—**	5,390
(Gain) loss on disposal/write off of property, plant and equipment	**(167)**	86
Reversal of provision for impairment for trade and other receivables	**(4,702)**	(6,341)
Impairment loss recognised in respect of right-of-use assets	**4,427**	39,349
Reversal of provision for slow-moving inventories	**(883)**	(812)
Net (gains) losses on financial assets at fair value through profit or loss	**(5,073)**	20,482
Fair value losses on investment properties	**3,538**	161,185
Loss on disposal of assets classified as held-for-sale	**—**	726
COVID-19-related rent concessions	**(5,130)**	(3,984)
(Gain) loss on early termination of lease	**(2,739)**	665
Operating cash flows before movements in working capital	**9,426**	409
Decrease in inventories	**20,865**	133
Decrease (increase) in financial assets at fair value through profit or loss	**23,980**	(33,246)
Decrease in trade and other payables and deposits received	**(8,744)**	(4,734)
Decrease in trade and other receivables, deposits and prepayment, excluding rental and utility deposits	**4,449**	8,472
(Decrease) increase in amounts due to related companies	**(134)**	203
Decrease in rental and utility deposits	**4,101**	3,412
Increase in amount due from a related company	**(45)**	—
Decrease in provision for long service payments	**(1,416)**	(500)
Cash from (used in) operations	**52,482**	(25,851)
Interest paid	**(11,532)**	(20,318)
PRC tax refunded	**—**	364
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**40,950**	(45,805)

Consolidated Statement of Cash Flows

For the year ended 31 July 2021

	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES		
Interest received	**892**	946
Proceeds from disposal of property, plant and equipment	**389**	—
Proceeds from disposal of non-current asset held-for-sale	—	49,997
Withdrawal of pledged bank deposits	**16,676**	13,451
Purchase of property, plant and equipment	**(1,038)**	(3,092)
Repayment from an associate	**600**	1,000
NET CASH FROM INVESTING ACTIVITIES	**17,519**	62,302
FINANCING ACTIVITIES		
New bank loans raised	**22,380**	70,817
Decrease in trust receipt loans	—	(9,354)
Repayments of bank loans	**(88,383)**	(36,640)
Repayments of margin loans	**(8,701)**	(10,109)
Repayments of lease liabilities	**(30,172)**	(34,008)
Payments of lease termination penalty	—	(1,079)
Repayment of liabilities associated with asset classified as held-for-sale	—	(15,188)
NET CASH USED IN FINANCING ACTIVITIES	**(104,876)**	(35,561)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(46,407)**	(19,064)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**86,402**	105,570
Effect of foreign exchange rate changes	**958**	(104)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**40,953**	86,402

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

1. GENERAL

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

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements of the Group, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$181,326,000 as at 31 July 2021.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

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

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 August 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16*	COVID-19-Related Rent Concessions beyond 30 June 2021

* The Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 April 2021.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Early application of Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19-related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has early adopted the above amendments and elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 — 2020 cycle[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Disclosure of Accounting Estimates[4]
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Asset[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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

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

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

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

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

After application of the equity method, including recognising the associate's losses (if any), the Group determine whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in an associate in accordance with HKAS 36. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Revenue from sale of garments and related accessories (Note 6) is recognised at the point when the control of the goods is transferred to the customers.

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

Property, plant and equipment
Property, plant and equipment are held for use in the supply of goods or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)
The Group as lessee (continued)
Lease liabilities (continued)
Lease payments included in the measurement of the lease liability comprise:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee (continued)

Right-of-use assets

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

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)
The Group as lessee (continued)
COVID-19-Related Rent Concessions
For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether a COVID-19-Related Rent Concession for lease contracts is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

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

The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Leasehold land and building
When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Exchange differences arising on settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term and other long-term employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements
Equity-settled share-based payment transactions
Share options granted to directors
Equity-settled share-based payments to the Directors are measured at the fair value of the equity instruments at the grant date.

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and cash equivalents
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Provisions

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

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

Financial instruments

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

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

Financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at amortised cost (debt instruments)
The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

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

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

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other (losses) gains, net' line item. Fair value is determined in the manner described in Note 22.

A financial asset is held for trading if:

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets at FVTPL (continued)
Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)
For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

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

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

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

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

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

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

Estimation of fair value of investment properties

As at 31 July 2021, the Group's investment properties amounted to approximately HK$1,725,948,000 (2020: HK$1,727,756,000). They are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. 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.

Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the net realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed semi-annually for obsolete and slow-moving inventory items, if appropriate. For the year ended 31 July 2021, the carrying amount of inventories of the Group was approximately HK$29,134,000 (2020: HK$49,116,000), net of allowance for inventories of approximately HK$16,622,000 (2020: HK$16,895,000).

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

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to operating losses of individual store, any significant change in economic environment and operating cash flows associated with the cash-generating unit. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 July 2021, the carrying amounts of property, plant and equipment and right-of-use assets were HK$67,944,000 and HK$48,932,000 (2020: HK$68,293,000 and HK$46,387,000) respectively. Details of the impairment of property, plant and equipment, right- of-use assets are disclosed in Notes 15 and 16.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

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

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on ECL. The Group uses judgement in making assumptions and selecting the inputs to the ECL model, based on the ageing of trade and other receivables as well as the Group's historical loss rates and forward looking factors at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL on trade and other receivables is assessed collectively by using a provision matrix with appropriate groupings and/or an individual basis for debtors with significant balances or credit impaired. As at 31 July 2021, the carrying amounts of trade and other receivables of the Group were approximately HK$17,356,000 (2020: HK$17,497,000), net of allowance for impairment amounted to HK$40,836,000 (2020: HK$42,317,000). During the year ended 31 July 2021, there was reversal of provision for impairment amounted to HK$4,702,000 (2020: HK$6,341,000).

Income tax

As at 31 July 2021, a deferred tax asset of approximately HK$93,280,000 (2020: HK$86,272,000) (see Note 27) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$484,004,000 (2020: HK$467,449,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

6. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of goods *(Note (a))*	**59,137**	94,868
Revenue from other sources		
Gross rental income	**52,863**	56,399
	112,000	151,267
Other income		
Royalty income	**5,098**	2,354
Bank interest income	**52**	106
Interest income on amount due from an associate	**412**	445
Interest income on advances to independent third parties *(Note 21(b))*	**840**	840
Government grants *(Note (b))*	**4,012**	6,200
COVID-19-related rent concessions *(Note (c))*	**5,130**	3,984
Others	**482**	1,255
	16,026	15,184
Gross rental income	**52,863**	56,399
Less: outgoings	**(817)**	(796)
	52,046	55,603

Notes:

(a) *During the years ended 31 July 2021 and 31 July 2020, sale of goods were recognised at a point in time in accordance with HKFRS 15.*

(b) *During the year ended 31 July 2021, the amounts represented cash subsidies of approximately HK$4,012,000 and nil (2020: HK$4,180,000 and HK$2,020,000) from the Employment Support Scheme and Retail Sector Subsidy Scheme under Anti-epidemic Fund granted by the Government of Hong Kong respectively as part of the relief measures on the COVID-19 pandemic. There are all conditions fulfilled and no other contingencies attached to the receipts of those subsidies.*

(c) *Due to the outbreak of COVID-19, the Group has received numerous forms of rent concessions from lessors including rent forgiveness. The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.*

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

7. SEGMENT INFORMATION

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

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

Segment revenues and results

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

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**59,137**	94,868	**52,863**	56,399	**–**	–	**112,000**	151,267
Other income from external customers *(Note)*	**14,501**	13,540	**633**	698	**–**	–	**15,134**	14,238
Group's total revenue and other income *(Note)*	**73,638**	108,408	**53,496**	57,097	**–**	–	**127,134**	165,505
Reportable segment (loss) profit	**(15,113)**	(105,250)	**44,821**	(116,439)	**4,670**	(17,523)	**34,378**	(239,212)
Unallocated corporate income							**892**	946
Unallocated corporate expenses							**(25,671)**	(34,189)
Finance costs							**(11,532)**	(20,318)
Loss before tax							**(1,933)**	(292,773)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**167,589**	188,103	**1,787,949**	1,792,190	**160,239**	179,549	**2,115,777**	2,159,842
Unallocated corporate assets							**84,842**	146,564
Total consolidated assets							**2,200,619**	2,306,406
LIABILITIES								
Segment liabilities	**71,498**	107,861	**16,615**	17,717	**4,396**	13,097	**92,509**	138,675
Unallocated corporate liabilities							**576,589**	640,990
Total consolidated liabilities							**669,098**	779,665

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

7. SEGMENT INFORMATION (continued)

Other segment information

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**–**	–	**49,921**	51,091	**–**	–	**49,921**	51,091
Additions to property, plant and equipment	**1,033**	5,569	**5**	13	**–**	–	**1,038**	5,582
Addition of right-of-use assets	**10,789**	10,034	**–**	–	**–**	–	**10,789**	10,034
Depreciation	**10,523**	54,585	**167**	365	**–**	–	**10,690**	54,950
Impairment loss recognised in respect of right-of-use assets	**4,427**	39,349	**–**	–	**–**	–	**4,427**	39,349
(Reversal of provision) provision for impairment on trade and other receivables	**(4,702)**	(6,989)	**–**	648	**–**	–	**(4,702)**	(6,341)
Reversal of provision for slow-moving inventories	**(883)**	(812)	**–**	–	**–**	–	**(883)**	(812)
Impairment loss recognised in respect of property, plant and equipment	**–**	5,390	**–**	–	**–**	–	**–**	5,390
(Gain) loss on disposal/write off of property, plant and equipment	**(167)**	86	**–**	–	**–**	–	**(167)**	86
Fair value losses on investment properties	**–**	–	**3,538**	161,185	**–**	–	**3,538**	161,185
Net (gains) losses on financial assets at FVTPL *(Note)*	**–**	–	**–**	–	**(4,670)**	17,523	**(4,670)**	17,523
Share of loss of an associate	**–**	–	**1,170**	2,559	**–**	–	**1,170**	2,559
Interest income from an associate	**–**	–	**(412)**	(445)	**–**	–	**(412)**	(445)

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

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7. SEGMENT INFORMATION (continued)

Disaggregation of revenue

Geographical information

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

	Revenue from external customers	
	Year ended 31 July	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**103,153**	142,851
The PRC	**8,847**	8,416
	112,000	151,267

	Non-current assets	
	As at 31 July	
	2021	2020
	HK$'000	HK$'000
Hong Kong	**1,796,191**	1,800,800
The PRC	**96,554**	92,727
	1,892,745	1,893,527

Note: Non-current assets exclude financial instruments.

Information about major customers

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

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8. OTHER GAINS (LOSSES), NET

	2021 HK$'000	2020 HK$'000
Impairment loss recognised in respect of right-of-use assets	**(4,427)**	(39,349)
Reversal of provision for impairment on trade and other receivables	**4,702**	6,341
Impairment loss recognised in respect of property, plant and equipment	**—**	(5,390)
Gain (loss) on disposal/write off of property, plant and equipment	**167**	(86)
Gain (loss) on early termination of lease	**2,739**	(665)
Loss on disposal of asset classified as held-for-sale	**—**	(726)
Net gains (losses) on financial assets at FVTPL	**5,073**	(20,482)
Exchange (losses) gains, net	**(883)**	244
Others	**1,521**	(1,259)
	8,892	(61,372)

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on:		
Bank borrowings	**9,757**	17,415
Lease liabilities	**1,775**	2,903
	11,532	20,318

10. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current tax	**—**	—
Deferred tax *(Note 27)*	**—**	(2,290)
	—	(2,290)

No current tax has been provided for the years ended 31 July 2021 and 31 July 2020 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both years.

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

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

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10. INCOME TAX CREDIT (continued)

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

For the year ended 31 July 2021

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit (loss) before tax	10,226		(12,159)		(1,933)	
Tax at the domestic income tax rate	1,687	16.5	(3,040)	25.0	(1,353)	70.0
Tax effect of income not taxable for tax purpose	(2,059)	(20.1)	(1,662)	13.7	(3,721)	192.5
Tax effect of expenses not deductible for tax purposes	588	5.8	145	(1.2)	733	(37.9)
Tax effect of share of result of an associate	193	1.9	—	—	193	(10.0)
Tax effect of tax losses not recognised	3,854	37.7	4,557	(37.5)	8,411	(435.1)
Tax effect of deductible temporary differences not recognised	(4,263)	(41.8)	—	—	(4,263)	220.5
	—	—	—	—	—	—

For the year ended 31 July 2020

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

11. LOSS BEFORE TAX

	2021 **HK$'000**	2020 HK$'000
The Group's loss before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration *(Note 12)*:		
Wages and salaries	**34,893**	49,854
Retirement benefits schemes contributions	**1,226**	1,816
Others	**(965)**	(425)
	35,154	51,245
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories)	**29,745**	45,161
Depreciation of property, plant and equipment	**5,878**	10,335
Depreciation of right-of-use assets	**4,812**	44,615
Auditor's remuneration		
— Audit services	**850**	900
— Non-audit services	**68**	75

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12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the ten (2020: nine) Directors including the chief executive officers are as follows:

	2021						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 *(Note (c))*	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Long service payment HK$'000	Total HK$'000
Executive directors (Note (a))							
Lam Kin Ming[1]	4	2,704	–	–	–	390	3,098
Lam Wai Shan, Vanessa	10	2,734	–	–	18	–	2,762
Lam Kin Ngok, Peter	10	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	10
Wan Edward Yee Hwa	10	314	–	–	–	–	324
Non-executive directors (Note (b))							
Lam Suk Ying, Diana	96	–	–	–	–	–	96
Chow Bing Chiu[2]	144	–	–	–	–	–	144
Independent non-executive directors (Note (b))							
Yeung Sui Sang	144	–	–	–	–	–	144
Chow Bing Chiu[2]	–	–	–	–	–	–	–
Leung Shu Yin, William	144	–	–	–	–	–	144
Fung Cheuk Nang, Clement[3]	49	–	–	–	–	–	49
	621	5,752	–	–	18	390	6,781

1 Deceased on 8 January 2021.
2 Re-designated on 29 March 2021.
3 Appointed on 29 March 2021.

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

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

Notes:

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

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

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

Ms. Lam Wai Shan, Vanessa is the chief executive officer of the Company since 22 January 2021 (Dr. Lam Kin Ming up to 8 January 2021) and her emoluments disclosed above include those for services rendered by her as the chief executive officer.

During each of the years ended 31 July 2021 and 31 July 2020, (i) no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office; and (ii) none of the Directors waived any emoluments.

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For the year ended 31 July 2021

12a. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2020: two) Directors, details of whose remuneration are set out in Note 12. The remunerations of the remaining three (2020: three) highest paid employees are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries and allowances	**3,145**	3,361
Retirement benefits schemes	**54**	54
	3,199	3,415

Their remunerations are within the following bands:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

During each of the years ended 31 July 2021 and 31 July 2020, no remuneration was paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend was paid or declared during the year ended 31 July 2021 (2020: Nil), nor has any dividend been proposed by the Company since the end of the reporting period (2020: nil).

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14. LOSSES PER SHARE

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

	2021	2020
	HK$'000	HK$'000
Losses		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted losses per share	**(1,933)**	(290,483)

	2021	2020
Number of shares		
Number of ordinary shares for the purposes of basic losses per share and diluted losses per share	**947,543,695**	947,543,695

For the years ended 31 July 2021 and 31 July 2020, the computation of diluted losses per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price of the Company's shares.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture and fixtures, leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 August 2019	95,424	3,362	91,530	16,451	10,331	217,098
Additions	—	—	5,208	374	—	5,582
Eliminated on write-off	—	—	(33,213)	—	—	(33,213)
Exchange realignment	(1,563)	(49)	(93)	(80)	(36)	(1,821)
At 31 July 2020	93,861	3,313	63,432	16,745	10,295	187,646
Additions	—	—	144	83	811	1,038
Eliminated on disposal/write-off	—	(837)	(9,173)	(3,560)	(1,558)	(15,128)
Exchange realignment	7,034	201	338	285	142	8,000
At 31 July 2021	**100,895**	**2,677**	**54,741**	**13,553**	**9,690**	**181,556**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 August 2019	25,680	3,287	84,913	15,510	8,024	137,414
Provided for the year	4,063	19	5,020	449	784	10,335
Impairment loss recognised in profit or loss	—	—	5,390	—	—	5,390
Eliminated on write-off	—	—	(33,127)	—	—	(33,127)
Exchange realignment	(409)	(51)	(93)	(78)	(28)	(659)
At 31 July 2020	29,334	3,255	62,103	15,881	8,780	119,353
Provided for the year	4,308	19	651	308	592	5,878
Eliminated on disposal/write-off	—	(837)	(9,173)	(3,560)	(1,336)	(14,906)
Exchange realignment	2,342	199	336	285	125	3,287
At 31 July 2021	**35,984**	**2,636**	**53,917**	**12,914**	**8,161**	**113,612**
CARRYING VALUES						
At 31 July 2021	**64,911**	**41**	**824**	**639**	**1,529**	**67,944**
At 31 July 2020	64,527	58	1,329	864	1,515	68,293

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15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The management reviewed the impairment of leasehold improvements on individual premises basis when events or circumstances indicate the carrying amount may not be recoverable. Certain stores/shop outlets were loss making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores/shop outlets with operating losses which is considered as an impairment indicator for the years ended 31 July 2021 and 31 July 2020. The review led to the recognition of impairment loss for the year ended 31 July 2020 of approximately HK$5,390,000, which has been recognised in profit or loss. No further impairment loss was recognised for the year ended 31 July 2021. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The pre-tax discount rate in measuring the amounts of value-in-use was 3.5% (2020: 3.5%) in relation to furniture and fixtures and leasehold improvements.

The Group has pledged leasehold buildings with a carrying value of approximately HK$5,346,000 (2020: HK$5,553,000) to secure general banking facilities granted to the Group (Note 30).

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2021	2020
	HK$'000	HK$'000
Leasehold land	**44,288**	44,946
Leased premises	**4,644**	1,441
	48,932	46,387

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

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

	2021 **HK$'000**	2020 HK$'000
At 1 August	**46,387**	133,460
Addition	**10,789**	10,034
Depreciation	**(4,812)**	(44,615)
Early termination of lease	—	(3,139)
Lease modifications	—	(9,755)
Impairment loss in respect of right-of-use assets	**(4,427)**	(39,349)
Exchange realignment	**995**	(249)
At 31 July	**48,932**	46,387

The leasehold land of approximately HK$11,983,000 and HK$32,305,000 (2020: HK$11,395,000 and HK$33,551,000) are situated in the PRC and Hong Kong respectively.

The Group has lease arrangements for leased premises, shop outlets and warehouse. The lease terms are generally two to five (2020: two to five) years.

Additions to the right-of-use assets for the year ended 31 July 2021 amounted to approximately HK$10,789,000 (2020: HK$10,034,000), due to new leases of leased premises, shop outlets and warehouse.

The management reviewed the impairment of right-of-use assets on individual premises basis when events or circumstances indicate the carrying amount may not be recoverable. Certain shores/shop outlets were loss-making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores/shop outlets with operating losses which is considered as an impairment indicator for the years ended 31 July 2021 and 31 July 2020. As a result, the management recognised an impairment loss of approximately HK$4,427,000 (2020: HK$39,349,000) for certain right-of-use assets during the year ended 31 July 2021, which was estimated based on the recoverable amount of each individual shore/shop outlet cash generating unit which based on the discounted cash flow projections covering a period of the remaining lease term. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The pre-tax discount rate in measuring the amounts of value-in-use was 3.5% (2020: 3.5%) in relation to right-of-use assets. As at 31 July 2021, the carrying amount of right-of-use assets was approximately HK$48,932,000 (2020: HK$46,387,000) in respect of the leasehold land and leased premises.

The Group has pledged leasehold land with a carrying value of approximately HK$32,305,000 (2020: HK$33,551,000) to secure general banking facilities granted to the Group (Note 30).

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

(ii) Lease liabilities

	2021	2020
	HK$'000	HK$'000
Non-current	**8,621**	25,947
Current	**25,510**	35,355
	34,131	61,302

Amounts payable under lease liabilities

	2021	2020
	HK$'000	HK$'000
Within one year	**25,510**	35,355
After one year but within two years	**8,332**	23,704
After two years but within five years	**289**	2,243
	34,131	61,302
Less: Amount due for settlement within 12 months (Shown under current liabilities)	**(25,510)**	(35,355)
Amount due for settlement after 12 months	**8,621**	25,947

During the year ended 31 July 2021, the Group entered into certain new lease agreements in respect of renting shop outlets and warehouse and recognised lease liabilities of approximately HK$10,789,000 (2020: HK$10,034,000).

As at 31 July 2021, the carrying amount of lease liabilities was approximately HK$34,131,000 (2020: HK$61,302,000).

The weighted average incremental borrowings rate applied to lease liabilities is 3.5% (2020: 3.5%).

Rent concessions

During the year, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

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

(iii) Amounts recognised in profit and loss

	2021 **HK$'000**	2020 HK$'000
Depreciation on right-of-use assets		
— Leasehold land	**1,574**	1,554
— Leased premises	**3,238**	43,061
Interest expense on lease liabilities	**1,775**	2,903
Impairment loss in respect of right-of-use assets	**4,427**	39,349
COVID-19-related rent concessions	**5,130**	3,984
Expense relating to short-term leases	**2,028**	8,039
Expense relating to variable lease payments not included in the measurement of the lease liability	**1,467**	2,061

(iv) Others

For the year ended 31 July 2021, the total cash outflow for leases amount to approximately HK$35,442,000 (2020: HK$48,090,000), including payment on interest of lease liabilities and lease termination penalty of approximately HK$1,775,000 and nil (2020: HK$2,903,000 and HK$1,079,000) respectively.

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

	2021 **HK$'000**	2020 HK$'000
Fixed payments	**1,808**	3,836
Variable payments	**1,467**	2,061
Total payments	**3,275**	5,897

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

Restrictions or covenants on leases

As at 31 July 2021, lease liabilities of HK$34,131,000 are recognised with related right-of-use assets of HK$4,644,000 (2020: lease liabilities of HK$61,302,000 and related right-of-use assets of HK$1,441,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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17. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
FAIR VALUE		
At the beginning of the year	**1,727,756**	1,889,349
Decrease in fair value recognised in profit or loss	**(3,538)**	(161,185)
Exchange realignment	**1,730**	(408)
At the end of the year	**1,725,948**	1,727,756

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

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

The fair value of the Group's investment properties as at 31 July 2021 and 31 July 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, an independent qualified professional valuer (the "**Valuer**") not connected to the Group.

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

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17. INVESTMENT PROPERTIES (continued)

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

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

At 31 July 2021 and 2020, certain investment properties of approximately HK$1,676,000,000 (2020: HK$1,706,000,000) of the Group were pledged to banks to secure the bank loans granted to the Group (Note 30).

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

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

Description	Fair value as at 31 July 2021 HK$'000	Fair value as at 31 July 2020 HK$'000	Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
Properties located in Hong Kong							
Office	**28,000**	29,000	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 95% to 108% (2020: 85% to 120%)	The higher the adjusting factor, the higher the fair value.
	1,600,000	1,600,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	3.3% (2020: 3.4%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	HK$28.5 (2020: HK$29) per square foot	The higher the market rent, the higher the fair value.
Industrial	**76,000**	77,000	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 89% to 107% (2020: ranging from 80% to 105%)	The higher the adjusting factor, the higher the fair value.

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17. INVESTMENT PROPERTIES (continued)

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

Description	Fair value as at 31 July 2021 HK$'000	Fair value as at 31 July 2020 HK$'000	Valuation techniques		Unobservable inputs		Relationship of unobservable inputs to fair value
Properties located in the PRC							
Retail	**13,548**	13,431	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2020: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB242 (2020: RMB263) per square metre	The higher the market rent, the higher the fair value.
Office	**8,400**	8,325	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.50% (2020: 5.50%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB69 (2020: RMB74) per square metre	The higher the market rent, the higher the fair value.
	1,725,948	1,727,756					

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18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ registration and operations	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2021	2020	
Crocodile (China) Limited	Hong Kong	HK$4	100	100	Investment holding
Crocodile KT Investment Limited	Hong Kong	HK$1	100	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	100	100	Property investment
Crocodile Garments (Zhong Shan) Limited* (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	100	100	Garment trading
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	100	100	Garment trading
Stargem Limited	Hong Kong	HK$1	100	100	Property investment
Public Global Investments Limited	Hong Kong	HK$1	100	100	Property investment
Pure Goal Limited	British Virgin Islands	US$1	100	100	Investment holding
Purewell Limited	Hong Kong	HK$1	100	100	Property Investment

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

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

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

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19(a). AMOUNT DUE FROM AN ASSOCIATE

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

19(b). INTEREST IN AN ASSOCIATE

	2021 **HK$'000**	2020 HK$'000
Costs of investment in an associate	**—**	—
Share of post-acquisition profit and other comprehensive income, net of dividends received	**49,921**	51,091
	49,921	51,091

Details of the associate as at 31 July 2021 and 31 July 2020 are as follows:

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

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

According to the Development Agreement as disclosed in Note 17, the titles of all car parking spaces of Crocodile Center were assigned to Mass Energy Limited, a company which is owned in equal proportions by LSG and the Group. In the opinion of the Directors, the investment is strategically beneficial to the Group.

Summarised financial information of the associate

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

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

Summarised financial information of the associate (continued)

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

	2021 **HK$'000**	2020 HK$'000
Current assets	**1,289**	929
Non-current assets — representing investment properties	**116,000**	119,000
Current liabilities	**(563)**	(158)
Non-current liabilities	**(16,883)**	(17,589)
Net assets	**99,843**	102,182
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**49,921**	51,091
Total revenue	**1,691**	2,006
Loss and total comprehensive expense for the year	**(2,339)**	(5,119)
Group's share of loss of an associate for the year	**(1,170)**	(2,559)
Dividend shared by the Group and received from the associate during the year	**—**	—

20. INVENTORIES

	2021 **HK$'000**	2020 HK$'000
Raw materials	**138**	122
Finished goods	**28,996**	48,994
	29,134	49,116

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20. INVENTORIES (continued)

The carrying amount of inventories of the Group was approximately HK$29,134,000 (2020: HK$49,116,000) net of allowance for inventories of approximately HK$16,622,000 (2020: HK$16,895,000). During the year ended 31 July 2021, there was an increase in the sales of slow-moving products. As a result, a reversal of provision for slow-moving inventories of HK$883,000 (2020: HK$812,000) has been recognised and included in cost of sales in the current year.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021	2020
	HK$'000	HK$'000
Trade receivables	**17,049**	15,110
Less: Allowance for impairment	**(11,111)**	(10,076)
	5,938	5,034
Other receivables *(Notes (a) and (b))*	**41,143**	44,704
Less: Allowance for impairment	**(29,725)**	(32,241)
	11,418	12,463
Deposits and prepayments	**15,123**	18,830
	32,479	36,327
Less: Rental and utility deposits shown under non-current assets	**(3,344)**	(10,421)
	29,135	25,906

Notes:

(a) *As at 31 July 2021, net royalty receivables of the Group of Nil (2020: Nil), net of allowance for impairment of approximately HK$29,722,000 (2020: HK$32,238,000) was included in the other receivables, where payments are required monthly or semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2021, the Group made reversal of provision for impairment of approximately HK$5,005,000 (2020: approximately HK$7,004,000).*

(b) *As at 31 July 2021, included in other receivables of the Group was advance of HK$7,000,000 (2020: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2022 (2020: April 2021).*

As at 31 July 2021, gross amount of approximately HK$13,532,000 (2020: HK$11,388,000) included in the trade receivables arose from the sales of goods in accordance with HKFRS 15.

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

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

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

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

	2021	2020
	HK$'000	HK$'000
0 to 90 days	**3,641**	4,044
91 to 180 days	**648**	220
181 to 365 days	**1,649**	770
	5,938	5,034

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

	2021	2020
	HK$'000	HK$'000
At the beginning of the year	**42,317**	49,584
Reversal of allowance provided, net	**(4,702)**	(6,341)
Exchange realignment	**3,221**	(926)
At the end of the year	**40,836**	42,317

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

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

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

As at 31 July 2021	**Weighted average expected loss rate %**	**Gross carrying amount HK$'000**	**Impairment loss allowance HK$'000**
Not credit-impaired:			
Within 60 days	*	**3,641**	—
61 days to 150 days	*	**648**	—
Over 150 days	*	**1,649**	—
		5,938	—
Credit-impaired:			
Default receivables	**100%**	**11,111**	**11,111**
		17,049	**11,111**

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

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

The assessments on ECL of other receivables and deposits are set out in Note 35(b).

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22. FINANCIAL ASSETS AT FVTPL

	2021 HK$'000	2020 HK$'000
Current assets		
Listed investments		
Equity securities listed in Hong Kong	**25,926**	1,015
Equity securities listed outside Hong Kong	**14,394**	12,500
Debt securities listed in Hong Kong	**6,757**	27,326
Debt securities listed outside Hong Kong	**10,049**	22,941
Perpetual securities listed in Hong Kong	**5,511**	9,588
Perpetual securities listed outside Hong Kong	**1,711**	12,241
	64,348	85,611
Unlisted investments		
Equity securities	**7,522**	5,230
Debt securities	**88,369**	88,708
	95,891	93,938
Total	**160,239**	179,549

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

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

At 31 July 2021, certain financial assets at FVTPL of approximately HK$41,930,000 (2020: HK$106,102,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$4,396,000 (2020: HK$13,097,000), details of which are set out in Note 25.

	2021 HK$'000	2020 HK$'000
Non-current asset		
Unlisted investment in Hong Kong, at fair value	**29,457**	29,054

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22. FINANCIAL ASSETS AT FVTPL (continued)

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

The valuation technique and significant unobservable inputs are disclosed in Note 35(c).

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2021	2020
	HK$'000	HK$'000
Bank balances and cash	**40,953**	86,402
Pledged bank deposits	**7,432**	24,108

As at 31 July 2021 and 31 July 2020, the pledged bank deposits of the Group carry interest at market rates and are therefore exposed to cash flow interest rate risk.

Pledged bank deposits amounting to approximately HK$7,432,000 (2020: HK$24,108,000) have been pledged to secure margin loans payable and therefore classified as current assets.

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

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 35(b).

24. BANK BORROWINGS

	2021		2020	
		Effective interest rates		Effective interest rates
	HK$'000	**(%) p.a**	HK$'000	(%) p.a
Bank loans, secured	**555,232**	**1.07-2.26**	621,235	0.93-1.90

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24. BANK BORROWINGS (continued)

	2021 HK$'000	2020 HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	**349,198**	406,243
Beyond one year, but not exceeding two years	**206,034**	8,958
Beyond two years, but not exceeding five years	**—**	206,034
	555,232	621,235
Less: Amounts shown under current liabilities	**(349,198)**	(406,243)
Amounts shown under non-current liabilities	**206,034**	214,992

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

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

The Group's fixed-rate and floating-rate borrowings are mainly subject to interest at 2.26% (2020: not applicable) and Hong Kong Interbank Offered Rate plus 1.00% to 1.50% (2020: 1.00% to 1.75%) per annum, respectively.

25. MARGIN LOANS PAYABLE

As at 31 July 2021, the margin loans payable was secured by the debt and equity securities held under the margin accounts, with a total market value of approximately HK$41,930,000 (2020: HK$106,102,000) (Note 22) and pledged bank deposits of approximately HK$7,432,000 (2020: HK$24,108,000) (Note 23).

	2021		2020	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Within one year	**4,396**	**1.45**	13,097	0.81-1.40

The Group's variable-rate margin loans payable are mainly subject to interest rate at 1.45% (2020: 0.81% to 1.40%). The range of effective interest rates are equal to contractual interest rates.

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26. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2021 HK$'000	2020 HK$'000
Trade payables:		
0 to 90 days	**1,263**	278
91 to 180 days	**254**	10,828
181 to 365 days	**821**	1,143
Over 365 days	**2,811**	1,751
	5,149	14,000
Other deposits	**17,923**	18,629
Payable for acquisition of unlisted equity investment	**—**	528
Other payables and accruals	**30,222**	28,881
	53,294	62,038
Less: Deposits received shown under non-current liabilities	**(5,829)**	(10,821)
	47,465	51,217

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

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27. DEFERRED TAX

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

	2021 **HK$'000**	2020 HK$'000
Deferred tax assets	**15,391**	14,235
Deferred tax liabilities	**(15,391)**	(14,235)
	—	—

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

	Losses available for offsetting against future taxable profits HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 31 July 2019	12,022	(14,312)	(2,290)
Credit to profit or loss *(Note 10)*	2,213	77	2,290
At 31 July 2020	14,235	(14,235)	—
Credit (charged) to profit or loss *(Note 10)*	1,156	(1,156)	—
At 31 July 2021	**15,391**	**(15,391)**	—

As at 31 July 2021, the Group has unutilised tax losses of approximately HK$577,284,000 (2020: HK$553,721,000). Tax losses in Hong Kong are available for offsetting against future taxable profits of the companies in which the losses arose for an indefinite period. The PRC tax loss unutilised of approximately HK$27,661,000 (2020: HK$34,459,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$93,280,000 (2020: HK$86,272,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$484,004,000 (2020: HK$467,449,000) in aggregate due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$42,639,000 (2020: HK$68,473,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No deferred taxation had been provided for in the consolidated financial statements since the temporary difference attributable to retained profits of the PRC subsidiaries is nil (2020: nil).

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28. SHARE CAPITAL

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2019, 31 July 2020 and 31 July 2021	**947,543,695**	**332,323**

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

29. SHARE-BASED PAYMENT TRANSACTIONS

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

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

As at 31 July 2021, the number of shares in respect of which share options had been granted and remained outstanding under the 2015 Scheme was nil (2020: 2,900,000), representing 0% (2020: 0.31%) of the shares of the Company in issue at that date). The total number of shares in respect of which share options may be granted under the 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue on 15 December 2015 and the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2015 Scheme and any share option schemes of the Company must not exceed 30% of the number of shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share options granted under the 2015 Scheme must be taken up within 30 days from the date of grant respectively, upon payment of HK$1 per option. Share options may be exercised at any time within a period from the date of grant of the share option to the expiry date of the 2015 Scheme. The exercise price of any shares option is determined by the Directors, and shall be at least the highest 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.

The following tables disclose movements of the Company's share options, which are all held by Directors, during the years ended 31 July 2021 and 31 July 2020:

				Number of option shares				
Category	**Date of grant**	**Exercise price HK$**	**Exercisable period**	**Outstanding at 1 August 2020**	**Granted during the year**	**Exercised during the year**	**Lapse of share options**	**Outstanding 31 July 2021**
Directors								
Dr. Lam Kin Ming	27 March 2018	0.8420	27.3.2018 — 26.3.2021	**900,000**	–	–	**(900,000)**	–
Ms. Lam Wai Shan, Vanessa	27 March 2018	0.8420	27.3.2018 — 26.3.2021	**2,000,000**	–	–	**(2,000,000)**	–
				2,900,000	–	–	**(2,900,000)**	–
Exercisable at the end of the year								–
Weighted average exercise price (HK$)				**0.8420**	–	–	**0.8420**	–

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

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30. PLEDGE OF ASSETS

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

	2021	2020
	HK$'000	HK$'000
Leasehold building *(Note 15)*	**5,346**	5,553
Right-of-use assets *(Note 16)*	**32,305**	33,551
Investment properties *(Note 17)*	**1,676,000**	1,706,000
Financial assets at FVTPL *(Note 22)*	**41,930**	106,102
Pledged bank deposits *(Note 23)*	**7,432**	24,108
	1,763,013	1,875,314

31. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Gross property rental income earned during the year was approximately HK$52,863,000 (2020: HK$56,399,000). The Group leases out its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms ranging from two to four years (2020: two to four years). The terms of the leases generally require the tenants to pay security deposits. During the year, the investment properties generated rental yields of 3.1% (2020: 3.3%). None of the leases includes variable payments.

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

	2021	2020
	HK$'000	HK$'000
Within one year	**40,896**	46,190
After one year but within two years	**10,863**	33,572
After two years but within three years	**2,868**	7,344
After three years but within four years	**—**	690
	54,627	87,796

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32. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	**2021 HK$'000**	2020 HK$'000
Expenses related to short-term leases and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	**104**	3,337
Expenses related to short-terms leases:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	**37**	31
Lease payment and interest expense on lease liabilities:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	**3,177**	16
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	**860**	824
— Honor Lamp Investments Limited	(i), (ii), (v) & (vi)	**560**	840
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (vi)	**400**	440
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii) & (iii)	**719**	916
Rental income and building management fee income:			
— Big Honor Asia Limited	(i) & (ii)	**2,260**	2,260
Interest income:			
— Mass Energy Limited	(iv)	**412**	445

Notes:

(i) Dr. Lam Kin Ming (deceased) has certain shareholding interests in this company.

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

(iii) Dr. Lam Kin Ngok, Peter, a younger brother of Dr. Lam Kin Ming (deceased) and one of the key management personnel members of the Company, has certain shareholding interests in this company and one of its key management personnel members.

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

(v) Ms. Lam Wai Shan, Vanessa, a daughter of Dr. Lam Kin Ming (deceased) and one of the key management personnel members of the Company, has certain shareholding interests in this company.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

32. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties:

Amounts due from related parties

			Maximum amount outstanding during the year ended 31 July	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Related company				
Lai Sun Development Company Limited	**45**	—	**359**	—

Note: Dr. Lam Kin Ming (deceased) and Dr. Lam Kin Ngok, Peter are the directors of Lai Sun Development Company Limited.

Amounts due to related parties

	2021	2020
	HK$'000	HK$'000
Related companies		
Big Honor Asia Limited	**42**	3
Lai Sun Development Company Limited	**—**	440
Lai Sun Textiles Company Limited	**296**	—
Unipress Investments Limited	**—**	29
	338	472

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

(c) Compensation of key management personnel of the Group

	2021	2020
	HK$'000	HK$'000
Short-term employee benefits	**8,987**	12,397
Post-employment benefits	**72**	72
	9,059	12,469

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

33. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 July 2021, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$1,226,000 (2020: HK$1,816,000).

During the years ended 31 July 2021 and 31 July 2020, the Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employees who leave the scheme prior to vesting fully in such contributions) available to reduce its contributions to the pension schemes in future years.

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings, margin loans payable and amounts due to related companies disclosed in Notes 24, 25 and 32(b) respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT

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

	2021	2020
	HK$'000	HK$'000
Debts *(i)*	**559,628**	634,332
Equity *(ii)*	**1,531,521**	1,526,741
Debt to equity ratio	**36.5%**	41.5%

Notes:

(i) Debt is defined as bank borrowings and margin loans payable as detailed in Notes 24 and 25 respectively.

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

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2021 and 31 July 2020 are categorised as follows:

	2021	2020
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**189,696**	208,603
Financial assets at amortised cost	**85,681**	151,688
	275,377	360,291
Financial liabilities		
Financial liabilities at amortised cost	**589,496**	674,143

(b) Financial risk management objectives and policies

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk

Foreign currency risk

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

	Assets		Liabilities	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**53,668**	127,905	**5,440**	24,482
RMB	**13,741**	18,247	**—**	—
JPY	**1,049**	28,585	**—**	30,703
EUR	**406**	2,691	**—**	—

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates a decrease (2020: a decrease) in pre-tax loss where respective functional currency weakened 5% (2020: 5%) against the relevant foreign currency. For a 5% (2020: 5%) strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the pre-tax (loss) profit and the balances below would be negative.

	Effect on profit or loss	
	2021	2020
	HK$'000	HK$'000
RMB	**687**	912
JPY	**52**	(106)
EUR	**20**	135

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk (continued)

Interest rate risk

The Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, margin loans payable, bank balances and pledged bank deposits. Details of bank balances and pledged bank deposits, bank borrowings and margin loans payable are disclosed in Notes 23, 24 and 25 respectively. It is the Group's policy to keep its bank balances and pledged bank deposits, bank borrowings and margin loans payable at floating rate of interests so as to minimise the fair value interest rate risk. Debt securities included in the financial assets at FVTPL, amounts due to related companies, amount due from an associate and short-term time deposits carried at fixed rates expose the Group to fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2020: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance are insignificant.

If interest rates had been 100 (2020: 100) basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the years ended 31 July 2021 and 31 July 2020 would increase/decrease by HK$5,522,000 (2020: HK$6,102,000).

Other price risk

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

Price sensitivity analysis

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

If the prices had been 10% higher/lower while holding all other variables constant, pre-tax loss for the years ended 31 July 2021 and 31 July 2020 would decrease/increase by approximately HK$6,435,000 (2020: HK$8,561,000). This is mainly due to the change in fair value of held-for-trading investments.

The Group's method and assumption used in preparing the sensitivity to listed securities has not changed significantly from the prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk

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

The credit risk of the Group mainly caused from trade and other receivables, deposits, amounts due from a related company and an associate, pledged bank deposits and bank balances. The carrying amount of these balances represent the Group's maximum exposure credit risk in relation to financial asset.

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

The Group has no significant concentration of credit risk as at 31 July 2021 and 31 July 2020, as the exposure spread over a number of counterparties. As at 31 July 2021, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 52% (2020: 67%) of the total trade receivables.

Credit risk arising on debt securities and perpetual securities was mitigated by investing primarily in high credit rating instruments, any exception to which was approved by the management.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances or credit impaired and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Management has considered the trade receivables with defaults or past due events over two years as credit-impaired.

For non-trade related receivable, deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. Management has considered the non-trade related receivable, deposits and other receivables with defaults or past due events over two years as credit-impaired.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

For the year ended 31 July 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note)	Lifetime ECL (simplified approach) — not credit impaired	**5,938**	—	**5,938**
	(Note)	Lifetime ECL (simplified approach) — credit impaired	**11,111**	**11,111**	—
Other receivables	Performing	12-month ECL	**9,430**	—	**9,430**
	Default	Lifetime ECL- credit impaired	**29,725**	**29,725**	—
Amount due from an associate	Performing	12-month ECL	**8,135**	—	**8,135**
Amount due from a related company	Performing	12-month ECL	**45**	—	**45**
Pledged bank deposits	Performing	12-month ECL	**7,432**	—	**7,432**
Deposits	Performing	12-month ECL	**13,748**	—	**13,748**

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

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

For the year ended 31 July 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	(Note)	Lifetime ECL (simplified approach) — not credit impaired	5,034	—	5,034
	(Note)	Lifetime ECL (simplified approach) — credit impaired	10,076	10,076	—
Other receivables	Performing	12-month ECL	10,608	—	10,608
	Default	Lifetime ECL-credit impaired	32,241	32,241	—
Amount due from an associate	Performing	12-month ECL	8,323	—	8,323
Pledged bank deposits	Performing	12-month ECL	24,108	—	24,108
Deposits	Performing	12-month ECL	17,213	—	17,213

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience with reference to the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented with reference to their past due status in terms of the provision matrix. Note 21 includes further details on the loss allowance for trade receivables.

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

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

Liquidity risk

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

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

Liquidity risk (continued)

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

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2021 HK$'000
Non-derivative financial instruments					
Bank borrowings	**352,853**	**208,988**	—	**561,841**	**555,232**
Margin loans payable	**4,400**	—	—	**4,400**	**4,396**
Trade and other payables and deposits received	**29,530**	—	—	**29,530**	**29,530**
Amounts due to related companies	**338**	—	—	**338**	**338**
	387,121	**208,988**	—	**596,109**	**589,496**
Lease liabilities	**26,255**	**8,469**	**291**	**35,015**	**34,131**

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2020 HK$'000
Non-derivative financial instruments					
Bank borrowings	410,484	12,614	211,902	635,000	621,235
Margin loans payable	13,100	—	—	13,100	13,097
Trade and other payables and deposits received	39,339	—	—	39,339	39,339
Amounts due to related companies	472	—	—	472	472
	463,395	12,614	211,902	687,911	674,143
Lease liabilities	36,892	24,188	2,257	63,337	61,302

(c) Fair values

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

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting period. The fair value of unlisted investments was based on the value quoted by the brokers and the Valuer at the end of the reporting period (see Note 22 for details).

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

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35. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

Fair value hierarchy as at 31 July 2021 and 2020

	31 July 2021			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL	**64,348**	**95,891**	**29,457**	**189,696**

	31 July 2020			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL	85,611	93,938	29,054	208,603

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

Financial instruments	**Fair value hierarchy**	**Fair value as at**		**Valuation technique**	**Significant unobservable input(s)**	**Relationship of key inputs and significant unobservable inputs to fair value**
		31/7/2021 HK$'000	31/7/2020 HK$'000			
Unlisted investment in preference shares	Level 3	**29,457**	29,054	Option pricing model backsolve valuation method for equity compensation	(i) Expected term of the instrument	The higher the expected term, the higher the fair value
					(ii) Anticipated volatility	The higher the anticipated volatility, the higher the fair value

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

	Unlisted investment in preference shares HK$'000
At 1 August 2019	32,013
Fair value losses recognised in profit or loss	(2,959)
At 31 July 2020 and 1 August 2020	29,054
Fair value gains recognised in profit or loss	403
At 31 July 2021	**29,457**

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

35. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

The above total gains for the year ended 31 July 2021 recognised in profit or loss of approximately HK$403,000 (2020: losses of HK$2,959,000) are included in other gain and losses that is attributable to the change in unrealised gains or losses relating to financial assets held at the end of the reporting period.

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

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

For the year ended 31 July 2021

			Non-cash changes				
	1 August 2020 HK$'000	Financing cash flows HK$'000	New lease recognised HK$'000	COVID-19 related rent concessions HK$'000	Early termination of the lease contract HK$'000	Exchange difference HK$'000	31 July 2021 HK$'000
Bank borrowings *(Note 24)*	621,235	(66,003)	–	–	–	–	555,232
Margin loans payable *(Note 25)*	13,097	(8,701)	–	–	–	–	4,396
Lease liabilities *(Note 16)*	61,302	(30,172)	10,789	(5,130)	(2,739)	81	34,131
	695,634	(104,876)	10,789	(5,130)	(2,739)	81	593,759

For the year ended 31 July 2020

			Non-cash changes						
	1 August 2019 HK$'000	Financing cash flows HK$'000	New lease recognised HK$'000	Lease modifications HK$'000	COVID-19 related rent concessions HK$'000	Early termination of the lease contract HK$'000	Loss on disposal of assets classified as held for sale HK$'000	Exchange difference HK$'000	31 July 2020 HK$'000
Bank borrowings *(Note 24)*	587,058	34,177	–	–	–	–	–	–	621,235
Trust receipt loans *(Note 24)*	9,354	(9,354)	–	–	–	–	–	–	–
Margin loans payable *(Note 25)*	23,206	(10,109)	–	–	–	–	–	–	13,097
Liability associated with asset classified as held-for-sales	15,000	(15,188)	–	–	–	–	188	–	–
Lease liabilities *(Note 16)*	102,603	(34,008)	10,034	(9,755)	(3,984)	(3,553)	–	(35)	61,302
	737,221	(34,482)	10,034	(9,755)	(3,984)	(3,553)	188	(35)	695,634

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37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**1,408**	1,961
Right-of-use assets		**1,616**	1,193
Investment in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries	(c)	**710,582**	696,756
Rental and utility deposits		**3,341**	10,397
		720,997	714,357
Current assets			
Inventories		**25,899**	44,884
Trade and other receivables, deposits and prepayments		**18,448**	15,764
Amounts due from subsidiaries	(b)	**286**	304
Amount due from a related parties		**45**	—
Financial assets at FVTPL		**160,239**	179,549
Pledged bank deposits		**7,432**	24,108
Bank balances and cash		**10,638**	49,432
		222,987	314,041
Current liabilities			
Bank borrowings		**349,198**	405,702
Margin loans payable		**4,396**	13,097
Trade and other payables and deposits received		**10,374**	20,629
Amounts due to subsidiaries	(b)	**39,504**	40,033
Amount due to a related company	(b)	**296**	440
Lease liabilities		**24,099**	35,150
		427,867	515,051
Net current liabilities		**(204,880)**	(201,010)
Total assets less current liabilities		**516,117**	513,347
Non-current liabilities			
Bank borrowings		**206,034**	214,992
Provision for long service payments		**326**	1,632
Lease liabilities		**6,871**	25,947
		213,231	242,571
Net assets		**302,886**	270,776
Capital and reserves			
Share capital		**332,323**	332,323
Reserves	(a)	**(29,437)**	(61,547)
Total equity		**302,886**	270,776

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 29 October 2021 and are signed on its behalf by:

Lam Wai Shan, Vanessa
Director

Wan Edward Yee Hwa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 July 2021

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

Notes:

(a) *The reserves of the Company as at 31 July 2021 and 31 July 2020 are as follows:*

	Retained profits/ (Accumulated loss) HK$'000	**Share option reserve** HK$'000	**Total** HK$'000
At 1 August 2019	38,552	2,386	40,938
Lapse of share options	1,401	(1,401)	—
Loss and total comprehensive expense for the year	(102,485)	—	(102,485)
At 31 July 2020 and 1 August 2020	(62,532)	985	(61,547)
Lapse of share options	985	(985)	—
Profit and total comprehensive income for the year	32,110	—	32,110
At 31 July 2021	**(29,437)**	**—**	**(29,437)**

(b) *The amounts are unsecured, non-interest bearing and repayable on demand.*

(c) *The amounts are unsecured with approximately HK$575,272,000 (2020: HK$561,152,000) being interest bearing of 5% to 10% (2020: 5% to 10%) and approximately HK$135,310,000 (2020: HK$135,064,000) being non-interest bearing. The Directors do not expect repayments from subsidiaries within the next twelve months from the end of the reporting period.*

38. CAPITAL COMMITMENT

	2021 **HK$'000**	2020 HK$'000
Capital expenditure in respect of the further acquisition of financial assets at FVTPL contracted for but not provided in the consolidated financial statements	**1,476**	—

39. MAJOR NON-CASH TRANSACTION

During the year ended 31 July 2021, the Group entered into new lease agreements for rented shop outlets and warehouse and recognised right-of-use assets and lease liabilities of approximately HK$10,789,000 (2020: HK$10,034,000).

Particulars of Investment Properties

As at 31 July 2021

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

Location	Use	Lease Term	Attributable Interests of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Long	100%
Unit A on 11th Floor, Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Workshop Nos. 1, 2, 3, 5, 6, 7, 8, 9 and Store Room on 20th Floor, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the People's Republic of China ("**PRC**")	Property letting	Medium	100%
Shop No. 129, No. 103 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Shop No. 130, No. 105 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%

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