CROCODILE
2009-2010

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
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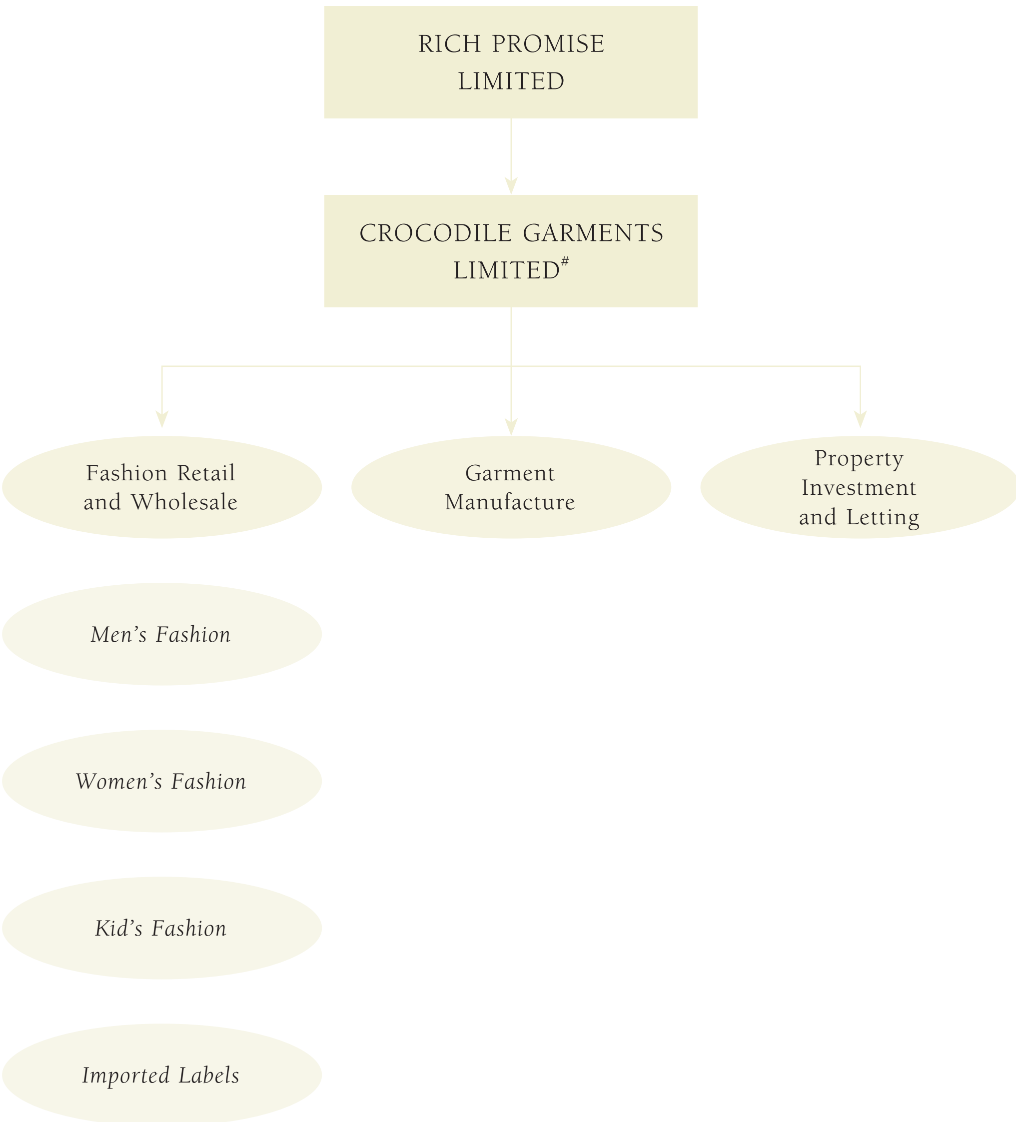
Stock code on Hong Kong Stock Exchange: 122

Corporate Profile

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



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

Corporate Information

Place of Incorporation
Hong Kong

Directors
Lam Kin Ming *(Chairman and Chief Executive Officer)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Cheng Suet Fei, Sophia
Lam Suk Ying, Diana
Tong Ka Wing, Carl
Wan Yee Hwa, Edward
Yeung Sui Sang
Chow Bing Chiu

Secretary and Registered Office
Goh Soon Khian
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

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

Auditor
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Solicitors
Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

Vincent T.K. Cheung, Yap & Co.
11th Floor, Central Building
1-3 Pedder Street
Central, Hong Kong

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

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL PERFORMANCE

During the year under review, the Group recorded an operating profit of HK$2,924,000 before taking into account the surplus from revaluation of an investment property (the "Crocodile Center") and the share of profit of an associated company (2009: operating loss of HK$24,980,000).

Turnover was HK$457,608,000 (2009: HK$432,080,000), representing an increase of 5.9%. Gross profit of the Group increased by 14.9% to HK$289,887,000 (2009: HK$252,345,000). The increase in turnover coupled with the overall improvement in gross profit and the tight control on operating expenses have contributed to the significant improvement in operating result for the year under review. The Group's effort on promoting the brand names and enhancing its marketing strategies has also brought positive results for the performance of the "Garment and Related Accessories Trading Business" segment of the Group. The completion of the Crocodile Center and the buoyancy of the office market in the East Kowloon resulted in a significant increase in the market value of the Crocodile Center and at the same time bring in steady revenue by way of rental.

Chairman's Statement

Income from the "Property Investment and Letting Business" segment was a major contributor to the overall performance of the year under review. A surplus of HK$146,500,000 (2009: HK$212,372,000) on revaluation of the Crocodile Center was recorded.

As a result of the above, the Group recorded a profit attributable to shareholders of HK$163,484,000 for the year ended 31 July 2010 (2009: HK$143,078,000).

OPERATIONS IN HONG KONG AND MACAU

The Group operates 28 shops/outlets for Crocodile line (2009: 29) and 7 shops/outlets for Lacoste line (2009: 6) in Hong Kong and Macau as at 31 July 2010. The operation in Hong Kong and Macau recorded a double-digit growth during the year, with an increase of 13.4% in turnover as compared to last year. The increase in the number of tourists from the Mainland of China, the strengthening of our shop re-positioning strategy and marketing strategies have all contributed to the significant improvement during the year.

The leasing of the Crocodile Center has been quite satisfactory. However, due to the fact that the occupation permit was only granted in late September 2009 and tenants have gradually moved in only after the Chinese New Year, negative contribution had been recorded for the Crocodile Center during the year under review.

OPERATIONS IN THE MAINLAND OF CHINA (THE "MAINLAND")

The unexpected bad weather, our consolidation of sales outlets in some cities, together with the furious competition in the Mainland resulted in a decrease in turnover by 8.9% during the year. Notwithstanding the drop in turnover, the Group has contained the impact by exercising stringent cost control measures and effective promotional policy, thereby successfully mitigating the negative impact. As a result, the gross profit derived from retail and franchisees in the Mainland fell by 1% when compared to last year.

The number of retail outlets run by the Group was 79 as at 31 July 2010 (2009: 81).

Other income, mainly representing royalty income derived from licensees, continued to provide a stable income stream to the Group.

As at 31 July 2010, there were a total of 323 sales outlets in the Mainland (2009: 361), including self-operated retail outlets and those operated by the Group's franchisees.

Chairman's Statement

PROSPECTS

With the coming back of consumers' confidence and strong tourism, consumer spending is anticipated to increase in the coming year. However, the boom of the property market has resulted in increase in rentals, which coupled with the significant increase in the cost of raw materials, may have negative impact on the overall performance of our garment business. Therefore, the Group expects the business environment will still be challenging in the coming year.

The management also notes that the property prices and shop rentals have stood high for years which resulted in high operating costs and eroded the net profit of the Group. The Group intends to take opportunities that may arise to acquire retail shops at affordable prices.

The Crocodile Center is expected to bring in steady rental income in the coming years and to hedge a portion of the heavy rental expenses of the Group. A small portion of the Crocodile Center has been retained for the Group's self-use purpose.

CONTINGENT LIABILITIES

As at 31 July 2010, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2010.

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

CROCODILE

Chairman's Statement

Cash and cash equivalents held by the Group amounted to HK$96,985,000 as at 31 July 2010 (2009: HK$95,482,000) and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 July 2010 amounted to HK$73,707,000 (2009: HK$74,343,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 July 2010, the total outstanding borrowings of the Group amounted to approximately HK$34,616,000 (2009: HK$36,090,000) which were repayable within a period not exceeding one year. The total outstanding borrowings comprised unsecured short-term bank loan of approximately HK$22,000,000 (2009: HK$17,000,000) and unsecured trust receipt loans of approximately HK$12,616,000 (2009: HK$19,090,000). Interest on bank borrowings is charged at floating rates. All bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group in the year ended 31 July 2010.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2010 was 3.9% (2009: 4.9%) expressed as a percentage of total bank borrowings to total net assets.

As at 31 July 2010, the Group had capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of approximately HK$3,974,000; acquisition of property, plant and equipment in the Mainland of approximately HK$15,491,000 and expenditure on shop decorations in Hong Kong and Mainland of approximately HK$37,000.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no significant investments, material acquisitions or disposals for the year ended 31 July 2010.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 894 as at 31 July 2010 (2009: 886). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies. Total staff costs including retirement scheme contributions for the year ended 31 July 2010 was approximately HK$81,564,000 (2009: 87,470,000).

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank all members of staff and management for their dedication and continuous support.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
4 November 2010

Report of the Directors

The directors present herein their report together with the audited financial statements of the Company and of the Group for the year ended 31 July 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Group are the manufacture and sale of garments, property investment and letting. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by business and geographical areas of the operation for the year ended 31 July 2010 is set out in Note 5 to the financial statements.

FINANCIAL RESULTS AND DIVIDEND

The Group's profit for the year ended 31 July 2010 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 28 to 84.

The directors do not recommend the payment of a final dividend for the year ended 31 July 2010 (2009: Nil). No interim dividend was paid by the Company for the year (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

Following is a summary of the published consolidated results and assets and liabilities of the Group for the five financial years from 2006 to 2010:

	Year ended 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**457,608**	432,080	450,007	441,155	385,809
Profit for the year	**163,484**	143,078	21,216	21,559	110,019

	As at 31 July				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,075,692**	910,636	761,111	725,511	728,564
Total liabilities	**178,947**	180,090	154,696	153,173	176,945
Total equity	**896,745**	730,546	606,415	572,338	551,619
	1,075,692	910,636	761,111	725,511	728,564

Report of the Directors

DIRECTORS

The directors of the Company as at the date of this report and those in office during the year are as follows:

Executive directors

Lam Kin Ming *(Chairman and Chief Executive Officer)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Cheng Suet Fei, Sophia

Non-executive directors

Lam Suk Ying, Diana
Tong Ka Wing, Carl
Wan Yee Hwa, Edward*
Yeung Sui Sang*
Chow Bing Chiu*

* Independent non-executive director

In accordance with Article 100 of the Company's Articles of Association, Ms. Lam Suk Ying, Diana, Mr. Tong Ka Wing, Carl, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Ms. Cheng Suet Fei, Sophia, who also retires by rotation in accordance with Article 100 of the Company's Articles of Association will not be offering herself for re-election.

Details of the above directors who offer themselves for re-election 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 (the "Listing Rules") are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of this report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 34 to the financial statements headed "Related Party Transactions", no director of the Company had a material interest, either direct or indirect, in any significant contract to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding company was a party at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Dr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Ms. Lam Wai Shan, Vanessa and Mr. Tong Ka Wing, Carl held interests and/or directorships in companies engaged in the business of property investment in Hong Kong and the Mainland, and/or garment manufacturing and related businesses.

As the board of directors of the Company (the "Board") is independent from the boards of directors of the aforesaid companies and none of the above directors can control the Board, the Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of such companies.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Dr. Lam Kin Ming, Chairman and Chief Executive Officer, aged 73, was appointed a director in December 1993. He is also the chairman of Lai Sun Garment (International) Limited ("LSG"), a non-executive director of Lai Sun Development Company Limited ("LSD"), and the deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG, LSD and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Lam is also the sole director and sole shareholder of Rich Promise Limited (a substantial shareholder of the Company). He received an honorary doctoral degree from the International American University in 2009. Dr. Lam has been involved in day-to-day management in the garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Suk Ying, Diana. He is also the father of Ms. Lam Wai Shan, Vanessa.

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 39, was appointed a director in February 2006. Ms. Lam first joined the Group in March 1998 as Vice President. Ms. Lam holds a Bachelor of Arts degree from Scripps College, California, USA and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. She has over 10 years of experience in the fashion industry. Prior to joining the Company in 1998, she worked for two famous London-based design houses – Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work. She is a daughter of Dr. Lam Kin Ming, and a niece of Ms. Lam Suk Ying, Diana, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Kin Ngok, Peter, aged 53, was appointed a director in October 1987. He is the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("LFH"), and an executive director of eSun Holdings Limited ("eSun"), and the chairman of Media Asia Entertainment Group Limited. LSG, LSD, LFH and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has extensive experience in property development and investment business, hospitality and media and entertainment business. Mr. Lam is a director of the Real Estate Developers Association of Hong Kong. He is currently Chairman of the Hong Kong Chamber of Films Limited and the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association Limited, Vice Chairman of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. Mr. Lam is also a Trustee of the Better Hong Kong Foundation, a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of Friends of Hong Kong Association Limited and a director of Hong Kong-Vietnam Chamber of Commerce Limited. He is a younger brother of Dr. Lam Kin Ming and Ms. Lam Suk Ying, Diana, an elder brother of Mr. Lam Kin Hong, Matthew, and an uncle of Ms. Lam Wai Shan, Vanessa.

Mr. Lam Kin Hong, Matthew, aged 42, was appointed a director in July 1999. He is also an executive director of Lai Sun Garment (International) Limited ("LSG"), and an executive director and executive deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. Mr. Lam is a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has considerable experience in property development and corporate finance in Hong Kong and China. Mr. Lam is the younger brother of Dr. Lam Kin Ming, Ms. Lam Suk Ying, Diana and Mr. Lam Kin Ngok, Peter, and an uncle of Ms. Lam Wai Shan, Vanessa.

Ms. Cheng Suet Fei, Sophia, aged 47, was appointed a director in February 2007. Ms. Cheng is a member of the Institute of Chartered Accountants in England and Wales. She has over 20 years' experience in business and financial management both in Hong Kong and the Mainland of China, including 10 years as a senior management executive of the Lai Sun Group. During 1997 to 1999, she was an executive director of Lai Fung Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors:

Ms. Lam Suk Ying, Diana, aged 55, was appointed a director in December 2006. Ms. Lam graduated from 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, USA. Ms. Lam worked for Metropolitan Life Insurance Company in California, USA for two years and has been managing her personal investments continuously to date. Ms. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She is a younger sister of Dr. Lam Kin Ming, and an elder sister of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew. Ms. Lam does not have a service contract with the Company. She will be subject to retirement from office by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. She will receive such remuneration and discretionary bonus, as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of her emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Articles of Association of the Company, save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Tong Ka Wing, Carl, aged 59, was appointed a director in February 2007. Mr. Tong is currently a director of Creative Master Bermuda Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. He is also the deputy chairman and an independent non-executive director of eSun Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 30 years' experience in corporate management. Mr. Tong does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Tong does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Articles of Association of the Company, save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Wan Yee Hwa, Edward, aged 74, was appointed a director in December 1993 and is an independent non-executive director. Mr. Wan is also an independent non-executive director of Lai Sun Garment (International) Limited ("LSG") and Lai Sun Development Company Limited ("LSD"). LSG and LSD are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961. Mr. Wan does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Wan does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Articles of Association of the Company, save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Yeung Sui Sang, aged 72, was appointed an independent non-executive director in October 2001. Before joining the Lai Sun Group in March 1988, Mr. Yeung had worked in the civil service for over 30 years. He first joined Lai Sun Garment (International) Limited ("LSG") as administration manager, and was later appointed Lai Sun Group's administration controller. He was also appointed to the boards of LSG, Asia Television Limited and later eSun Holdings Limited ("eSun"). LSG and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various Group companies. Mr. Yeung does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Yeung does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Articles of Association of the Company, save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Chow Bing Chiu, aged 59, was appointed an independent non-executive director in September 2004. He is also an independent non-executive director of Lai Sun Garment (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. He is also a China-appointed attesting officer. Mr. Chow does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Chow does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the Articles of Association of the Company. He will receive such remuneration and discretionary bonus, as may be determined by the Board from time to time with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. The amount of his emoluments is set out in the Notes to the Financial Statements (Note 9) of this Annual Report. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Articles of Association of the Company, save as disclosed above, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section “Share Option Scheme” in this report, at no time during the year was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

DIRECTORS' INTERESTS

As at 31 July 2010, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

	Long positions in the shares of the Company						
Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ming	1,752,000	Nil	314,800,000 *(Note 1)*	617,000 *(Note 2)*	Beneficial owner	317,169,000	51.39%
Lam Wai Shan, Vanessa	Nil	Nil	Nil	6,170,000 *(Note 2)*	Beneficial owner	6,170,000	1.00%

Notes:

1. Rich Promise Limited ("RPL") beneficially owned 314,800,000 shares in the Company. Dr. Lam Kin Ming was deemed to be interested in 314,800,000 shares in the Company by virtue of his 100% interest in RPL.

2. A share option scheme was adopted by the Company on 22 December 2006 and will remain in force for a period of 10 years. Details of the options granted to the above directors of the Company are set out below:

Name	Date of Grant (dd/mm/yyyy)	Number of Options	Option Period (dd/mm/yyyy)	Subscription Price
Lam Kin Ming	13/07/2007	617,000	13/07/2007 – 12/07/2011	HK$0.68 per share
Lam Wai Shan, Vanessa	13/07/2007	6,170,000	13/07/2007 – 12/07/2011	HK$0.68 per share

(2) Associated Corporation
Rich Promise Limited ("RPL")

	Long positions in the shares of RPL					
Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lam Kin Ming	1	Nil	Nil	Beneficial owner	1	100%

Save as disclosed above, as at 31 July 2010, none of the directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Report of the Directors

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are set out in Note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2010, the following persons, one of whom is a director and chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000 *(Note 1)*	51.01%
Lam Kin Ming	Beneficial owner	Personal, corporate and other	317,169,000 *(Notes 1 and 2)*	51.39%

Notes:

1. Dr. Lam Kin Ming was deemed to be interested in 314,800,000 shares in the Company by virtue of his 100% interest in RPL.

2. Dr. Lam Kin Ming was personally interested in 1,752,000 shares in the Company and was granted options to subscribe for 617,000 shares in the Company on 13 July 2007.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2010.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder 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.

ACCOUNTING POLICIES

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

PROPERTY, PLANT AND EQUIPMENT

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

Report of the Directors

INVESTMENT PROPERTIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of reporting period are set out in Note 20 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the end of reporting period are set out in Note 25 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases attributable to the five largest suppliers accounted for 35.7% of the Group's total purchases for the year.

DISTRIBUTABLE RESERVES

As at 31 July 2010, the Company had reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$180,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 July 2010.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 25.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company still considers all of the independent non-executive directors to be independent.

Report of the Directors

AUDITOR

The financial statements have been audited by BDO Limited who will retire at the forthcoming annual general meeting of the Company; and a resolution for their reappointment as auditor of the Company will be proposed at the said meeting.

BDO Limited was appointed auditor of the Company in place of Shu Lun Pan Hong Kong CPA Limited at the 2009 annual general meeting of the Company.

On behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
4 November 2010

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this Annual Report save for the following deviations from code provisions A.2.1 and A.4.1:

Code Provision A.2.1

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

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

Code Provision A.4.1

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

None of the existing non-executive directors of the Company was appointed for a specific term. However, all directors of the Company are subject to the retirement provisions in the Articles of Association of the Company which provide that the directors for the time being shall retire from office by rotation once every three years since their last election at each annual general meeting and a retiring director shall be eligible for re-election.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "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 contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2010.

Corporate Governance Report

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure 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, Audit Committee and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) During the year under review, the Board comprises five executive directors, namely Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Cheng Suet Fei, Sophia; two non-executive directors, namely Ms. Lam Suk Ying, Diana and Mr. Tong Ka Wing, Carl; and three independent non-executive directors, namely Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

(3.3) The Board met four times during the year ended 31 July 2010. The attendance record of individual directors at these board meetings is set out in the following table:

	Board Meetings	
Directors	**Held**	**Attended**
Executive Directors		
Lam Kin Ming *(Chairman and Chief Executive Officer)*	4	3
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	4	4
Lam Kin Ngok, Peter	4	1
Lam Kin Hong, Matthew	4	2
Cheng Suet Fei, Sophia	4	4
Non-executive Directors		
Lam Suk Ying, Diana	4	1
Tong Ka Wing, Carl	4	4
Independent Non-executive Directors		
Wan Yee Hwa, Edward	4	4
Yeung Sui Sang	4	4
Chow Bing Chiu	4	4

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Dr. Lam Kin Ming is the father of Ms. Lam Wai Shan, Vanessa and the elder brother of Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Suk Ying, Diana.

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

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual.

As explained in Paragraph (1) above, Dr. Lam Kin Ming assumes the roles of Chairman and Chief Executive Officer of the Company simultaneously.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive directors of the Company is appointed for a specific term.

(6) REMUNERATION OF DIRECTORS

(6.1) The Board established a Remuneration Committee on 18 November 2005, which currently comprises three independent non-executive directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Yeung Sui Sang, Chow Bing Chiu and one non-executive director, Mr. Tong Ka Wing, Carl.

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

Corporate Governance Report

(6) REMUNERATION OF DIRECTORS (continued)

(6.3) The Remuneration Committee held one meeting during the year ended 31 July 2010 to discuss remuneration-related matters. The attendance record of individual members at this Remuneration Committee meeting is set out in the following table:

Members	Remuneration Committee Meeting Held	Remuneration Committee Meeting Attended
Wan Yee Hwa, Edward	1	1
Yeung Sui Sang	1	1
Chow Bing Chiu	1	1
Tong Ka Wing, Carl	1	1

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITOR'S REMUNERATION

The auditor of the Company, BDO Limited, received audit fees amounting to approximately HK$800,000 for statutory audit work on the Group. No other fee has been paid to the auditor for any non-audit service assignment during the year.

(9) AUDIT COMMITTEE

(9.1) The Board established an Audit Committee on 31 March 2000, which currently comprises three independent non-executive directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Yeung Sui Sang and Chow Bing Chiu.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodic financial statements of the Company, the review of significant financial reporting judgments contained in them before submission to the Board for approval, and the review and monitoring of the auditor's independence and objectivity and effectiveness of the audit process.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management expertise.

(9) AUDIT COMMITTEE (continued)

(9.2) The Audit Committee held two meetings during the year under review. The attendance record of individual members at these Audit Committee meetings is set out in the following table:

	Audit Committee Meetings	
Members	**Held**	**Attended**
Wan Yee Hwa, Edward	2	2
Yeung Sui Sang	2	2
Chow Bing Chiu	2	2

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

(10) FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report contained in this Annual Report.

(11) INTERNAL CONTROLS

During the year under review, the Board has reviewed the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls, and risk management functions of the Group as well as the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Independent Auditor's Report

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

We have audited the financial statements of Crocodile Garments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 84, which comprise the consolidated and company statements of financial position as at 31 July 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITY (continued)

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2010 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Ng Wai Man
Practising Certificate Number P05309
Hong Kong, 4 November 2010

Consolidated Statement of Comprehensive Income

For the Year ended 31 July 2010
(Expressed in Hong Kong dollars)

	Notes	2010 HK$'000	2009 HK$'000
Revenue	6	**457,608**	432,080
Cost of sales		**(167,721)**	(179,735)
Gross profit		**289,887**	252,345
Fair value gain on investment properties	16	**146,500**	212,372
Other income and gains	6	**44,424**	57,051
Selling and distribution costs		**(279,979)**	(274,070)
Administrative expenses		**(50,215)**	(54,818)
Other operating expenses, net	7	**(1,193)**	(5,488)
Finance costs	11	**(379)**	(473)
Share of profit of an associate	21	**6,887**	—
Profit before income tax	7	**155,932**	186,919
Income tax credit/(expense)	12	**7,552**	(43,841)
Profit for the year	13	**163,484**	143,078
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		**2,715**	(1,165)
Total comprehensive income for the year attributable to owners of the Company		**166,199**	141,913
Earnings per share			
— basic and diluted (HK cents)	14	**26.49**	23.18

Consolidated Statement of Financial Position

At 31 July 2010
(Expressed in Hong Kong dollars)

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**21,492**	24,672
Investment properties	16	**700,000**	562,000
Construction in progress	17	**20,234**	6,145
Long-term deposits		**2,070**	8,473
Land lease prepayments	18	**15,018**	15,072
Interest in an associate	21	**15,718**	—
Rental and utility deposits		**20,887**	18,575
Deposits for land lease prepayments	19	**32,825**	32,255
		828,244	667,192
Current assets			
Inventories	22	**73,970**	85,797
Trade receivables, deposits and prepayments	23	**76,481**	62,165
Amounts due from related companies	34(c)	**12**	—
Cash and cash equivalents	24	**96,985**	95,482
		247,448	243,444
Current liabilities			
Short-term borrowings	25	**34,616**	36,090
Trade and other payables and deposits received	26	**67,406**	58,474
Amounts due to related companies	34(c)	**585**	1,912
Tax payable		**15,556**	10,410
		118,163	106,886
Net current assets		**129,285**	136,558
Total assets less current liabilities		**957,529**	803,750
Non-current liabilities			
Provision for long service payments	27	**3,324**	3,285
Deferred tax liabilities	28	**57,460**	69,919
Net assets		**896,745**	730,546
EQUITY			
Issued capital	30	**154,282**	154,282
Reserves	31	**294,768**	292,053
Retained profits		**447,695**	284,211
Total equity		**896,745**	730,546

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the Year ended 31 July 2010
(Expressed in Hong Kong dollars)

	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2008	154,282	164,921	1,006	17,469	109,090	159,647	606,415
Total comprehensive income for the year	—	—	—	(1,165)	—	143,078	141,913
Recognition of equity-settled share-based payments	—	—	732	—	—	—	732
Dividend paid	—	—	—	—	—	(18,514)	(18,514)
At 31 July 2009	154,282	164,921*	1,738*	16,304*	109,090*	284,211	730,546
Total comprehensive income for the year	—	—	—	2,715	—	163,484	166,199
At 31 July 2010	**154,282**	**164,921***	**1,738***	**19,019***	**109,090***	**447,695**	**896,745**

* *These reserve accounts comprise the consolidated reserves of HK$294,768,000 (2009: HK$292,053,000) in the consolidated statement of financial position.*

Consolidated Statement of Cash Flows

For the Year ended 31 July 2010
(Expressed in Hong Kong dollars)

	2010 HK$'000	2009 HK$'000
Operating activities		
Profit before income tax	**155,932**	186,919
Adjustments for:		
Finance costs	**379**	473
Interest income	**(377)**	(846)
Share-based payment expenses	**—**	732
Share of profit of an associate	**(6,887)**	—
Depreciation of property, plant and equipment	**14,089**	15,455
Amortisation of land lease prepayments	**316**	318
Loss on disposal/write-off of property, plant and equipment	**1,294**	4,798
Gain on disposal of property, plant and equipment classified as assets held for sale	**—**	(1,247)
(Write-back of provision)/provision for bad and doubtful debts, net	**(590)**	622
Bad debts (write-back)/written off	**(142)**	112
Write-back of provision for royalty receivables	**—**	(2,185)
Write-back of provision for slow-moving inventories, net	**(4,015)**	(2,572)
(Write-back of)/provision for long outstanding trade payables	**(353)**	291
Fair value gain on investment properties	**(146,500)**	(212,372)
Operating cash flows before working capital changes	**13,146**	(9,502)
Decrease/(increase) in inventories	**15,842**	(1,881)
(Increase)/decrease in trade receivables, deposits and prepayments	**(12,315)**	12,899
Increase/(decrease) in trade and other payables and deposits received	**6,906**	(12,156)
Movements in balances with related companies	**(1,339)**	2,557
Movements in balances with an associate company	**(331)**	—
Increase in provision for long service payments	**39**	2,093
Exchange differences on working capital	**649**	(80)
Cash generated from/(used for) operations	**22,597**	(6,070)
Dividend paid	**—**	(18,514)
Interest paid	**(379)**	(473)
Tax paid	**—**	(1,720)
Net cash generated from/(used in) operating activities	**22,218**	(26,777)

Consolidated Statement of Cash Flows

For the Year ended 31 July 2010
(Expressed in Hong Kong dollars)

	2010 HK$'000	2009 HK$'000
Investing activities		
Interest received	**377**	846
Purchases of property, plant and equipment	**(12,126)**	(13,532)
Proceeds from disposal of property, plant and equipment	**30**	22
Proceeds from disposal of property, plant and equipment classified as assets held for sale	**—**	6,104
Payments for long-term deposits	**(2,070)**	(8,473)
Payments for construction in progress	**(6,710)**	(2,848)
Net cash used in investing activities	**(20,499)**	(17,881)
Financing activities		
New bank loans	**5,000**	3,000
Repayment of bank loans	**—**	(3,000)
Movements in trust receipt loans	**(6,474)**	(8,574)
Net cash used in financing activities	**(1,474)**	(8,574)
Net increase/(decrease) in cash and cash equivalents	**245**	(53,232)
Cash and cash equivalents at beginning of year	**95,482**	149,371
Effect of foreign exchange rate changes	**1,258**	(657)
Cash and cash equivalents at end of year	**96,985**	95,482
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**94,695**	95,482
Non-pledged time deposits with original maturity of less than 3 months when acquired	**2,290**	—
	96,985	95,482

Statement of Financial Position

At 31 July 2010
(Expressed in Hong Kong dollars)

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**11,301**	16,001
Interests in subsidiaries	20	**532,604**	391,922
Rental and utility deposits		**19,005**	16,987
		562,910	424,910
Current assets			
Inventories	22	**50,007**	61,766
Trade receivables, deposits and prepayments	23	**23,568**	26,511
Amounts due from related companies	34(c)	**12**	—
Cash and cash equivalents	24	**18,394**	16,187
		91,981	104,464
Current liabilities			
Short-term borrowings	25	**34,616**	36,090
Trade and other payables and deposits received	26	**23,396**	21,113
Amounts due to related companies	34(c)	**346**	1,676
		58,358	58,879
Net current assets		**33,623**	45,585
Total assets less current liabilities		**596,533**	470,495
Non-current liabilities			
Provision for long service payments	27	**3,258**	3,285
Net assets		**593,275**	467,210
EQUITY			
Issued capital	30	**154,282**	154,282
Reserves	31	**166,659**	166,659
Retained profits		**272,334**	146,269
Total equity		**593,275**	467,210

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Crocodile Garments Limited (the "Company") is a company incorporated in Hong Kong with limited liability. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Group was involved in the manufacture and sale of garments and property investment and letting.

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

2. ADOPTION OF NEW AND REVISED STANDARDS

(a) Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

(a) Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"

The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segments"

HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision-maker. Corresponding amounts have been provided on a basis consistent with the revised segment information as detailed in Note 5.

HKFRS 7 (Amendment) "Improving Disclosures about Financial Instruments"

The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosed in accordance with the transactional provision.

HKFRS 3 (Revised) "Business Combinations"

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill, the reported results in the period that an acquisition occurs and future reported results. The adoption of the revised standard has had no impact on the current year as there has been no business combination transaction as defined in revised HKFRS 3.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

(a) Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

HKAS 27 (Revised) applies prospectively for accounting periods beginning on or after 1 July 2009, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognised within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the revised standard specifies that accounting when control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The revised standard has had no impact on the current year as there has been no transaction with non-controlling interest or transaction whereby an interest in an entity is retained after the loss of control of that entity. The adoption of revised HKAS 27 has had no impact on the current year's financial statements.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group's operations.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 [1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2]
Amendments to HKAS 32	Classification of Rights Issues [3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [4]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets [6]
HKFRS 9	Financial Instruments [7]

1 Effective for annual periods beginning on or after 1 January 2010
2 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2011
7 Effective for annual periods beginning on or after 1 January 2013

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment, effective from 1 January 2010, removes the requirement for leasee to classify leasehold land as operating leases and present as prepaid lease payments in the statement of financial position. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by HKICPA. In addition, the financial statements also comply with the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as further explained in Note 3(i).

These financial statements are presented in Hong Kong dollars ("HK$") except otherwise indicated.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intercompany transactions and balances within the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

With effect from 1 July 2009, non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly, to the parent. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it recognises the fair value of any investment retained.

Prior to 1 July 2009, losses applicable to non-controlling interests in excess of their interests in the subsidiary's equity are allocated against the interests of the parent except to the extent that the non-controlling interests have a binding obligation and is able to make an additional investment to cover the losses. Losses prior to 1 July 2009 were not reallocated between non-controlling interests and the parent. Upon loss of control, the Group accounted for the investment retained at its proportionate share of net assets value at the date control was lost. The carrying values of such investments at 1 July 2009 have not been restated.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Subsidiaries

A subsidiary is an entity in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(e) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(f) Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a subsidiary when the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the items of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the statement of comprehensive income is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (other than financial assets and investment properties)

An assessment is made at the end of each reporting period of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit or loss in the period in which it arises.

(i) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rentals or for capital appreciation or both, and which include those existing investment properties being redeveloped by the Group for continued future use. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each reporting period. Changes in the fair values of investment properties are recognised in profit or loss in 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 disposal. The gain or loss arising from the retirement or disposal of an investment property, calculated as the differences between the net disposal proceeds and the carrying amount of the investment property, is recognised in profit or loss in the period of the retirement or disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all cost of purchase, cost of conversion and other costs incurred in bring the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Financial assets

The Group's financial assets are classified into loans and receivables. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

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

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For certain categories of financial asset, such as trade and other receivables, that are assessed not to impaired individually are subsequently assessed for impairment on a collective basis. In determining whether there is any impairment for a portfolio of receivables, the Group considers past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and other observable changes in national or local economic conditions that correlate with default on receivables. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments (continued)

i) Financial assets (continued)

Effective interest method

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

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

Financial liabilities

Financial liabilities, including trade and other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

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 through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

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

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit or loss on the straight-line basis over the lease terms. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment. Deposits for prepaid land lease payments represent the deposits paid for acquisition of the land pending registration of titleship with the relevant authority. No recognition of the land lease payments is made until the registration is completed.

(o) Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the statement of financial position date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(q) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(o) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised, except:

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(s) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the exchange rates ruling at the end of the reporting period and, their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount in equity relating to that particular foreign operation is reclassified to profit or loss.

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

(t) Employee benefits

(i) Paid leave carried forward

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

(ii) Employment Ordinance long service payments

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

(iii) Pension schemes

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(iii) Pension schemes (continued)

Employees of subsidiaries operating in Mainland China are members of the Central Pension Scheme operated by the People's Republic of China (the "PRC") government. The subsidiaries are required to contribute a certain percentage of their covered payroll costs to the Central Pension Scheme to fund the benefits. The only obligation of the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the profit or loss in the year to which they relate.

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve in equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 July 2009.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) rental income, on the straight-line basis over the terms of the lease;

(iii) royalty income, when the right to receive the income has been established and on the straight-line basis over the terms of the relevant agreement; and

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(w) Related parties

A party is related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is a joint venture in which the Group is a venturer;

(c) the party is an associate of the Group;

(d) the party is a member of the key management personnel of the Group or the Group's parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d) above;

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above; or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Judgements

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

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(ii) Income tax

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

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors is also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which the estimated tax losses can be utilised.

(b) Estimation uncertainty

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

(i) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making such estimation, management considers information from current prices in an active market for properties of a different nature, condition or location. This conclusion is supported by an independent professional valuer who was engaged by the Group to perform a valuation on the Group's investment properties.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Estimation uncertainty (continued)

(ii) Impairment testing of assets

Management determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iii) Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolescence provisions, if appropriate.

5. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

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

- **Garment and related accessories trading business**
- **Property investment and letting business**

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Corporate expenses, assets and liabilities are not allocated to the reportable segments as they are not included in the measure of the segments' profit, assets and liabilities that is used by the chief operating decision-makers for assessment of segment performance.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT REPORTING (continued)

(a) Reportable segments (continued)

	Garment and related accessories trading business		Property investment and letting business		Total	
	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	455,289	432,080	2,319	—	457,608	432,080
Other revenue from external customers	42,624	47,682	1,423	8,523	44,047	56,205
Total	497,913	479,762	3,742	8,523	501,655	488,285
Reportable segment profit/(loss)	5,020	(31,834)	151,305	219,240	156,325	187,406
Interest revenue	377	846	—	—	377	846
Interest expense	(379)	(473)	—	—	(379)	(473)
Depreciation and amortisation	(14,335)	(15,772)	(70)	(1)	(14,405)	(15,773)
Fair value gain on investment properties	—	—	146,500	212,372	146,500	212,372
Share of profit of an associate	—	—	6,887	—	6,887	—
Income tax credit/(expenses)	(4,907)	(8,938)	12,459	(34,903)	7,552	(43,841)
Reportable segment assets	258,034	252,814	720,673	562,340	978,707	815,154
Total Assets includes:						
Investment in an associate	—	—	15,718	—	15,718	—
Additions to non-current assets	4,768	1,744	156,284	212,671	161,052	214,415
Reportable segment liabilities	(80,291)	(73,958)	(64,040)	(70,042)	(144,331)	(144,000)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2010 HK$'000	2009 HK$'000
Profit before income tax		
Reportable segment profit	**156,325**	187,406
Unallocated corporate expenses	**(14)**	(14)
Finance costs	**(379)**	(473)
Consolidated profit before income tax	**155,932**	186,919

	2010 HK$'000	2009 HK$'000
Assets		
Reportable segment assets	**978,707**	815,154
Unallocated corporate assets	**96,985**	95,482
Consolidated total assets	**1,075,692**	910,636

	2010 HK$'000	2009 HK$'000
Liabilities		
Reportable segment liabilities	**(144,331)**	(144,000)
Unallocated corporate liabilities	**(34,616)**	(36,090)
Consolidated total liabilities	**(178,947)**	(180,090)

(c) Geographical information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets").

	Revenue from external customer		Specified non-current assets	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong (place of domicile)	**319,603**	286,002	**750,873**	595,564
Mainland China	**182,052**	202,283	**77,371**	71,628
	501,655	488,285	**828,244**	667,192

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT REPORTING (continued)

(d) None of the Group's customers contributed 10% or more of the Group's revenue during the two years ended 31 July 2009 and 2010.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods supplied to customers after allowances for returns, trade discounts and value-added tax, and rental income.

An analysis of revenue, other income and gains is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Revenue		
Sale of goods	**455,289**	432,080
Gross rental income	**2,319**	—
	457,608	432,080
Other income		
Royalty income	**40,409**	42,766
Interest income	**377**	846
Sale of miscellaneous materials	**271**	531
Income from a related company for contributing an investment property as security (Note 34(a)(v))	**1,420**	8,520
Others	**1,947**	3,141
	44,424	55,804
Gains		
Gain on disposal of property, plant and equipment classified as assets held for sale	**—**	1,247
	44,424	57,051

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7. PROFIT BEFORE INCOME TAX

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cost of inventories sold	**171,736**	182,307
Depreciation of property, plant and equipment	**14,089**	15,455
Amortisation of land lease prepayments (included in administrative expense)	**316**	318
Auditor's remuneration	**800**	800
Lease payments in respect of land and buildings:		
Minimum lease payments under operating leases	**105,270**	102,690
Contingent rents	**12,910**	11,434
	118,180	114,124
Employee benefits expense (including directors' remuneration — Note 9):		
Wages and salaries	**78,824**	81,570
Pension scheme contributions	**2,537**	2,601
Equity-settled share-based payments	**—**	732
Provision for long service payments	**203**	2,567
	81,564	87,470
Gross rental income	**2,319**	—
Less: outgoings	**(4,525)**	—
Net rental income	**(2,206)**	—
Write-back of provision for slow-moving inventories, net (included in cost of sales)	**(4,015)**	(2,572)
Other operating expenses, net:		
Severance payments	**511**	1,381
(Write-back of provision)/provision for bad and doubtful debts, net	**(590)**	622
Bad debts (write-back)/written off	**(142)**	112
Loss on disposal/write-off of property, plant and equipment	**1,294**	4,798
Write-back of provision for royalty receivables	**—**	(2,185)
(Write-back of)/provision for long outstanding trade payables	**(353)**	291
Exchange loss, net	**473**	403
Others	**—**	66
	1,193	5,488

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8. DIVIDEND

No dividend was paid or declared by the Company during the year (2009: Nil).

9. DIRECTORS' REMUNERATION

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

	Group			
	Executive directors		Non-executive directors	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fees	**50**	50	**480**	490
Other emoluments:				
Salaries, allowances and benefits in kind	**9,279**	10,002	**—**	—
Pension scheme contributions	**24**	34	**—**	—
Equity-settled share-based payments	**—**	449	**—**	—
	9,303	10,485	**—**	—
	9,353	10,535	**480**	490

Directors' remuneration paid to independent non-executive directors during the year amounted to HK$180,000 (2009: HK$180,000).

There was no arrangement under which a director waived or agreed to waive any remuneration or as compensation for loss of office during the year. (2009: Nil)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2010				
Name	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Lam Kin Ming	10	5,263	—	—	5,273
Lam Wai Shan, Vanessa	10	2,516	12	—	2,538
Lam Kin Ngok, Peter	10	—	—	—	10
Lam Kin Hong, Matthew	10	—	—	—	10
Cheng Suet Fei, Sophia	10	1,500	12	—	1,522
Non-executive directors:					
Tong Ka Wing, Carl	240	—	—	—	240
Lam Suk Ying, Diana	60	—	—	—	60
Independent non-executive directors:					
Yeung Sui Sang	60	—	—	—	60
Wan Yee Hwa, Edward	60	—	—	—	60
Chow Bing Chiu	60	—	—	—	60
	530	9,279	24	—	9,833

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2009				
Name	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Lam Kin Ming	10	5,266	—	41	5,317
Lam Wai Shan, Vanessa	10	2,521	11	408	2,950
Lam Kin Ngok, Peter	10	—	—	—	10
Lam Kin Hong, Matthew	10	715	11	—	736
Cheng Suet Fei, Sophia	10	1,500	12	—	1,522
Non-executive directors:					
Tong Ka Wing, Carl	250	—	—	—	250
Lam Suk Ying, Diana	60	—	—	—	60
Independent non-executive directors:					
Yeung Sui Sang	60	—	—	—	60
Wan Yee Hwa, Edward	60	—	—	—	60
Chow Bing Chiu	60	—	—	—	60
	540	10,002	34	449	11,025

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees for the year are set out below:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,676**	1,994
Pension scheme contributions	**24**	23
	1,700	2,017

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

	Group Number of employees	
	2010	2009
Below HK$1,000,000	**2**	1
HK$1,000,001 – HK$1,500,000	**—**	1
	2	2

11. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within one year	**379**	473

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. INCOME TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong for the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2010	2009
	HK$'000	HK$'000
Current – PRC	**4,907**	8,938
Deferred tax – HK (Note 28)	**(12,459)**	34,903
Income tax (credit)/expense	**(7,552)**	43,841

A reconciliation of the tax (credit)/expense applicable to profit before income tax using the statutory tax rates for the places in which the Group is domiciled to the tax position at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

Group – 2010

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before income tax	139,347		16,585		155,932	
Tax at the statutory tax rate	22,992	16.5	4,146	25.0*	27,138	17.4
Income not subject to tax	(1,578)	(1.1)	(247)	(1.5)	(1,825)	(1.2)
Expenses not deductible for tax	391	0.3	792	4.8	1,183	0.8
Increase in unprovided deferred tax assets	2,366	1.7	216	1.3	2,582	1.7
Tax losses utilized from previous year	(1,615)	(1.2)	—	—	(1,615)	(1.0)
Decrease in deferred tax liabilities in respect of reversal of temporary differences	(35,015)	(25.1)	—	—	(35,015)	(22.5)
Tax charge/(credit) at Group's effective rate	(12,459)	(8.9)	4,907	29.6	(7,552)	(4.8)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. INCOME TAX (continued)

Group – 2009

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before income tax	166,703		20,216		186,919	
Tax at the statutory tax rate	27,506	16.5	5,054	25.0*	32,560	17.4
Income not subject to tax	(418)	(0.3)	(1,761)	(8.7)	(2,179)	(1.1)
Expenses not deductible for tax	628	0.4	5,577	27.6	6,205	3.3
Increase in unprovided deferred tax assets	7,217	4.3	68	0.3	7,285	3.9
Tax losses utilized from previous year	(30)	—	—	—	(30)	—
Tax charge at Group's effective rate	34,903	20.9	8,938	44.2	43,841	23.5

* The Group's operations in the Coastal Open Economic Zones of Mainland China are entitled to a preferential tax rate of 25% (2009: 25%).

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

The consolidated profit includes a profit of HK$126,065,000 (2009: loss of HK$32,683,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2010	2009
	HK$'000	HK$'000
Amount of consolidated profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements	**10,110**	(32,683)
Dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**115,955**	—
Company's profit/(loss) for the year (Note 31(b))	**126,065**	(32,683)

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$163,484,000 (2009: HK$143,078,000) and the number of 617,127,130 ordinary shares in issue throughout the two years.

Basic and diluted earnings per share are equal for the years ended 31 July 2010 and 2009 as the share options outstanding during these two years had an anti-dilutive effect on the basic earnings per share for the years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 August 2008	5,318	60,557	18,623	7,552	92,050
Additions	7	10,919	659	1,947	13,532
Disposals/write-offs	(1,093)	(14,322)	(8,033)	—	(23,448)
Exchange realignment	(32)	(107)	(45)	(17)	(201)
At 31 July 2009	4,200	57,047	11,204	9,482	81,933
Additions	34	8,797	1,747	1,548	12,126
Disposals/write-offs	—	(3,961)	(15)	—	(3,976)
Exchange realignment	65	238	90	34	427
At 31 July 2010	**4,299**	**62,121**	**13,026**	**11,064**	**90,510**
Accumulated depreciation:					
At 1 August 2008	4,026	36,657	14,755	5,123	60,561
Provided for the year	231	12,217	1,488	1,519	15,455
Disposals/write-offs	(498)	(10,151)	(7,979)	—	(18,628)
Exchange realignment	(28)	(61)	(28)	(10)	(127)
At 31 July 2009	3,731	38,662	8,236	6,632	57,261
Provided for the year	140	11,406	1,306	1,237	14,089
Disposals/write-offs	—	(2,639)	(13)	—	(2,652)
Exchange realignment	58	166	70	26	320
At 31 July 2010	**3,929**	**47,595**	**9,599**	**7,895**	**69,018**
Net book value:					
At 31 July 2010	**370**	**14,526**	**3,427**	**3,169**	**21,492**
At 31 July 2009	469	18,385	2,968	2,850	24,672

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improve-ments HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 August 2008	340	47,658	13,707	4,754	66,459
Additions	—	7,340	358	1,618	9,316
Disposals/write-offs	(340)	(10,107)	(7,933)	—	(18,380)
At 31 July 2009	—	44,891	6,132	6,372	57,395
Additions	—	2,996	1,012	1,548	5,556
Disposals/write-offs	—	(3,204)	—	—	(3,204)
At 31 July 2010	**—**	**44,683**	**7,144**	**7,920**	**59,747**
Accumulated depreciation:					
At 1 August 2008	14	28,940	12,488	3,366	44,808
Provided for the year	34	10,206	564	1,105	11,909
Disposals/write-offs	(48)	(7,342)	(7,933)	—	(15,323)
At 31 July 2009	—	31,804	5,119	4,471	41,394
Provided for the year	—	8,049	377	831	9,257
Disposals/write-offs	—	(2,205)	—	—	(2,205)
At 31 July 2010	**—**	**37,648**	**5,496**	**5,302**	**48,446**
Net book value:					
At 31 July 2010	**—**	**7,035**	**1,648**	**2,618**	**11,301**
At 31 July 2009	—	13,087	1,013	1,901	16,001

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**562,000**	349,628
Transfer to an associate (Note 21)	**(8,500)**	—
Fair value gains	**146,500**	212,372
At end of year	**700,000**	562,000

An analysis of investment properties is as follows:

Investment properties, at fair value	**700,000**	562,000

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

Unipress started in 2007 to redevelop the KT Property which was completed in September 2009. The KT Property was renamed as Crocodile Center upon the completion of the development. Pursuant to the Development Agreement, upon the completion of the redevelopment, the Group assigned the retail and restaurant portion of the Crocodile Center to Unipress and all the car parking space to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 21). As at 31 July 2009, the KT Property was pledged to a bank as security as set out in Note 34(b) and these charges were released in March 2010.

In October 2010, the Crocodile Center was pledged to a bank to obtain banking facilities of HK$300 million and RMB30 million.

The fair value of the investment properties was determined based on a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors.

As at 31 July 2010 and 2009, the Group's investment properties were held under medium term leases in Hong Kong.

Further details of the Group's investment properties are disclosed on page 85 of the Annual Report.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17. CONSTRUCTION IN PROGRESS

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**6,145**	3,326
Additions	**13,981**	2,848
Exchange realignment	**108**	(29)
At end of year	**20,234**	6,145

The amount represents construction in progress of a staff quarter and warehouse located in Mainland China.

18. LAND LEASE PREPAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**15,072**	15,524
Amortisation	**(316)**	(318)
Exchange realignment	**262**	(134)
At end of year	**15,018**	15,072

Land lease prepayments represent prepaid operating lease payments in Mainland China, held on between 10 to 50 years.

19. DEPOSITS FOR LAND LEASE PREPAYMENTS

Deposits for land lease prepayments were for the purchase of land use rights in Mainland China. The Group is in the process of obtaining from the relevant authority the land use right certificates which, in the opinion of the Directors, will be issued in due course. In October 2010, a letter has been issued by relevant authority which acknowledged the receipt of deposits and the application of the transfer of land use right certificates. Details of the capital commitments are set out in Note 33 to the financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

20. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**571,640**	560,818
Amounts due to subsidiaries	**(13,098)**	(128,917)
	562,592	435,951
Less: Provision for impairment	**(29,988)**	(44,029)
	532,604	391,922

Except for certain amounts due from subsidiaries which bear interest at Hong Kong dollar prime rate less 2.5% per annum (2009: Nil), the amounts with the subsidiaries included in the Company's statement of financial position are unsecured, interest-free and have no fixed terms of repayment.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

20. INTERESTS IN SUBSIDIARIES (continued)

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

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Investment holding
Crocodile Garments (Zhong Shan) Limited * ("Crocodile Zhong Shan")	Mainland China	HK$17,200,000	**100**	90	Garment manufacturing and trading
Crocodile KT Investment Limited	Hong Kong	HK$1	**100**	100	Property investment
Crocodile Garments (Hong Kong) Limited	Hong Kong	HK$1	**100**	—	Garment Trading
Zhongshan Crocodile Garments Limited **	Mainland China	HK$8,000,000	**100**	100	Property investment
Guangzhou Crocodile Garments Commercial Limited ** (廣州鱷魚恤商業有限公司)	Mainland China	HK$5,000,000	**100**	100	Garment trading

* *Crocodile Zhong Shan was a joint venture and was indirectly held by the Company in 2009. The paid-up capital represents the registered capital in Mainland China. Crocodile Zhong Shan is registered as a sino-foreign owned enterprise under the law of Mainland China. On 4 August 2009, Crocodile (China) Limited acquired the remaining 10% of the registered capital of Crocodile Zhong Shan and became its 100% owner.*

** *All these subsidiaries are wholly foreign-owned enterprises established in Mainland China.*

Except for Crocodile Garments (Zhong Shan) Limited, Crocodile KT Investment Limited ("Crocodile KT"), Zhongshan Crocodile Garments Limited, Guangzhou Crocodile Garments Commercial Limited and Crocodile Garments (Hong Kong) Limited, all subsidiaries are directly held by the Company.

The above summary lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21. INTEREST IN AN ASSOCIATE

	Group 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	—	—
Share of net assets	6,887	—
Amount due from an associate #	8,831	—
	15,718	—

\# *The amount is unsecured, interest free, with no fixed repayment terms and treated as quasi-equity balances.*

Details of the associate are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of ownership interests/voting rights/profit share
Mass Energy Limited*	Corporation	Hong Kong	Investment holding in Hong Kong	50

* *Company not audited by BDO Limited*

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21. INTEREST IN AN ASSOCIATE (continued)

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

	2010 HK$'000	2009 HK$'000
Total assets	**34,871**	—
Total liabilities	**(21,097)**	—
Net assets	**13,774**	—
Group's share of net assets of associate	**6,887**	—
Total revenue	**960**	—
Total profit for the period	**13,774**	—
Group's share of profits of associate for the year	**6,887**	—

22. INVENTORIES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Raw materials	**1,211**	1,412	**753**	1,073
Finished goods	**72,759**	84,385	**49,254**	60,693
	73,970	85,797	**50,007**	61,766

23. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Trade receivables	**29,447**	32,500	**14,550**	15,479
Less: Allowance for bad and doubtful debts	**(15,352)**	(15,938)	**(14,081)**	(14,137)
	14,095	16,562	**469**	1,342
Deposits and prepayments	**62,386**	45,603	**23,099**	25,169
	76,481	62,165	**23,568**	26,511

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has a maximum credit limit.

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

(ii) All of the trade receivables (net of allowance for bad and doubtful debts) are expected to be recovered within one year.

(iii) An aging analysis of the trade receivables as at the end of reporting period, net of provisions, based on the overdue date is as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables:				
Current to 90 days	**12,743**	13,353	**379**	1,187
91 to 180 days	**697**	2,525	**57**	135
181 to 365 days	**655**	675	**33**	11
Over 365 days	**—**	9	**—**	9
	14,095	16,562	**469**	1,342

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

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**15,938**	15,353	**14,137**	14,092
Impairment loss (reversed)/recognised	**(590)**	622	**(58)**	46
Exchange realignments	**4**	(37)	**2**	(1)
At end of year	**15,352**	15,938	**14,081**	14,137

At 31 July 2010, the Group's trade receivables of HK$15,352,000 (2009: HK$15,938,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) An aging analysis of trade receivables that are neither individually nor collectively considered to be impaired as at the end of the reporting period is as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**3,169**	4,311	**217**	1,041
Past due				
Within 90 days	**9,574**	9,042	**162**	146
91 days to 180 days	**697**	2,525	**57**	135
181 days to 365 days	**655**	675	**33**	11
Over 365 days	**—**	9	**—**	9
	10,926	12,251	**252**	301
	14,095	16,562	**469**	1,342

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

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**94,695**	95,482	**18,394**	16,187
Time deposits	**2,290**	—	**—**	—
Cash and cash equivalents	**96,985**	95,482	**18,394**	16,187

At the end of reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$73,707,000 (2009: HK$74,343,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24. CASH AND CASH EQUIVALENTS (continued)

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

25. SHORT–TERM BORROWINGS

	Effective interest rates (%) p.a.	Group and Company 2010 HK$'000	2009 HK$'000
Bank loans, unsecured	1.74-2.54	**22,000**	17,000
Trust receipt loans – unsecured	1.42-2	**12,616**	19,090
		34,616	36,090

All short-term borrowings of the Group and the Company bore interest at floating interest rates and were denominated in Hong Kong dollars. At 31 July 2009, the amount equivalent to HK$333,000 unsecured trust receipt loan was denominated in US dollars.

26. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

An aging analysis of the trade payables as at the end of reporting period, based on the date of receipt of the goods and services purchased, and the balances of deposits received and accruals and other payables was as follows:

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Trade payables:				
Current to 90 days	**13,674**	9,650	**9,725**	4,543
91 to 180 days	**798**	1,722	**601**	1,499
181 to 365 days	**115**	1,249	**131**	1,127
Over 365 days	**1,998**	1,582	**795**	326
	16,585	14,203	**11,252**	7,495
Deposits received	**20,100**	18,197	**133**	133
Other payables and accruals	**30,721**	26,074	**12,011**	13,485
	67,406	58,474	**23,396**	21,113

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. PROVISION FOR LONG SERVICE PAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**3,285**	1,192	**3,285**	1,192
Amounts provided during the year	**203**	2,567	**137**	2,567
Amounts utilised during the year	**(164)**	(474)	**(164)**	(474)
At end of year	**3,324**	3,285	**3,258**	3,285

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in Note 3(t)(ii) to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the end of reporting period.

28. DEFERRED TAX LIABILITIES

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

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**(69,919)**	(35,016)
Deferred tax credited/(charged) during the year (Note 12)	**12,459**	(34,903)
At end of year	**(57,460)**	(69,919)

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

Deferred tax assets

Group	**Losses available for offsetting against future taxable profits**	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**170**	58
Deferred tax credit during the year	**3,091**	112
At end of year	**3,261**	170

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities

Group	Accelerated capital allowances HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 August 2008	(278)	(34,796)	(35,074)
Deferred tax credited/(charged) during the year	26	(35,041)	(35,015)
At 31 July 2009	(252)	(69,837)	(70,089)
Decrease in deferred tax liabilities in respect of reversal of temporary difference	219	34,796	35,015
Deferred tax charged during the year	(1,474)	(24,173)	(25,647)
At 31 July 2010	**(1,507)**	**(59,214)**	**(60,721)**

The Group has tax losses arising in Hong Kong of HK$276,989,000 (2009: HK$271,033,000). During the year, the Group did not have tax losses arising in Mainland China (2009: Nil). The Company has tax losses arising in Hong Kong of HK$189,680,000 (2009: HK$184,374,000). 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.

Deferred tax assets have not been recognised to the extent that, in the Directors' opinion, it is uncertain that future taxable profits would arise to offset against these losses.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29. EQUITY-SETTLED SHARE-BASED PAYMENTS

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

(a) The following options were outstanding under the Share Option Scheme as at 31 July 2010:

Name of category of Participants	Number of options: At 1 August 2009	Number of options: Granted during the year	Number of options: At 31 July 2010	Date of grant of options (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price of options[1] per share (HK$)
Directors	6,787,000[2]	—	6,787,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Employees	5,800,000[2]	—	5,800,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Total	12,587,000	—	12,587,000			

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

2. *The vesting period of the options was two years commencing from the date of grant.*

(b) No share options were granted during the year.

At the date of approval of these financial statements, the Company had 12,587,000 share options outstanding under the Share Option Scheme, which represented approximately 2.04% of the Company's shares in issue as at that date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30. SHARE CAPITAL

	Company	
	2010	2009
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.25 each	**200,000**	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK$0.25 each	**154,282**	154,282

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

Share premium account

The application of the share premium account is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital reserve

The capital reserve comprises the fair value of the estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3(t)(iv).

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(s).

Asset revaluation reserve

Asset revaluation reserve represents a frozen revaluation surplus in relation to certain leasehold land and buildings which were transferred to investment properties in prior years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2008	164,921	1,006	197,466	363,393
Recognition of equity-settled share-based payments	—	732	—	732
Dividend paid	—	—	(18,514)	(18,514)
Total comprehensive income for the year	—	—	(32,683)	(32,683)
At 31 July 2009	164,921	1,738	146,269	312,928
Total comprehensive income for the year	—	—	126,065	126,065
At 31 July 2010	**164,921**	**1,738**	**272,334**	**438,993**

32. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from three to four years. The terms of the leases generally require the tenants to pay security deposits.

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

	2010 HK$'000	2009 HK$'000
Within one year	**13,151**	—
In the second to fifth years, inclusive	**28,865**	—
	42,016	—

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32. OPERATING LEASE ARRANGEMENTS (continued)

As lessee

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

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**99,149**	99,980	**75,793**	91,374
In the second to fifth years, inclusive	**99,295**	60,455	**63,863**	55,711
	198,444	160,435	**139,656**	147,085

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and a contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales in these retail shops could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

33. COMMITMENTS

In addition to the operating lease commitments detailed in Note 32 above, the Group and the Company had the following capital commitments at the end of reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for:				
— Land lease payments in Mainland China	**3,974**	3,905	**—**	—
— Acquisition of property, plant and equipment in Mainland China	**15,491**	12,100	**—**	—
— Expenditure on shop decorations in Hong Kong and Mainland China	**37**	679	**29**	679
— Acquisition of equity interest	**—**	1,720	**—**	—
	19,502	18,404	**29**	679

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	2010 HK$'000	2009 HK$'000
Rental expenses and building management fee paid and payable to:			
— Lai Sun Textiles Company Limited	(i)	**2,576**	2,688
— Related companies	(ii)	**2,968**	3,292
Royalty income from a related company	(iii)	**566**	674
Rental income from a related company	(iv)	**244**	—
Income from a related company for contributing an investment property as security	(v)	**1,420**	8,520

Notes:

(i) Lai Sun Textiles Company Limited is a company beneficially owned by certain Directors of the Company. The rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.

(ii) The rental expenses and building management fee were paid to these related companies, of which certain Directors of the Company are also their directors, based on terms stated in the respective lease agreements.

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

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

(v) In consideration of the Company contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress will make quarterly payments of HK$2,130,000 to the Company during the period from the delivery of vacant possession of the KT Property to the completion of construction. The construction was completed at the end of September 2009 and the charges were released in March 2010, as such less than one quarter payment was received by the Company during the year. Further details are set out in Notes 16 and 34(b) to the financial statements and the Company's circular dated 29 April 2006. This transaction will not continue in the Group in the future.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

The Company, LSG and Unipress, executed the Development Agreement in connection with the redevelopment of the KT Property. Details of the arrangement are set out in Note 16 to the financial statements and the Company's circular dated 29 April 2006.

The Company, Crocodile KT, a wholly-owned subsidiary of the Company and owner of the KT Property, Unipress and LSG entered into a deed of undertaking, guarantee and indemnity (the "Deed") whereby (a) Unipress (i) acts as covenantor and primary obligor in relation to a facility agreement entered into between a bank as lender, and Crocodile KT, as borrower (the "Facility Agreement"); and (ii) has at its own expense, arranged the construction and completion of the redevelopment of the KT Property under such construction contracts as Unipress considers necessary; (b) LSG guarantees the performance by Unipress of its obligations thereunder. Pursuant to the Deed, Crocodile KT is a party to the Facility Agreement and some or all of the construction or consultancy contracts entered into from time to time, and Unipress and LSG are responsible for completing the redevelopment of the KT Property and the funding obligations in respect thereof. Accordingly, the KT Property was pledged to the bank as security for a bank term loan for the development and construction cost of the KT Property.

On 22 March 2010, all the bank term loan in relation to the Facility Agreement was fully settled and the charges on the KT Property were released in March 2010 as mentioned in Note 34(a)(v).

This transaction will not continue in the Group in the future.

(c) Outstanding balances with related parties

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

(d) Compensation of key management personnel of the Group

	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**9,329**	10,052
Post-employment benefits	**24**	34
Equity-settled share-based payments	**—**	449
	9,353	10,535

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

35. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in Note 25, and equity attributable to equity holders of the Company, comprising share capital and reserves and retained earnings as disclosed in Note 31.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

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

	2010	2009
	HK$'000	HK$'000
Debts	**34,616**	36,090
Equity	**896,745**	730,546
Debt to equity ratio	**3.9%**	4.9%

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, liquidity risk and interest rate risk. These risks are evaluated and monitored by the Group in accordance with the financial management policies and practices described below.

(i) Credit risk

The Group has no significant concentrations of credit risk. It has 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 Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 to 180 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 customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 23.

(ii) 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 parent company's board when the borrowings exceed certain predetermined levels of authority.

The contractual undiscounted cash flows of the financial liabilities, which are repayable within 6 months, equal to their carrying amounts as the impact of discounting is insignificant.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Interest rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings at the end of reporting period.

	2010		2009	
	Effective interest rate (%) p.a.	**HK\$'000**	Effective interest rate (%) p.a.	HK\$'000
Variable rate borrowings				
Short-term				
Bank loans	**1.74%-2.54%**	**22,000**	1.58%-2.37%	17,000
Trust receipt loans	**1.42%-2.00%**	**12,616**	1.57%-3.15%	19,090
		34,616		36,090

The short-term bank borrowings at floating rate expose the Group to cash flow interest rate risk which is insignificant to the Group.

At 31 July 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK$183,000 (2009: HK$121,000). There is no impact on the consolidated equity of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2009.

(iv) Foreign currency risk

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

(v) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2010 and 2009.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2010 and 2009 may be categorised as follows:

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**174,690**	153,063
Financial liabilities		
Financial liabilities measured at amortised cost	**(82,507)**	(78,279)

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 4 November 2010.

Particulars of Investment Properties

At 31 July 2010

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

Location	Use	Lease term	Attributable interest of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Luxembourg Room I-II, 3/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 17 December 2010 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditor for the year ended 31 July 2010;

2. To re-elect the retiring directors and to fix the directors' remuneration;

3. To appoint auditor and to authorise the directors to fix their remuneration; and

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

   "**THAT**:

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

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

   (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of ordinary shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this Resolution:

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

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

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

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

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

By Order of the Board

Goh Soon Khian
Company Secretary

Hong Kong, 4 November 2010

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's share registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at its adjourned meeting should they so wish.

Notice of Annual General Meeting

3. Concerning item 2 of this Notice, Ms. Lam Suk Ying, Diana, Mr. Tong Ka Wing, Carl, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu will retire by rotation at the forthcoming Annual General Meeting pursuant to Article 100 of the Articles of Association of the Company and, being eligible, they offer themselves for re-election. In accordance with Rule 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), details of the above directors are set out in the "Biographical Details of Directors and Senior Management" and "Directors' Interests" sections of the Annual Report 2009-2010 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

   Ms. Cheng Suet Fei, Sophia, who will also retire by rotation pursuant to Article 100 of the Articles of Association of the Company, will not be offering herself for re-election.

4. Item 4 relates to the grant of a general mandate to the directors of the Company to issue new shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the shareholders' resolution. The Company has no immediate plan to issue any new shares under the general mandate.

5. In compliance with Rule 13.39(4) of the Listing Rules, voting on all resolutions stated in this Notice will be decided by way of a poll. In accordance with the Company's Articles of Association, unless a poll is required by the Listing Rules or any other applicable laws, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

   (i) the Chairman of the Meeting; or

   (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

   (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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