CROCODILE
2021-2022

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

Stock Code | 股份代號 122

Contents

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

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


www.crocodile.com.hk


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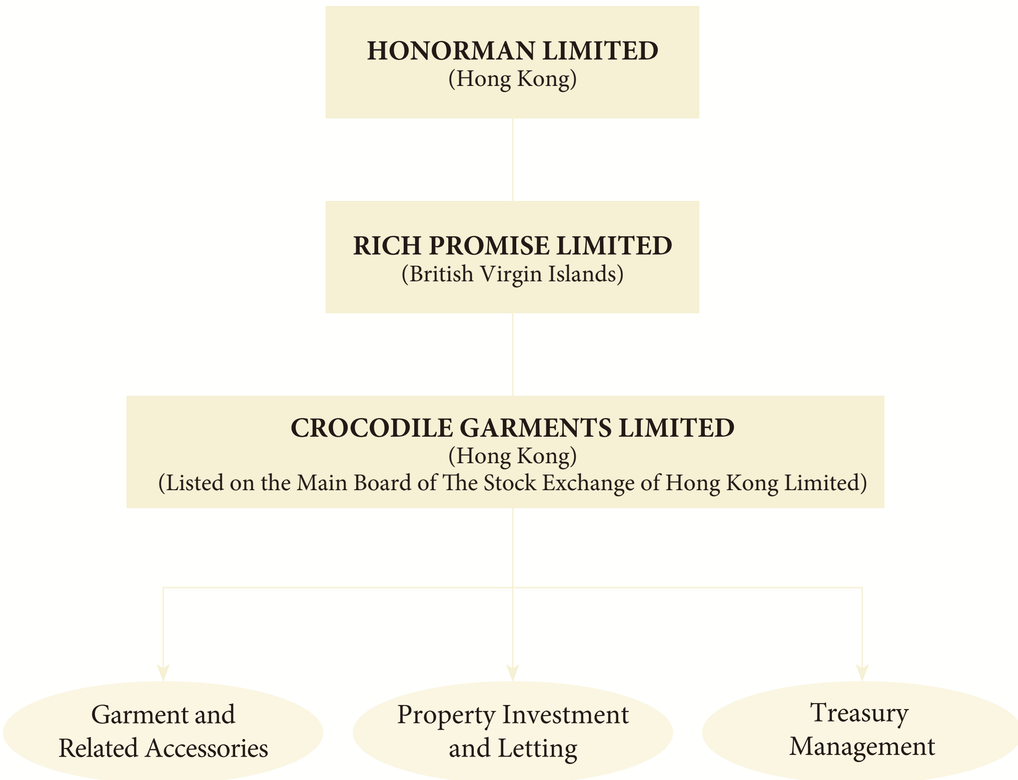
Corporate Profile

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



Details of the substantial shareholders' information are contained on pages 22 and 24 in this Annual Report.

Corporate Information

Place of Incorporation
Hong Kong

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

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

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

Executive Committee
Lam Wai Shan, Vanessa *(Chairman)*
Wan Edward Yee Hwa

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

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

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

Authorised Representatives
Lam Wai Shan, Vanessa
Wan Edward Yee Hwa

Company Secretary
Chan Yin Yi, Annie

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

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

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

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

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

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

Stock Code
122

Board Lot
1,000 shares

Website
www.crocodile.com.hk

Chairman's Statement

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

On behalf of the board of directors ("**Board**" and "**Directors**", respectively) of Crocodile Garments Limited ("**Company**"), I would like to present the consolidated financial results of the Company and its subsidiaries ("**Group**") for the financial year ended 31 July 2022.

FINANCIAL PERFORMANCE

The revenue of the Group for the year ended 31 July 2022 slid to HK$103 million (2021: HK$112 million), and the gross profit of the Group declined by 8%, to HK$75 million (2021: HK$81 million).

Hong Kong's economy gradually recovered in late 2021, but it showed a marked weakening momentum in first quarter of 2022, brought about by heightened restrictions and increased cautiousness by the public in response to the spread of Omicron variants. In addition, the termination of the distribution in respect of the "Lacoste" brand was completed in February 2022. The revenue of this segment, including the Mainland of China ("**Mainland**"), dropped by about 15% to HK$50 million (2021: HK$59 million).

The Group has taken decisive cost adjustment measures to mitigate the negative impact of the COVID-19 situation, including conducting a comprehensive review of our retail store portfolio by closing underperforming shops and targeting new ones with more rational rent benchmarking a certain percentage of sales target. For existing shops, the Group has succeeded in attaining rent concessions from landlords for some of major shops to further enhance the operational efficiency. Savings were achieved in implementing stringent measures on merchandise procurement and other direct selling costs. As a result, the loss of "Garment and Related Accessories Business" segment trimmed by about 21% to HK$12 million (2021: loss of HK$15 million).

FINANCIAL PERFORMANCE (continued)

The "Property Investment and Letting Business" segment continued to generate a stable rental income of HK$53 million for the year ended 31 July 2022 (2021: HK$53 million), despite that a revaluation loss of the investment properties of the Group of HK$48 million was recorded during the year (2021: loss of HK$4 million).

Facing economic uncertainty and weaken business momentum under new geopolitical tensions and the continued impact of the pandemic, the "Treasury Management" (formerly tilted as "Securities Trading") segment suffered a loss of HK$25 million for the year ended 31 July 2022 (2021: profit of HK$5 million), notwithstanding the Group has taken a prudent approach in managing the portfolio of financial assets at fair value through profit and loss.

Combining the results of the three business segments above with the share of gain of an associate of HK$2 million (2021: a loss of HK$1 million), gain arising on transfer of property, plant and equipment to investment properties at fair value of HK$43 million (2021: nil) and the exchange differences arising on translation of foreign operations of loss of HK$3 million (2021: profit of HK$7 million), the total comprehensive expense attributable to the owners of the Company was HK$38 million for the year ended 31 July 2022 (2021: income of HK$5 million).

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT

Hong Kong and Macau

During the first six months ended 31 January 2022, Hong Kong and Macau retail market experienced a recovery when Hong Kong community was gradually adapting to the "new normal" under the epidemic of COVID-19. Unfortunately, the outbreak of Omicron variant in January 2022 severely dented local consumption demand.

The 5th wave of local COVID-19 pandemic affected especially our retail business with tighten social distancing measures enforced in Hong Kong from January to April 2022. The progressive relaxation of social distancing measures and the new round of consumption voucher scheme rendered some support to the domestic demand in the last quarter of the financial year ended 31 July 2022 helped to facilitate the retail market recovery.

To cope with the harsh operating conditions suffered by our retail brick and mortar stores, the Group continued to close unprofitable shops, negotiate with landlords for rent concessions and focus on strategically important locations. For our premier brand "Crocodile", the Group operated 10 (2021: 11) shops as at 31 July 2022. Following the termination of the "Lacoste" brand distribution in early 2022, the Group closed 4 "Lacoste" shops out of 5 during the year. This resulted in a drop of retail revenue in Hong Kong and Macau from HK$51 million to HK$44 million.

Having taken austerity measures by streamlining the workflow of different departments and instigating stringent inventory control, the Group could reduce operating costs and freed up resources to develop the brand, "CROCO", with urban safari theme. The remaining 1 "Lacoste" shop was renovated for this new brand "CROCO", which has commenced business in August 2022.

Chairman's Statement

"GARMENT AND RELATED ACCESSORIES BUSINESS" SEGMENT (continued)

The Mainland

Since December 2021, the highly infectious Omicron variant has spread across the Mainland, resulting in the lockdown of various provinces. Compounded with strict safety measures and zero-COVID strategy in the Mainland, the consumer spending was deeply depressed.

In view of the maze, the Group managed its own sales channels and scale of operation cautiously. As at 31 July 2022, there was a total of 12 (2021: 13) shops in the Mainland, including self-operated shops of 6 (2021: 7) and those operated by the Group's consignees of 6 (2021: 6). The revenue of this segment was HK$6 million for the year ended 31 July 2022 (2021: HK$8 million).

Royalty Income

The Group's licensing business of the brand "Crocodile" in Hong Kong, Macau and the Mainland contributed royalty income of HK$10 million for the year ended 31 July 2022 (2021: HK$5 million). The improvement was accredited to the ample effort in chasing the settlement of royalty income in the Mainland.

Seasonality

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

"PROPERTY INVESTMENT AND LETTING BUSINESS" SEGMENT

The Group's investment property portfolio remained intact since 31 July 2021 save for sparing one own-used property to investment property for earning rental income since February 2022.

The investment properties of the Group in Hong Kong and the Mainland generated the similar level of rental revenue for the year ended 31 July 2022 of HK$52 million (2021: HK$52 million) and HK$1 million (2021: HK$1 million), respectively.

Thanks to expediting transformation of Kowloon East as another core business district in Hong Kong, it is anticipated that Kowloon East has potential of supplying more commercial/office floor area in foreseeable years. As most of the Group's investment properties situated in Kwun Tong, this segment has been facing a keen competition. The decreasing demand from our office tenants is another threat, as the business trend of work-from-home is becoming more popular. The revaluation of the investment properties held by the Group in Hong Kong ticked fair value losses of HK$47 million (2021: loss of HK$2 million) during the financial year ended 31 July 2022. The investment properties held in the Mainland were kept relatively constant, recording a mild loss of 1 million (2021: loss of HK$2 million).

Chairman's Statement

"TREASURY MANAGEMENT" SEGMENT

The unexpected rising geopolitical tensions between Russia and Ukraine and the surging energy and commodity prices drastically changed the world's inflation expectations. To steer the persistently high inflation, the Federal Reserve and other central raised the interest rates at a faster pace than expectation. The global concern to a possible recession dampened the investor sentiment and the investment portfolio performance.

Mindful of the unfavorable market conditions, the Group took a vigilant and cautious approach to managing the portfolios of financial assets at fair value through profit and loss. Notwithstanding that, "Treasury Management" segment of the Group recorded a loss of HK$25 million during the financial year ended 31 July 2022 (2021: profit of HK$5 million).

PROSPECTS

"Crocodile", a prestigious and longstanding brand name in the apparel business for 70 years, is definitely one of the valuable assets to the Group. It is foreseen that some key factors would adversely influence the performance of our garment-related segment, including the emergence of COVID-19 variances, the rate of recovery in customer spending power in the Mainland and Hong Kong, and global geopolitical developments to mitigate the inflation and possible recession risk. These significant uncertainties make the Group prudent to rationalise its sales network and restrain inventory level for our traditional brand, "Crocodile".

After termination of the distribution of "Lacoste", the Group could spare more resources in developing our self-owned brand focusing on sincerity and customer experience. In order to achieve long-term sustainable growth, building another brand "CROCO" with different brand image and unique brand identity is of utmost importance to expand our footprint in Hong Kong retail market. Our first "CROCO" shop in Tsim Sha Tsui was solemnly opened in August 2022. The Group will continue to gear up its effort to improve its merchandise mix under both "Crocodile" and "CROCO", catering for local customer preferences and fortifying a higher gross margin. As long as the local epidemic situation remains under control, the Group is confident that the "Garment and Related Accessories Business" segment would continue to revive.

Being a landlord of investment properties, the "Property Investment and Letting Business" segment can commit a stable rental income and cashflow to replenish the Group's operation. Facing the decline in demand for commercial properties in the uptrend of work-from-home in many businesses and the increase in supply of office premises in Kowloon East, the Group will offer favourable lease terms to retain valuable tenants. On the other hand, the Group is also re-positioning certain investment properties to attract new tenants in different industries to improve the rental yield and reduce the vacancy rate.

In addition, the Group has been streamlining its back-office structure to strengthen the procedural efficacy.

The imminent global investment is undoubtedly choppy. The "Treasury Management" segment has experienced a twisting financial year. The Group will bolster its value-oriented strategy in managing the portfolio of financial assets at fair value through profit or loss. After restructuring the bank loan, the Group increased the cash holding to preserve sufficient cash and liquid assets to meet the needs of daily operation, business development and challenges.

Facing all the ramifications ahead, the Group will, continue to build on its past in creating bright future for our stakeholders, as in the past seventy years.

Chairman's Statement

CONTINGENT LIABILITIES

As at 31 July 2022, the Group had no material contingent liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND FOREIGN EXCHANGE RISK EXPOSURE

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss, the Group has not employed other financial instruments as of 31 July 2022.

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

Cash and cash equivalents held by the Group amounted to HK$278 million as at 31 July 2022 (2021: HK$41 million) and were mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The pledged bank deposits of approximately HK$3 million (2021: HK$7 million) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 July 2022 were equivalent to HK$6 million (2021: HK$13 million) which is not freely convertible into other currencies. However, under the regulations on foreign exchange controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 July 2022, after restructuring certain bank loans, the total outstanding borrowings including margin loans of the Group amounted to HK$838 million. The total outstanding borrowings comprised secured margin loans of HK$29 million, secured bank term loan of HK$583 million of which HK$23 million was short-term, and secured short-term bank revolving loans of HK$226 million. Short-term bank loans were repayable within a period not exceeding one year.

As at 31 July 2022, interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars and United States dollars. Save for the fixed interest rate arrangement terminated during the year, no financial instruments for hedging purposes were employed by the Group as at 31 July 2022.

CHARGES ON ASSETS

As at 31 July 2022, the Group has charged certain of its assets, including own-use properties, investment properties and right-of-use assets with carrying values of HK$1,747 million, to its bankers to secure banking facilities granted to the Group.

Chairman's Statement

GEARING

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

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 July 2022.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group had no major investments, acquisitions or disposals during the year ended 31 July 2022.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 124 as at 31 July 2022 (2021: 157) after closure of "Lacoste" retail shops during the year. Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

APPRECIATION

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

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

Hong Kong
14 October 2022

Report of the Directors

The Directors present their report and the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Group for the year ended 31 July 2022 ("**Year**").

PRINCIPAL ACTIVITIES

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

Particulars of the Company' principal subsidiaries as at 31 July 2022 are set out in Note 17 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the businesses of the Company as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") can be found in the "Chairman's Statement" set out on pages 8 to 13 of this Annual Report. The financial risk management objectives and policies of the Group are set out in Note 33(b) to the Consolidated Financial Statements. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the "Corporate Governance Report" on pages 28 to 48 of this Annual Report and an Environmental, Social and Governance Report regarding the same period will be presented as a separate report to be published on the website of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") at www.hkexnews.hk and the website of the Company at www.crocodile.com.hk under the sub-heading of "Investor Relations". The discussion form part of this Report.

RESULTS AND DIVIDENDS

Details of the results of the Group for the Year and the Group's financial position as at 31 July 2022 are set out in the Consolidated Financial Statements and their accompanying notes on pages 54 to 139.

The Board does not recommend the payment of a final dividend in respect of the Year (2021: Nil). No interim dividend was paid or declared in respect of the Year (2021: Nil).

Report of the Directors

DIRECTORS

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

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

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

Independent Non-executive Directors ("INEDs")
Leung Shu Yin, William (Deputy Chairman)
Fung Cheuk Nang, Clement
Woo King Hang *(appointed on 28 January 2022)*

Resigned Director
Mr. Yeung Sui Sang *(resigned as an INED on 1 November 2021)*

In accordance with Article 100 of the Articles of Association of the Company ("**Articles of Association**"), Mr. Wan Edward Yee Hwa (an Executive Director), Mr. Chow Bing Chiu and Ms. Lam Suk Ying, Diana (both are NEDs) will retire from office by rotation as Directors at the forthcoming annual general meeting of the Company ("**2022 AGM**").

In accordance with Article 94 of the Articles of Association, Mr. Woo King Hang, who was appointed by the Board as an INED with effect from 28 January 2022, shall hold office until 2022 AGM.

Mr. Wan Edward Yee Hwa has notified the Company his decision of not offering himself for re-election at 2022 AGM. Mr. Wan has confirmed in writing that there are no matters in connection with his retirement from the Board which should be drawn to the attention of the shareholders of the Company ("**Shareholders**").

Mr. Chow Bing Chiu and Ms. Lam Suk Ying, Diana who shall retire at 2022 AGM, and Mr. Woo King Hang who shall hold office until 2022 AGM (together "**Retiring Directors**"), being eligible, offered themselves for re-election thereat.

Details of the Retiring Directors proposed for re-election at 2022 AGM, required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"), are set out in the Company's circular to be issued in November 2022.

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

Report of the Directors

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at 2022 AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the remuneration committee of the Company ("**Remuneration Committee**") and determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in the Note 11 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 30 to the Consolidated Financial Statements headed "Related Party Transactions", no Director nor a connected entity of a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Schemes" and "Directors' and Chief Executives' Interests" in this Report below and in Note 38 to the Consolidated Financial Statements, at no time during the Year was the Company or any of its subsidiaries and its holding company a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Ms. Lam Wai Shan, Vanessa, M.H., aged 51, is the Chairman of the Board ("**Chairman**"), Executive Director and chief executive officer of the Company ("**Chief Executive Officer**"/"**CEO**"). She has been appointed an Executive Director in February 2006, and was appointed the Chairman and the Chief Executive Officer in January 2021. She is the Chairman of the executive committee and the nomination committee of the Company ("**Executive Committee**" and "**Nomination Committee**", respectively) and a member of the Remuneration Committee. Ms. Lam holds directorships in a number of the subsidiaries of the Company. She holds a Bachelor of Arts Degree from Scripps College in California, United States of America ("**USA**") and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. Ms. Lam has over 24 years of experience in the fashion industry. Prior to joining the Group in March 1998 as Vice-President, she worked for two famous London-based design houses, namely Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work and received the Medal of Honour awarded from the Government of the Hong Kong Special Administrative Region of the People's Republic of China on 1 July 2016.

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

Ms. Lam is a director of Honorman Limited and Rich Promise Limited, both are the substantial shareholders of the Company. She is a niece of Ms. Lam Suk Ying, Diana (NED), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both are Executive Directors).

Dr. Lam Kin Ngok, Peter, G.B.M, G.B.S, aged 65, was appointed an Executive Director in October 1987. Dr. Lam holds directorships in a number of the subsidiaries of the Company. He is the Chairman and an Executive Director of each of Lai Sun Garment (International) Limited ("**LSG**"), Lai Sun Development Company Limited ("**LSD**") and Media Asia Group Holdings Limited ("**MAGHL**"). LSG and LSD are listed on the Main Board of the Stock Exchange while MAGHL is listed on GEM of the Stock Exchange. He has extensive experience in property development and investment, hospitality as well as media and entertainment businesses. Dr. Lam holds an Honorary Doctorate from The Hong Kong Academy for Performing Arts. Dr. Lam received Gold Bauhinia Star and Grand Bauhinia Medal awarded from the Government of the HKSAR in July 2015 and July 2022 respectively.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

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

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

Mr. Lam Kin Hong, Matthew, M.H., J.P., aged 54, was appointed an Executive Director in July 1999. Mr. Lam holds directorships in a number of the subsidiaries of the Company. Mr. Lam is also an executive director of LSG and the executive deputy Chairman and an Executive Director of Lai Fung Holdings Limited ("**LFHL**"). LSG and LFHL are listed on the Main Board of the Stock Exchange. He graduated from University College London in the United Kingdom with a Bachelor of Science Degree and underwent training as a lawyer with an international law firm, Reed Smith Richards Butler. Mr. Lam is a co-founding partner and managing partner of a Hong Kong law firm, Nixon Peabody CWL and a member of The Law Society of Hong Kong, The Law Society of Singapore and The Law Society of England and Wales.

Mr. Lam has considerable experience in property development and corporate finance in Hong Kong and Mainland China. He is the vice president of the Hong Kong Real Property Federation and a standing committee member of the Chinese People's Political Consultative Conference in Shanghai. Mr. Lam was appointed a Justices of the Peace in July 2021. He serves as an Honorary Consul of the Republic of Estonia in Hong Kong, a member of the Consumer Council, a member of the Fight Crime Committee and the observer of the Independent Police Complaints Council. Mr. Lam also serves as a Racing Steward at the Hong Kong Jockey Club and he is also a council member of the Better Hong Kong Foundation. He was a former member of the Advisory Committee on Admission of Quality Migrants and Professionals and a former member of the Employees Compensation Assistance Fund Board.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. Wan Edward Yee Hwa, aged 86, is an Executive Director and currently a member of the Executive Committee of the Company. He first joined the Board as an INED in December 1993 and was re-designated as an Executive Director on 1 February 2011. Mr. Wan was the Chairman of the Audit Committee of the Company ("**Audit Committee**") and the Remuneration Committee until 31 January 2011. Mr. Wan holds directorships in a number of the subsidiaries of the Company. He was a non-executive Director of each of LSG and LSD from 1 February 2011 to 18 December 2012. LSG and LSD are listed on the Main Board of the Stock Exchange. Mr. Wan is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Non-executive Directors

Mr. Chow Bing Chiu, aged 71, is a NED. He first joined the Board as an INED in September 2004 and has been re-designated from an INED to a NED with effect from 29 March 2021. Mr. Chow was the member of the Audit Committee and the Remuneration Committee. Mr. Chow is also an independent non-executive Director of LSG which is listed on the Main Board of the Stock Exchange. Mr. Chow obtained his Bachelor of Laws Degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the senior partner of B.C. Chow & Co., Solicitors, in Hong Kong and a China-appointed Attesting Officer.

Ms. Lam Suk Ying, Diana, aged 67, was appointed a NED in December 2006. Ms. Lam graduated from the Loyola University in California, USA with a Bachelor of Business Administration Degree. She also holds a Master's Degree in Public Administration from the Pepperdine University in California. Ms. Lam had worked for Metropolitan Life Insurance Company in California, USA for two years and has been managing her personal investments continuously to date.

Ms. Lam is an elder sister of Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew (both are Executive Directors), and an aunt of Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer).

Independent Non-executive Directors

Mr. Leung Shu Yin, William, aged 73, was appointed the deputy Chairman of the Company ("**Deputy Chairman**") in January 2021 and has been an INED as well as the Chairman of both the Audit Committee and the Remuneration Committee since February 2011. Mr. Leung is also an independent non-executive Director of LSG, LSD and Mainland Headwear Holdings Limited. The aforesaid companies are listed on the Main Board of the Stock Exchange. He is a certified public accountant, a member of the Hong Kong Securities and Investment Institute and a Fellow of both the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is a practising director of two certified public accountants' firms in Hong Kong.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

Mr. Fung Cheuk Nang, Clement, M.H., aged 45, was appointed an INED on 29 March 2021. Mr. Fung is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Fung has extensive management experience in development and manufacturing of consumer products. He holds positions in various charitable and social organisations. Mr. Fung is currently a member of Advisory Board of Yan Chai Hospital and was the Chairman of its board of directors during 2018 to 2019. He is currently an independent non-executive Director of Hi-Level Technology Holdings Limited which is listed on GEM of the Stock Exchange. Mr. Fung is also a director of Smarthome Technology Limited and Smarthome Products Limited, both of which are privately-owned consumer electronics companies in Hong Kong.

Mr. Woo King Hang, aged 61, was appointed an INED and a member of each of the Audit Committee and the Nomination Committee on 28 January 2022. Mr. Woo has extensive experience in financial and business management. Mr. Woo is currently the vice Chairman of the board of directors and a non-executive Director of Centenary United Holdings Limited ("**Centenary United**"). He is also an independent non-executive Director of Digital Domain Holdings Limited ("**DDHL**") and MOS House Group Limited ("**MOS**"). Centenary United, DDHL and MOS are listed on the Main Board of the Stock Exchange. Mr. Woo is a fellow member of each of the Institute of Chartered Accountants in England and Wales, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Certified Public Accountants. He holds a Master's Degree of Business Administration from Kellogg School of Management, Northwestern University and the Hong Kong University of Science and Technology, a Bachelor's Degree of Laws from Peking University and a Master's Degree of Laws from the City University of Hong Kong.

Mr. Woo is an honorary officer of the Auxiliary Medical Service and a consultant of School of Chinese Medicine of The Chinese University of Hong Kong. He is a member of each of the panel of assessors and the health committee of the Medical Council of Hong Kong, the Chinese Medicine Practitioners Board and the disciplinary committee of the Chinese Medicine Council of Hong Kong, the Advisory Committee on Admission of Quality Migrants and Professionals, the Police Education and Welfare Trust Management Committee as well as the disciplinary committee of the Hong Kong Institute of Certified Public Accountants. He is the vice Chairman of the Hong Kong PHAB Association and a council member of the Hong Kong Chinese Orchestra.

Mr. Woo was a director of Bell Tea Overseas Limited ("**BTO**", formerly known as Hip Hing Overseas Limited) from 2 July 2010 to 18 October 2018, a company incorporated in Hong Kong in 1993 and was principally engaged in the business of construction overseas. A winding up order ("**Order**") was granted by the High Court of Hong Kong ("**High Court**") on BTO on 19 September 2018. The High Court ordered that BTO be dissolved on 5 July 2021. The Order was in relation to the non-payment for a sum arising from an arbitration case involving contractual dispute relating to the construction works of a building in Dubai during 2007 to 2011. Mr. Woo further confirmed that he was not involved in any of the matters concerning the operations of the joint venture in which BTO had 30% interests, the construction works or the said arbitration or matters leading to the granting of the Order.

DIRECTORS OF SUBSIDIARIES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Three Executive Directors including Ms. Lam Wai Shan, Vanessa, Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew held shareholding interests and/or other interests and/or directorships in companies/entities engaged in the businesses of garment and related accessories in Hong Kong, Macau and/or Mainland China, and/or property investment and letting in Hong Kong and/or Mainland China.

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

SHARE OPTION SCHEMES

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

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

As at 31 July 2022, there were no outstanding share options and the Company may grant options under the 2015 Scheme to subscribe for a maximum of 94,754,369 Shares (representing approximately 10% of the existing total issued Shares).

No share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the Year. Further details of the 2015 Scheme are disclosed in Note 38 to the Consolidated Financial Statements.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

The following Directors and chief executives of the Company who held office on 31 July 2022 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) on that date (a) as required to be notified to the Stock Exchange and the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executives**"); or (c) as notified to the Stock Exchange and the Company pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company ("**Securities Code**"); or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares		Number of Underlying Shares	Total	Approximate percentage of total issued Shares (Note 1)
		Personal interests	Corporate interests	Personal interests		
Lam Wai Shan, Vanessa	Beneficial owner and owner of controlled corporations	5,532,500	492,703,000	Nil	498,235,500 (Note 2)	52.58%
Wan Edward Yee Hwa	Beneficial owner	610,000	Nil	Nil	610,000	0.06%

Notes:

1. The total number of issued Shares as at 31 July 2022 (that is 947,543,695 Shares) has been used for the calculation of the approximate percentage.

2. Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer) was personally interested in 5,532,500 Shares and was deemed to be interested in 492,703,000 Shares through the corporations controlled by her, namely Honorman Limited ("**Honorman**"), Rich Promise Limited ("**Rich Promise**") and Novel Voyage Development Limited ("**Novel Voyage**"). Please also read notes under sections headed "Interests in the Associated Corporations" and "Substantial Shareholders' Interests", in this Annual Report for details.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS (continued)

(2) Interests in the Associated Corporations

Long position in the ordinary shares of associated corporations						
Name of Director	Name of associated corporations	Capacity	Personal interests	Corporate interests	Total	Percentage of total issued Shares
Lam Wai Shan, Vanessa	Honorman (Note 1)	Beneficial owner	51	Nil	51	51%
Lam Wai Shan, Vanessa	Rich Promise (Note 2)	Interest in controlled corporation	Nil	9,999	9,999	99.99%

Notes:

1. Honorman is owned as to 51% by Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer) and 49% by Mr. Lam Howard.

2. Rich Promise is owned as to 99.99% by Honorman, which in turn is owned as to 51% by Ms. Lam Wai Shan, (Chairman, Executive Director and Chief Executive Officer). Another 0.01% share interest of Rich Promise was held by the late Dr. Lam Kin Ming.

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

Save as disclosed above, as at 31 July 2022, none of the Directors and the chief executives of the Company and their respective close associates had, or was deemed to have, any interest in the long and short positions in the Shares, underlying Shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executives or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 July 2022, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporation or individual who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)

Long positions in the Shares and underlying Shares

Name	Capacity	Nature of interests	Number of Shares and underlying held	Approximate percentage of total issued Shares (Note 1)
Substantial Shareholders				
Honorman Limited	Beneficial owner and owner of controlled corporation	Corporate	491,203,000	51.84%
Rich Promise Limited	Beneficial owner	Corporate	472,200,000	49.83%
Lam Howard	Owner of controlled corporation	Corporate	491,203,000	51.84%

Notes:

1. The total number of issued Shares as at 31 July 2022 (that is 947,543,695 Shares) has been used for the calculation of the approximate percentage.

2. Honorman was interested in 19,003,000 Share directly and was deemed to be interested in 472,200,000 Shares indirectly held through its 99.99% owned subsidiary Rich Promise. Another 0.01% share interest of Rich Promise was held by the late Dr. Lam Kin Ming. Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and Chief Executive Officer) was deemed to be interested in 19,003,000 Shares and 472,200,000 Shares held through Honorman and Rich Promise, her controlled corporations.

3. Mr. Lam Howard was deemed to be interested in 491,203,000 Shares held through Honorman and Rich Promise, his controlled corporations.

Save as disclosed above, the Directors are not aware of any other corporation or individual which/who, as at 31 July 2022, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 30 to the Consolidated Financial Statements headed "Related Party Transactions", at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

Report of the Directors

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under Note 30 to the Consolidated Financial Statements. All such related party transactions are fully exempt from the connected transaction reporting requirements under Chapter 14A of the Listing Rules.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by businesses and geographical areas of the operations for the Year is set out in Note 6 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the Year are set out in Notes 14 and 16 to the Consolidated Financial Statements, respectively. Further details of the Group's investment properties are set out in "Particulars of Investment Properties" section in this Annual Report.

SHARES ISSUED IN THE YEAR

The Company has not issued any Shares during the Year. Details of the share capital information of the Company are set out in Note 27 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 July 2022, the Company had no reserves available for distribution to the Shareholders, in accordance with the provision of Section 297 of the Companies Ordinance (2021: Nil).

Details of the distributable reserve are set out in Note 35 to the Consolidated Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

At 14 October 2022, there were 547 shareholders on the Company's register of members.

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

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

PRE-EMPTIVE RIGHTS

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

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 July 2022 are set out in Note 23 to the Consolidated Financial Statements.

Report of the Directors

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling HK$209,000 (2021: HK$84,000).

MAJOR CUSTOMERS AND SUPPLIERS

Turnover attributable to the Group's five largest customers and the largest customer accounted for 32% and 10%, respectively of the Group's total turnover for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 73% and 22%, respectively of the Group's total purchases for the Year.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published consolidated results, assets and liabilities of the Group for the last five financial years from 2018 to 2022 is set out below:

	Year ended 31 July				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**103,288**	112,000	151,267	235,348	265,004
(Loss)/profit for the year attributable to owners of the Company	**(78,385)**	(1,933)	(290,483)	30,607	162,493

	As at 31 July				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**2,415,390**	2,200,619	2,306,406	2,566,190	2,769,161
Total liabilities	**921,963**	669,098	779,665	747,425	969,570
Total equity	**1,493,427**	1,531,521	1,526,741	1,818,765	1,799,591
	2,415,390	2,200,619	2,306,406	2,566,190	2,769,161

Report of the Directors

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 48 of this Annual Report.

EQUITY-LINKED AGREEMENT

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

REVIEW BY AUDIT COMMITTEE

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

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Year have been audited by SHINEWING (HK) CPA Limited ("**SHINEWING**"), Certified Public Accountants. SHINEWING will retire and hold office until the conclusion of the forthcoming 2022 AGM.

On behalf of the Board

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

Hong Kong
14 October 2022

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

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

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

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

Code provision B.3.1 (previous code provision A.5.1) in respect of the nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties

To fulfil code provision B.3.1 and Rule 3.27A of the Listing Rules, the Board resolved to establish the Nomination Committee with written terms of reference in January 2022. The Nomination Committee comprises Ms. Lam Wai Shan, Vanessa (Chairman, Executive Director and CEO) as the Chairman, Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang, two INEDs as members. Majority members of the Nomination Committee are INEDs.

Before the establishment of the Nomination Committee, the Board assumed its functions in accordance with the nomination policy of the Company and other duties set out in the CG Code.

Corporate Governance Report

(1) CORPORATE GOVERNANCE PRACTICES (continued)

Previous code provision A.4.1 (deleted on 1 January 2022) in respect of non-executive Directors should be appointed for a specific term, subject to re-election

The Board notices that none of the existing non-executive Directors (NEDs, including the INEDs) is appointed for a specific term. However, pursuant to the Articles of Association, all Directors are subject to the retirement provisions which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by Shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant previous code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. The Board considers that the relevant retirement provisions in the Articles of Association and the CG Code are sufficient to meet the underlying objective of the previous code provision A.4.1.

Following the amendments to the CG Code which took effect on 1 January 2022, NEDs are no longer required to be appointed for a specific term.

Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and paragraph 2 of each of the terms of reference of the Audit Committee and the Remuneration Committee in respect of the Board must have at least three INEDs, must appoint INEDs representing at least one-third of the Board, the Audit Committee must comprise a minimum of three members and majority of its members must be INEDs and the Remuneration Committee must comprise a majority of INEDs

After the resignation of Mr. Yeung Sui Sang as an INED and his cessation as a member of each of the Audit Committee and the Remuneration Committee with effect from 1 November 2021, the number/majority of INEDs and members of the Audit Committee and the Remuneration Committee fell below the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and paragraph 2 of each of the terms of reference of the Audit Committee and the Remuneration Committee. Following the appointment of Mr. Woo King Hang on 28 January 2022, the Company has complied with the said rules and terms of reference.

Corporate Governance Report

(2) BOARD OF DIRECTORS

(2.1) Composition of the Board

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

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

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

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

Independent Non-executive Directors
Leung Shu Yin, William ("**Mr. William Leung**") (Deputy Chairman)
Fung Cheuk Nang, Clement ("**Mr. Clement Fung**")
Woo King Hang ("**Mr. KH Woo**") *(appointed with effect from 28 January 2022)*

Resigned Directors
Yeung Sui Sang ("**Mr. SS Yeung**") *(resigned as INED with effect from 1 November 2021)*

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

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

Executive Director

(2) BOARD OF DIRECTORS (continued)

(2.1) Composition of the Board (continued)

During the Year, the number of INEDs fell below the requirements under the Listing Rules after the resignation of Mr. SS Yeung as an INED with effect from 1 November 2021. Following the appointment of Mr. KH Woo on 28 January 2022, the Company has complied with the said rules.

As of 31 July 2022, the composition of the Board is in compliance with the minimum number of INEDs required under Rule 3.10(1) of the Listing Rules. The Company has also complied with Rule 3.10A of the Listing Rules with INEDs representing at least one-third of the Board. The Board will review the management structure regularly to ensure that it continues to meet the objectives of the Company and its subsidiaries (collectively "**Group**") and is in line with the industry practices.

The brief biographical particulars of the existing Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" of the Report of the Directors on pages 17 to 20.

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

Number of Board meetings held and the attendance record of each Director at the Board meetings held during the Year are set out in table on page 39 in this Annual Report. During the Year, the Board considered and approved, among other things, the annual results of the Group for the year ended 31 July 2021, the appointment of an INED, the change of company secretary and alternate authorised representatives, the unaudited interim results of the Group for the six months ended 31 January 2022, and the Company's remuneration-related matters either at its meetings or by written resolutions.

(2.2) Responsibilities and Delegation

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

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

Corporate Governance Report

(2) BOARD OF DIRECTORS (continued)

(2.2) Responsibilities and Delegation (continued)

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

Decisions relating to the aforesaid matters and any acquisition or disposal of businesses, investments, or transactions or commitments of any kind where the actual or potential liability or value exceeds the threshold for discloseable transactions for the Company (as defined in the Listing Rules from time to time) are reserved for the Board; whereas decisions regarding matters set out in the terms of reference of the Executive Committee and those not specifically reserved for the Board are delegated to its Committees and the management of the Company ("**Management**"). The Listing Rules requires the Board to have a clear mechanism to oversee the environmental, social and governance ("**ESG**") management became effective during the Year, the Board with the assistance of the Executive Committee and the Audit Committee reviewed and monitored the Group's ESG management progress and focused on matters affecting the overall business strategy.

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

(2.3) Independent Non-executive Directors

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

(2.4) Relationships Between Board Members

Ms. Vanessa Lam (Chairman, Executive Director and CEO) is a niece of Ms. Diana Lam (NED), Dr. Peter Lam and Mr. Matthew Lam (both Executive Directors). Save as disclosed in this paragraph and "Biographical Details of Directors and Senior Management" section of the Report of the Directors, none of the Directors has any financial, business, family or other material/relevant relationships with one another.

(2.5) Directors' and Officers' Liabilities Insurance

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

Corporate Governance Report

(3) DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

From time to time, Directors are provided with written training materials to develop and refresh their professional skills. Seminars/webinars on the latest development of applicable laws, rules and regulations will be organised and arranged for the Directors to assist them in discharging their duties. Directors are requested to provide records of training they received to the Company Secretary of the Company ("**Company Secretary**") for records. During the Year, the Company briefed on the amendments to or updates on the Companies Ordinance, Listing Rules and other regulations. In addition, the Company invited Independent Commission Against Corruption (ICAC) to give a talk on "Corporate Governance: Compliance and Beyond" to the Directors and Management in August 2022.

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

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

Corporate Governance Report

(4) BOARD COMMITTEES

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

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

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

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

(4.1) Executive Committee

The Board established the Executive Committee with written terms of reference on 18 November 2005. The Executive Committee currently comprises two members, namely Ms. Vanessa Lam (Chairman, Executive Director and CEO) (Chairman) and Mr. Edward Wan (Executive Director) appointed by the Board amongst the Executive Directors.

Ms. Vanessa Lam who is a then member of the Executive Committee, has been appointed the chairman of the Executive Committee with effect from 28 January 2022.

(a) Duties of the Executive Committee

It assists the Board in monitoring the on-going management of the Company's businesses and in implementing the Company's objectives in accordance with the strategy and policies approved by the Board.

(b) Work Performed by the Executive Committee

Number of meeting(s) held by the Executive Committee are set out in the table on page 39 in this Annual Report.

During the Year, the Executive Committee considered and approved the tenancies of the retail shops, and banking-related matters either at its meetings or by written resolutions.

(4) BOARD COMMITTEES (continued)

(4.2) Audit Committee

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

During the Year, the minimum members of the Audit Committee fell below the requirements under Rule 3.21 of the Listing Rules and paragraph 2 of the terms of reference of the Audit Committee after the cessation of Mr. SS Yeung (INED) as member of the Audit Committee on 1 November 2021. Following the appointment of Mr. KH Woo (INED) as member of the Audit Committee with effect from 28 January 2022, the Company has complied with the said rule and terms of reference.

As of 31 July 2022, the Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an Independent non-executive Director) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

(a) Duties of the Audit Committee

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

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

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

Corporate Governance Report

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

(4.2) Audit Committee (continued)

(b) Work Performed by the Audit Committee

Number of meetings held by the Audit Committee are set out in the table on page 39 in this Annual Report.

During the Year, the Audit Committee considered and reviewed, among other things, the Consolidated Financial Statements of the Group for the year ended 31 July 2021, the Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by Annie Chiu & Co., Certified Public Accountants (Practising), being the independent advisor of the Company ("**ACC**" or "**Independent Advisor**"); and put forward relevant recommendations to the Board for approval.

On 14 October 2022, the Audit Committee reviewed the draft audited consolidated financial statements of the Company as well as the accounting principles and policies for the Year with the Management in the presence of the representatives of the Company's independent auditor (i.e. SHINEWING (HK) CPA Limited, Certified Public Accountants ("**SHINEWING**" or "**Independent Auditor**")). It also reviewed this Corporate Governance Report, the Company's internal control review report and enterprise risk management report prepared by the Independent Advisor.

(4.3) Remuneration Committee

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

During the Year, the majority members of the Remuneration Committee fell below the requirements under Rule 3.25 of the Listing Rules and paragraph 2 of the terms of reference of the Remuneration Committee after the cessation of Mr. SS Yeung (INED) as member of the Remuneration Committee on 1 November 2021. Following the appointment of Ms. Vanessa Lam (Chairman, Executive Director and CEO) as members of the Remuneration Committee and the cessation of Mr. Edward Wan and Mr. BC Chow as members of the Remuneration Committee with effect from 28 January 2022, the Company has complied with the said rule and terms of reference.

(4) BOARD COMMITTEES (continued)

(4.3) Remuneration Committee (continued)

(a) Duties of the Remuneration Committee

The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of Directors and senior management of the Company.

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

(b) Work Performed by the Remuneration Committee

Number of meeting(s) held by the Remuneration Committee are set out in the table on page 39 in this Annual Report.

During the Year, the Remuneration Committee considered the remuneration packages relating to the appointment of an INED, and discuss the Company's remuneration-related matters either at its meetings or by written resolutions. No Director was involved in deciding his/her own remuneration at the meeting of/written resolutions of the Remuneration Committee.

Corporate Governance Report

(4) BOARD COMMITTEES (continued)

(4.4) Nomination Committee

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

Before the establishment of the Nomination Committee, the Board assumed its functions in accordance with the nomination policy of the Company and other duties set out in the CG Code.

(a) Duties of the Nomination Committee

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

(b) Work Performed by the Nomination Committee

During the Year, no meeting was held by the Nomination Committee after its establishment. The Board assumed the Committee functions to consider and approve the appointment of an INED at its meeting on 28 January 2022 after reviewing the background, skills set of the candidate against the Nomination Policy and the Board Diversity Policy of the Company.

The Nomination Committee held its first meeting on 14 October 2022 to consider and review, among other things, the composition of the Board, the independence of the INEDs, the details of Retiring Directors who stand for re-election at the 2022 AGM and make relevant recommendations to the Board for consideration and approval.

Corporate Governance Report

(5) ATTENDANCE RECORD AT MEETINGS

The attendance record (note 1) of each Director at the meetings of the Board and its Committees, and 2021 annual general meeting ("**2021 AGM**") of the Company held during the Year is set out in the following table:

Directors	Board of Directors Meetings *(note 2)*	Executive Committee Meetings *(note 3)*	Audit Committee Meetings *(note 4)*	Renumeration Committee Meeting *(note 5)*	Nomination Committee Meeting *(note 6)*	2021 AGM *(note 7)*
Number of Meetings Held	5	8	2	1	0	1
During the Year	**Number of Meetings Attended/Number of Meetings Held**					
Executive Directors						
Lam Wai Shan,Vanessa	5/5	8/8	—	n/a	n/a	1/1
Lam Kin Ngok, Peter	5/5	—	—	—	—	0/1
Lam Kin Hong, Matthew	5/5	—	—	—	—	0/1
Wan Edward Yee Hwa	5/5	8/8	—	1/1	—	1/1
Non-executive Directors						
Chow Bing Chiu	5/5	—	—	1/1	—	1/1
Lam Suk Ying, Diana	5/5	—	—	—	—	0/1
Independent Non-executive Directors						
Leung Shu Ying, William	5/5	—	2/2	1/1	—	1/1
Fung Cheuk Nang, Clement	5/5	—	2/2	1/1	n/a	1/1
Woo King Hang	2/2	—	1/1	—	n/a	n/a
Resigned Director						
Yeung Sui Sang (INED)	1/1	—	1/1	n/a	—	1/1

Notes:

During the Year,

1. the Directors attended the meetings in person or by other electronic means through audio and/or video conferencing as permitted by the Articles of Association.
2. the Directors held five Board meetings. Mr. KH Woo has been appointed as INED with effect from 28 January 2022, only two Board meetings were held after his appointment. Mr. SS Yeung resigned as INED with effect from 1 November 2021, only one Board meeting was held before his resignation.
3. the Executive Committee held eight meetings. Ms. Vanessa Lam (Chairman, Executive Director and CEO) has been appointed as the Chairman of this committee with effect from 28 January 2022 and Mr. Edward Wan (Executive Director) is a member.
4. the Audit Committee held two meetings. Mr. KH Woo (INED) has been appointed as a member of this committee with effect from 28 January 2022, only one committee meeting was held after his appointment. Mr. SS Yeung (Resigned INED) ceased as a member of this committee with effect from 1 November 2021, only one committee meeting was held before his cessation.
5. the Remuneration Committee held one meeting. Ms. Vanessa Lam (Executive Director) have been appointed as a members of this committee with effect from 28 January 2022, no committee meeting was held after her appointment. Mr. SS Yeung (Resigned INED) ceased as a member of this committee with effect from 1 November 2021, no committee meeting was held before his cessation. Mr Edward Wan (Executive Director) and Mr. BC Chow (NED), both ceased as members of this committee with effect from 28 January 2022, only one committee meeting was held before their cessation.
6. the Nomination Committee was established in January 2022. Ms. Vanessa Lam (Chairman, Executive Director and CEO) has been appointed as Chairman of this committee and Mr. Clement Fung and Mr. KH Woo were members. The first committee meeting was held on 14 October 2022 after the Year.
7. The 2021 AGM was held on 20 December 2021. The Chairman of the Board and the Chairman of the Audit Committee and Remuneration Committee attended the 2021 AGM.

Corporate Governance Report

(5) ATTENDANCE RECORD AT MEETINGS (continued)

For the Year, Ms. Vanessa Lam met all INEDs without the presence of other Directors after the Board meeting held on 28 January 2022 in compliance with code provision C.2.7 of the CG Code.

(6) CHAIRMAN AND CHIEF EXECUTIVE

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

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

(7) NON-EXECUTIVE DIRECTORS

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

(8) NOMINATION OF DIRECTORS

As explained in paragraph (1) above in this Corporate Governance Report, the Board established the Nomination Committee. The Company adopted the Nomination Policy to set out the procedures and criteria for identifying and selecting potential candidates for the appointment of new Director(s) as well as for considering the renewal of director appointment. The Nomination Committee will conduct the relevant selection process against the proposed candidate, make recommendations and furnish with the terms and conditions of the appointment for Board's consideration. The Nomination Policy contains a number of factors in assessing the suitability of a proposed candidate which include the reputation for integrity, accomplishment and experience in the industry which may be relevant to the businesses of the Company, commitment for responsibilities of the Board in respect of available time and relevant interests, potential contributions to the Board with reference to the Board Diversity Policy (as defined below), and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED, etc.

The Shareholders may also propose a person for election as a Director, details of which are set out in "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" which is available on the Company's website at www.crocodile.com.hk.

Corporate Governance Report

(9) BOARD DIVERSITY POLICY

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

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

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

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

The Board and the Nomination Committee had, at its meeting held on 14 October 2022, reviewed the structure, size and composition of the Board with reference to the Board Diversity Policy. The Company considers that the current composition of the Board, two out of its nine members being women, is characterised by diversity, whether considered in terms of gender, professional background and skills. The current Directors have extensive experience and skills in, including but not limited to, garment and retail industry, property development and investment, hospitality as well as media and entertainment businesses, laws, accounting and auditing services and corporate finance, etc.

The Board currently comprises two female Directors and seven male Directors. The Board considers that the gender diversity in respect of the Board is satisfactory. Gender ratio in the workforce (including Management) is 88 (female) and 36 (male), women comprise 71% of all workforce.

Corporate Governance Report

(10) SECURITIES TRANSACTIONS BY DIRECTORS AND DESIGNATED EMPLOYEES

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

(11) DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

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

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

(12) INDEPENDENT AUDITOR'S REPORTING RESPONSIBILITY

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

(13) INDEPENDENT AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

At the AGM held on 20 December 2021, SHINEWING was re-appointed by the Shareholders as the Independent Auditor at a fee to be agreed by the Board. The fees in respect of the audit and non-audit services provided to the Group by SHINEWING for the Year amounted to approximately HK$800,000 and HK$68,000, respectively. The non-audit services represented the tax compliance service to the Group for the Year.

(14) RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Group has established policy and procedures for handling and disseminating inside information of the Group to ensure such information is disseminated to the public in equal and timely manner in accordance with the requirements of SFO and the Listing Rules. Relevant parties are reminded to preserve the confidentiality of the inside information until it is publicly disclosed. Briefing sessions are held regularly for relevant parties to facilitate their understanding and compliance with the policy and procedures.

With a view to manage the Group's business and operational risk and to ensure smooth operation, the Group has outsourced the internal audit function to the Independent Advisor during the Year to assist the Board and the Audit Committee in on-going monitoring of the risk management and internal control systems of the Group.

The periodic reviews have covered all material controls, including financial, operational and compliance controls of the Group. During the Year, ACC has assisted the Board in evaluating (i) the various components of the internal control system including control environment, risk assessment, control activities, information and communication, and monitoring activities; and (ii) the cycles of cash and bank, expenditure and property, plant and equipment of the Group. Appropriate recommendations for further enhancing the internal control system have been adopted. The internal control review report of the Company prepared by ACC as the Independent Advisor has been presented to and reviewed by the Audit Committee and the Board. The Board considers that the Group's internal control system for the Year and up to the date of this Annual Report is effective and adequate.

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

A risk management policy which sets out the Group's approach and methodology in establishing the risk assessment mechanism and managing risks in order to protect the Group from those risks of significant impact and vulnerability has been adopted by the Board since July 2017.

Corporate Governance Report

(14) RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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

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

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

(15) COMPANY SECRETARY

The Company Secretary is an employee of the Company appointed by the Board. During the Year, Ms. Chan Yin Yi, Annie ("**Ms. Annie Chan**") has been appointed as the Company Secretary of the Company in place of Mr. Ko Ming Kin with effect from 3 January 2022. Ms. Annie Chan confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

(16) COMMUNICATION WITH SHAREHOLDERS

(16.1) Shareholders' Communication Policy

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

Corporate Governance Report

(16) COMMUNICATION WITH SHAREHOLDERS (continued)

(16.1) Shareholders' Communication Policy (continued)

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

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

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

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

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

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

(16.2) Details of the Last General Meeting

The 2021 AGM, was held at 11:00 a.m. on 20 December 2021 at Montparnasse Rooms I-IV, 2/F., Regal Kowloon Hotel, 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong. At 2021 AGM, Shareholders approved by a vast majority of votes (i) the adoption of the audited financial statements of the Company for the year ended 31 July 2021 and the reports of the directors and the independent auditor thereon; (ii) the re-election of Ms. Vanessa Lam and Mr. Clement Fung as Directors; (iii) the authorisation of the Board to fix the Directors' remuneration; (iv) the re-appointment of SHINEWING as the Independent Auditor for the Year and the authorisation of the Board to fix their remuneration; and (v) the granting to the Directors the general mandates to buy back the Shares and to issue, allot and deal with additional Shares, and to extend the general mandate granted to the Directors to issue Shares by adding the number of Shares to be bought back.

The notice of 2021 AGM and the poll results announcement in respect of the 2021 AGM were published on the respective websites of the Stock Exchange and the Company on 19 November 2021 and 20 December 2021.

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

Corporate Governance Report

(17) SHAREHOLDERS' RIGHTS

(17.1) Procedures for Shareholders to Call a GM

Pursuant to the Articles of Association and Section 566 of the Companies Ordinance, registered Shareholders representing at least 5% of the total voting rights of all Shareholders having a right to vote at GMs ("**GM Requisitionists**") can deposit a written request to call a GM at the registered office of the Company ("**Registered Office**"), which is presently situated at the 25/F., Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary.

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

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

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

(17.2) Procedures for Putting Forward Proposals at AGM

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

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

(17) SHAREHOLDERS' RIGHTS (continued)

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

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

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

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

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

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

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

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

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

(18) DIVIDEND POLICY

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

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

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

Corporate Governance Report

(19) CONSTITUTIONAL DOCUMENTS

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

(20) INVESTOR RELATIONS

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

Key Dates

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

	For Financial Year 2021/2022
Annual results announcement for the year ended 31 July 2022	14 October 2022
Latest time and date to lodge transfer documents with the Registrar for entitlement to attending and voting at the 2022 AGM	4:30 p.m. on 12 December 2022
2022 AGM	3:00 p.m. on 16 December 2022

(21) OTHER CHANGES DURING AND AFTER THE YEAR

(21.1) Change of Address of Registered Office of the Company

As announced by the Company on 26 April 2022, the address of the Company registered office has been changed to 25th Floor, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong with effect from 26 April 2022.

(21.2) Change of Share Registrar and Transfer Office of the Company

As announced by the Company on 12 August 2022, the address of Tricor Tengis Limited has been changed from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022.

Independent Auditor's Report

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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

Opinion

We have audited the consolidated financial statements of Crocodile Garments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 54 to 139, which comprise the consolidated statement of financial position as at 31 July 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Valuation of investment properties

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 67 to 68.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2022, the carrying amount of investment properties was approximately HK$1,673,478,000, representing 69% of the Group's total assets, with fair value loss of approximately HK$47,588,000 recognised for the year ended 31 July 2022. We have identified the valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the involvement of significant judgments and estimates made by the management of the Company in assessing its fair value.	Our procedures were designed to challenge the valuation process and reasonableness of the key assumptions and estimates adopted in assessing the fair value of investment properties. We have challenged the reasonableness of the methodologies, key assumptions and the input data used in the valuation with reference to the recent market transacted prices, together with market and other externally available information.

Impairment of right-of-use assets

Refer to Note 15 to the consolidated financial statements and the accounting policies on pages 68 to 72.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2022, the carrying amount of right-of-use assets was approximately HK$80,542,000, representing 3% of the Group's total assets. No impairment loss was recognised for the year ended 31 July 2022. We have identified impairment of right-of-use assets as a key audit matter as it involves a significant degree of judgement by the management in assessing whether there are any indicators of impairment for right-of-use assets at the end of the reporting period and in the estimation of recoverable amount of the right-of-use assets. The determination of the recoverable amount for right-of-use assets involves the use of assumptions and estimations including recent market transaction prices, estimated revenue growth rate, operating costs and discount rate.	Our procedures were designed to evaluate the management's assessment of the indicators of impairment and, where such indicators were identified, assessed the reasonableness of management's impairment testing and identify any valuation risk of right-of-use assets. We have discussed and challenged with the management on the key assumptions used in the management's impairment assessment. We have assessed the reasonableness of key assumptions used in the impairment assessment, including the estimated revenue growth rate, operating costs, pre-tax discount rate, recent market transacted prices, together with market and other externally available information.

Independent Auditor's Report

Valuation for inventories

Refer to Note 19 to the consolidated financial statements and the accounting policies on page 76.

Key audit matter	How our audit addressed the key audit matter
As at 31 July 2022, the carrying amount of inventories was approximately HK$12,484,000, representing 3% of the Group's current assets as at 31 July 2022. We have identified valuation of inventories as a key audit matter because it involves a significant degree of judgement by the management. Provisions consideration included inventory aging profiles and the determination of the methods and assumptions such as period to sell to determine the percentages to apply to aged inventory. The assumptions adopted are subject to the changing trends which require significant judgment based on experience.	Our procedures were designed to assess the judgment and assumptions used by the management in calculating the inventory provisions. We reviewed management's assessment of slow moving and obsolete inventories, and critically assessed whether appropriate provisions had been established for slow moving and obsolete items. When considering management's assessment, we had also taken into account the most recent prices achieved on sales across the product lines and the adequacy of provision for inventories. We assessed the methodology and assumptions and compared to those used in prior years for consistency. We also assessed the reasonableness of management's assessment by considering the utilisation or release of previously recorded provisions and the net realisable value of inventories.

Other Information

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Hong Kong
14 October 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**103,288**	112,000
Cost of sales		**(28,436)**	(30,562)
Gross profit		**74,852**	81,438
Fair value losses on investment properties	16	**(47,588)**	(3,538)
Other income	5	**20,322**	16,026
Selling and distribution expenses		**(44,633)**	(45,178)
Administrative expenses		**(51,510)**	(46,871)
Other (losses) gains, net	7	**(20,622)**	8,892
Finance costs	8	**(11,102)**	(11,532)
Share of profit (loss) of an associate	18(b)	**1,896**	(1,170)
Loss before tax	10	**(78,385)**	(1,933)
Income tax	9	**—**	—
Loss for the year attributable to owners of the Company		**(78,385)**	(1,933)
Other comprehensive income (expense)			
Item that will not be subsequently reclassified to profit or loss:			
Gain arising on transfer of property, plant and equipment to investment properties at fair value	16	**43,076**	—
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,785)**	6,713
Other comprehensive income for the year		**40,291**	6,713
Total comprehensive (expense) income for the year attributable to owners of the Company		**(38,094)**	4,780
		HK Cents	HK Cents
Losses per share			
— Basic	13	**(8.27)**	(0.20)
— Diluted	13	**(8.27)**	(0.20)

Consolidated Statement of Financial Position

As at 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	14	**84,527**	67,944
Investment properties	16	**1,673,478**	1,725,948
Right-of-use assets	15	**80,542**	48,932
Financial asset at fair value through profit or loss ("**FVTPL**")	21	**27,568**	29,457
Amount due from an associate	18(a)	**7,941**	8,135
Interest in an associate	18(b)	**51,817**	49,921
Rental and utility deposits	20	**3,009**	3,344
		1,928,882	1,933,681
Current assets			
Inventories	19	**12,484**	29,134
Trade and other receivables, deposits and prepayments	20	**29,344**	29,135
Financial assets at FVTPL	21	**164,000**	160,239
Amount due from a related company	30(b)	**—**	45
Pledged bank deposits	22	**2,924**	7,432
Bank balances and cash	22	**277,756**	40,953
		486,508	266,938
Current liabilities			
Bank borrowings	23	**249,447**	349,198
Margin loans payable	24	**28,523**	4,396
Trade and other payables and deposits received	25	**36,288**	47,465
Amounts due to related companies	30(b)	**—**	338
Lease liabilities	15	**15,332**	25,510
Tax payable		**20,645**	21,357
		350,235	448,264

Consolidated Statement of Financial Position

As at 31 July 2022

	Notes	2022 HK$'000	2021 HK$'000
Net current assets (liabilities)		**136,273**	(181,326)
Total assets less current liabilities		**2,065,155**	1,752,355
Non-current liabilities			
Bank borrowings	23	**559,960**	206,034
Deposits received	25	**6,571**	5,829
Provision for long service payments		**1,057**	350
Lease liabilities	15	**4,140**	8,621
Deferred tax liabilities	26	**—**	—
		571,728	220,834
Net assets		**1,493,427**	1,531,521
Capital and reserves			
Share capital	27	**332,323**	332,323
Reserves		**1,161,104**	1,199,198
Total equity		**1,493,427**	1,531,521

The consolidated financial statements on pages 54 to 139 were approved and authorised for issue by the board of directors of the Company on 14 October 2022 and are signed on its behalf by:

Lam Wai Shan, Vanessa
Director

Wan Edward Yee Hwa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2022

	Attributable to owners of the Company					
	Share capital HK$'000	Translation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total equity HK$'000
At 1 August 2020	332,323	14,836	109,689	1,068,908	985	1,526,741
Loss for the year	—	—	—	(1,933)	—	(1,933)
Other comprehensive expense:						
Exchange differences arising on translation of foreign operations	—	6,713	—	—	—	6,713
Total comprehensive income (expense) for the year	—	6,713	—	(1,933)	—	4,780
Lapse of share options	—	—	—	985	(985)	—
At 31 July 2021 and 1 August 2021	332,323	21,549	109,689	1,067,960	—	1,531,521
Loss for the year	—	—	—	(78,385)	—	(78,385)
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	(2,785)	—	—	—	(2,785)
Gain arising on transfer of property, plant and equipment to investment properties at fair value	—	—	43,076	—	—	43,076
Total comprehensive (expense) income for the year	—	(2,785)	43,076	(78,385)	—	(38,094)
At 31 July 2022	**332,323**	**18,764**	**152,765**	**989,575**	**—**	**1,493,427**

Consolidated Statement of Cash Flows

For the year ended 31 July 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(78,385)**	(1,933)
Adjustments for:		
Finance costs	**11,102**	11,532
Bank interest income	**(269)**	(52)
Interest income from an associate	**(406)**	(412)
Interest income on advances to independent third parties	**(420)**	(840)
Share of (profit) loss of an associate	**(1,896)**	1,170
Depreciation of property, plant and equipment	**6,563**	5,878
Depreciation of right-of-use assets	**5,658**	4,812
Loss (gain) on disposal/write-off of property, plant and equipment	**192**	(167)
Provision (reversal) of impairment for trade and other receivables	**7,331**	(4,702)
Impairment loss recognised in respect of right-of-use assets	**—**	4,427
Reversal of provision for slow-moving inventories	**(4,359)**	(883)
Net losses (gains) on financial assets at fair value through profit or loss	**26,403**	(5,073)
Fair value losses on investment properties	**47,588**	3,538
Written off of other payables	**(12,278)**	—
COVID-19-related rent concessions	**(5,361)**	(5,130)
Gain on early termination of lease	**(25)**	(2,739)
Operating cash flows before movements in working capital	**1,438**	9,426
Decrease in inventories	**21,009**	20,865
(Increase) decrease in financial assets at fair value through profit or loss	**(28,275)**	23,980
Increase (decrease) in trade and other payables and deposits received	**1,843**	(8,744)
(Increase) decrease in trade and other receivables, deposits and prepayment, excluding rental and utility deposits	**(7,941)**	4,449
Decrease in amounts due to related companies	**(338)**	(134)
Decrease in rental and utility deposits	**335**	4,101
Decrease (increase) in amount due from a related company	**45**	(45)
Increase (decrease) in provision for long service payments	**707**	(1,416)
Cash (used in) from operations	**(11,177)**	52,482
Interest paid	**(11,102)**	(11,532)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(22,279)**	40,950

Consolidated Statement of Cash Flows

For the year ended 31 July 2022

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Interest received	**689**	892
Proceeds from disposal of property, plant and equipment	**149**	389
Withdrawal of pledged bank deposits	**4,508**	16,676
Purchase of property, plant and equipment	**(5,680)**	(1,038)
Repayment from an associate	**600**	600
NET CASH FROM INVESTING ACTIVITIES	**266**	17,519
FINANCING ACTIVITIES		
New bank loans raised	**376,175**	22,380
Repayments of bank loans	**(122,000)**	(88,383)
New margin loans raised	**24,127**	—
Repayments of margin loans	**—**	(8,701)
Repayments of lease liabilities	**(18,913)**	(30,172)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**259,389**	(104,876)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**237,376**	(46,407)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**40,953**	86,402
Effect of foreign exchange rate changes	**(573)**	958
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash	**277,756**	40,953

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

1. GENERAL

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

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

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

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

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

In the current year, the Group has applied, for its first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 August 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contacts — Cost of Fulfilling a Contract[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle[1]

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

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Investment properties

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
If an item of property, plant and equipment becomes an investment property when there is a change in use, as supported by observable evidence, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

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

The Group as lessee
For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Except for the right-of-use assets classified as investment properties and measured under fair value model, right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset that do not meet the definition of investment property as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment properties"

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

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

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

Foreign currencies

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Retirement benefits costs
Payments to defined contribution plans/state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Provisions

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

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

Financial instruments

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

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

Financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the "Other income" line item (Note 5).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Other (losses) gains, net' line item. Fair value is determined in the manner described in Note 21.

A financial asset is held for trading if:

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9
The Group recognises a loss allowance for expected credit losses ("**ECL**") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)
Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Definition of default

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

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

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

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Estimation of fair values of investment properties

As at 31 July 2022, the Group's investment properties amounted to approximately HK$1,673,478,000 (2021: HK$1,725,948,000). They are stated at estimated fair value, determined by the Directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. Favourable and unfavourable changes to these factors would result in changes in the valuation of the Group's investment properties.

Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the net realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed semi-annually for obsolete and slow-moving inventory items, if appropriate. As at 31 July 2022, the carrying amount of inventories of the Group was approximately HK$12,484,000 (2021: HK$29,134,000), net of allowance for inventories of approximately HK$12,127,000 (2021: HK$16,622,000).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

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

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

As at 31 July 2022, the carrying amounts of property, plant and equipment and right-of-use assets were HK$84,527,000 and HK$80,542,000 (2021: HK$67,944,000 and HK$48,932,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in Notes 14 and 15 respectively.

Estimated impairment of trade and other receivables

The impairment provisions for trade and other receivables are based on ECL. The Group uses judgement in making assumptions and selecting the inputs to the ECL model, based on the ageing of trade and other receivables as well as the Group's historical loss rates and forward looking factors at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. The ECL on trade and other receivables is assessed collectively by using a provision matrix with appropriate groupings and/or an individual basis for debtors with significant balances or credit impaired. As at 31 July 2022, the carrying amounts of trade and other receivables of the Group were approximately $15,561,000 (2021: HK$17,356,000), net of allowance for impairment amounted to HK$46,864,000 (2021: HK$40,836,000). During the year ended 31 July 2022, there was provision (2021: reversal of provision) for impairment amounted to HK$7,331,000 (2021: HK$4,702,000).

Income tax

As at 31 July 2022, a deferred tax asset of approximately HK$16,668,000 (2021: HK$15,391,000) (see Note 26) in relation to unused tax losses of approximately HK$101,021,000 (2021: HK$93,280,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK$510,797,000 (2021: HK$484,004,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	2022 **HK$'000**	2021 HK$'000
Revenue from contracts with customer within the scope of HKFRS 15		
Sale of goods *(Note (a))*	**50,485**	59,137
Revenue from other sources		
Gross rental income	**52,803**	52,863
	103,288	112,000
Other income		
Royalty income	**9,647**	5,098
Bank interest income	**269**	52
Interest income on amount due from an associate	**406**	412
Interest income on advances to independent third parties *(Note 20(b))*	**420**	840
Government grants *(Note (b))*	**1,852**	4,012
COVID-19-related rent concessions *(Note (c))*	**5,361**	5,130
Others	**2,367**	482
	20,322	16,026
Gross rental income	**52,803**	52,863
Less: outgoings	**(763)**	(817)
	52,040	52,046

Notes:

(a) *During the years ended 31 July 2022 and 31 July 2021, sale of goods were recognised at a point in time in accordance with HKFRS 15.*

(b) *During the year ended 31 July 2022, the amounts represented cash subsidies of approximately HK$1,852,000 (2021: HK$4,012,000) from the Employment Support Scheme under Anti-epidemic Fund granted by the Government of Hong Kong as part of the relief measures on the COVID-19 pandemic. There are no unfulfilled conditions and no other contingencies attached to the receipts of these subsidies.*

(c) *Due to the outbreak of COVID-19, the Group has received numerous forms of rent concessions from lessors including rent forgiveness.*

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

6. SEGMENT INFORMATION

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

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

Segment revenues and results

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

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management (formerly titled as "securities trading")		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**50,485**	59,137	**52,803**	52,863	**–**	–	**103,288**	112,000
Other income from external customers *(Note)*	**19,076**	14,501	**557**	633	**–**	–	**19,633**	15,134
Group's total revenue and other income *(Note)*	**69,561**	73,638	**53,360**	53,496	**–**	–	**122,921**	127,134
Reportable segment (loss) profit	**(11,903)**	(15,113)	**(4,714)**	44,821	**(24,514)**	4,670	**(41,131)**	34,378
Unallocated corporate income							**689**	892
Unallocated corporate expenses							**(26,841)**	(25,671)
Finance costs							**(11,102)**	(11,532)
Loss before tax							**(78,385)**	(1,933)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of bank interest income, interest income on advances to independent third parties, certain net (losses) gain on financial assets at FVTPL, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management (formerly titled as "securities trading")		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**200,163**	167,589	**1,742,979**	1,787,949	**164,000**	160,239	**2,107,142**	2,115,777
Unallocated corporate assets							**308,248**	84,842
Total consolidated assets							**2,415,390**	2,200,619
LIABILITIES								
Segment liabilities	**45,856**	71,498	**17,532**	16,615	**28,523**	4,396	**91,911**	92,509
Unallocated corporate liabilities							**830,052**	576,589
Total consolidated liabilities							**921,963**	669,098

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

6. SEGMENT INFORMATION (continued)

Other segment information

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management (formerly titled as "securities trading")		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**–**	–	**51,817**	49,921	**–**	–	**51,817**	49,921
Additions to property, plant and equipment	**1,570**	1,033	**4,110**	5	**–**	–	**5,680**	1,038
Addition of right-of-use assets	**11,220**	10,789	**–**	–	**–**	–	**11,220**	10,789
Depreciation	**12,012**	10,523	**209**	167	**–**	–	**12,221**	10,690
Impairment loss recognised in respect of right-of-use assets	**–**	4,427	**–**	–	**–**	–	**–**	4,427
Provision (reversal) of impairment on trade and other receivables	**6,431**	(4,702)	**900**	–	**–**	–	**7,331**	(4,702)
Reversal of provision for slow-moving inventories	**(4,359)**	(883)	**–**	–	**–**	–	**(4,359)**	(883)
Loss (gain) on disposal of property, plant and equipment	**192**	(167)	**–**	–	**–**	–	**192**	(167)
Fair value losses on investment properties	**–**	–	**47,588**	3,538	**–**	–	**47,588**	3,538
Net losses (gains) on financial assets at FVTPL *(Note)*	**–**	–	**–**	–	**24,514**	(4,670)	**24,514**	(4,670)
Share of (profit) loss of an associate	**–**	–	**(1,896)**	1,170	**–**	–	**(1,896)**	1,170
Interest income from an associate	**–**	–	**(406)**	(412)	**–**	–	**(406)**	(412)

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

6. SEGMENT INFORMATION (continued)

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

	Revenue from external customers	
	Year ended 31 July	
	2022	2021
	HK$'000	HK$'000
Hong Kong	**95,460**	103,153
The PRC	**7,828**	8,847
	103,288	112,000

	Non-current assets	
	As at 31 July	
	2022	2021
	HK$'000	HK$'000
Hong Kong	**1,802,968**	1,796,191
The PRC	**87,396**	96,554
	1,890,364	1,892,745

Note: Non-current assets exclude financial instruments.

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

For the year ended 31 July 2021, none of the Group's customers contributed 10% or more of the Group's total revenue.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

7. OTHER (LOSSES) GAINS, NET

	2022 HK$'000	2021 HK$'000
Impairment loss recognised in respect of right-of-use assets	—	(4,427)
(Provision) reversal of impairment on trade and other receivables	(7,331)	4,702
(Loss) gain on disposal of property, plant and equipment	(192)	167
Gain on early termination of lease	25	2,739
Net (losses) gains on financial assets at FVTPL	(26,403)	5,073
Exchange gains (losses), net	278	(883)
Written off of other payables	12,278	—
Others	723	1,521
	(20,622)	8,892

8. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on:		
Bank borrowings	10,260	9,757
Lease liabilities	842	1,775
	11,102	11,532

9. INCOME TAX

No current tax has been provided for the years ended 31 July 2022 and 31 July 2021 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

9. INCOME TAX (continued)

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

For the year ended 31 July 2022

	Hong Kong		The PRC		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
(Loss) profit before tax	(81,622)		3,237		(78,385)	
Tax at the domestic income tax rate	(13,467)	16.5	809	25.0	(12,658)	16.1
Tax effect of income not taxable for tax purpose	(785)	0.9	(850)	(26.3)	(1,635)	2.1
Tax effect of expenses not deductible for tax purposes	9,564	(11.7)	245	7.6	9,809	(12.5)
Tax effect of share of result of an associate	(313)	0.4	—	—	(313)	0.4
Tax effect of tax losses not recognised	5,411	(6.6)	107	3.3	5,518	(7.0)
Tax effect of previously unrecognised tax losses utilised	(45)	0.1	(311)	(9.6)	(356)	0.5
Tax effect of deductible temporary differences not recognised	(365)	0.4	—	—	(365)	0.4
	—	—	—	—	—	—

For the year ended 31 July 2021

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

10. LOSS BEFORE TAX

	2022	2021
	HK$'000	HK$'000
The Group's loss before tax has been arrived at after charging:		
Staff costs, including Directors' remuneration *(Note 11)*:		
Wages and salaries	**33,909**	34,893
Retirement benefits schemes contributions	**1,092**	1,226
Others	**(10)**	(965)
	34,991	35,154
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories)	**27,673**	29,745
Depreciation of property, plant and equipment	**6,563**	5,878
Depreciation of right-of-use assets	**5,658**	4,812
Auditor's remuneration		
— Audit services	**882**	850
— Non-audit services	**68**	68

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remunerations of each of the ten (2021: ten) Directors including the chief executive officers are as follows:

	2022						
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000 *(note c)*	Performance related incentive payments HK$'000	Retirement benefits schemes HK$'000	Long service payment HK$'000	Total HK$'000
Executive directors (note a)							
Lam Wai Shan, Vanessa	10	3,423	50	–	18	–	3,501
Lam Kin Ngok, Peter	10	–	–	–	–	–	10
Lam Kin Hong, Matthew	10	–	–	–	–	–	10
Wan Edward Yee Hwa	10	360	30	–	–	–	400
Non-executive directors (note b)							
Lam Suk Ying, Diana	96	–	–	–	–	–	96
Chow Bing Chiu	144	–	–	–	–	–	144
Independent non-executive directors (note b)							
Yeung Sui Sang[1]	36	–	–	–	–	–	36
Fung Cheuk Nang, Clement	144	–	–	–	–	–	144
Leung Shu Yin, William	144	–	–	–	–	–	144
Woo King Hang[2]	74	–	–	–	–	–	74
	678	3,783	80	–	18	–	4,559

[1] Resigned on 1 November 2021.
[2] Appointed on 28 January 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

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

[3] Deceased on 8 January 2021.
[4] Re-designated on 29 March 2021.
[5] Appointed on 29 March 2021.

Notes:

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

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

c. *The discretionary bonus is based on the relevant individual's performance and the Company's performance, as well as the prevailing market conditions.*

Ms. Lam Wai Shan, Vanessa is the chief executive officer of the Company since 22 January 2021 and her emoluments disclosed above include those for services rendered by her as the chief executive officer.

During each of the years ended 31 July 2022 and 31 July 2021, (i) no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office; and (ii) none of the Directors waived any emoluments.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

11a. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included one (2021: two) directors, details of whose remuneration are set out in Note 11. The remunerations of the remaining four (2021: three) highest paid employees are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and allowances	**5,066**	3,145
Retirement benefits schemes	**71**	54
	5,137	3,199

Their remunerations are within the following bands:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**—**	2
HK$1,000,000 to HK$1,500,000	**3**	—
HK$1,500,001 to HK$2,000,000	**1**	1
	4	3

During each of the years ended 31 July 2022 and 31 July 2021, no remuneration was paid by the Group to the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDEND

No dividend was paid or declared during the year ended 31 July 2022, nor has any dividend been proposed by the Company since the end of the reporting period (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

13. LOSSES PER SHARE

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

	2022	2021
	HK$'000	HK$'000
Losses		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted losses per share	**(78,385)**	(1,933)

	2022	2021
Number of shares		
Number of ordinary shares for the purposes of basic losses per share and diluted losses per share	**947,543,695**	947,543,695

For the year ended 31 July 2022, diluted losses per share were same as basic losses per share as the Company had no dilutive potential ordinary shares in issue.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Plant and machinery HK$'000	Furniture and fixtures, leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 August 2020	93,861	3,313	63,432	16,745	10,295	187,646
Additions	—	—	144	83	811	1,038
Eliminated on write-off	—	(837)	(9,173)	(3,560)	(1,558)	(15,128)
Exchange realignment	7,034	201	338	285	142	8,000
At 31 July 2021	100,895	2,677	54,741	13,553	9,690	181,556
Additions	—	—	4,789	791	100	5,680
Disposals	—	—	(23,989)	(4,824)	(6,151)	(34,964)
Transfer from investment properties *(Note 16)*	24,868	—	—	—	—	24,868
Transfer to investment properties *(Note 16)*	(7,100)	—	—	—	—	(7,100)
Exchange realignment	(3,126)	(71)	(61)	(43)	(42)	(3,343)
At 31 July 2022	**115,537**	**2,606**	**35,480**	**9,477**	**3,597**	**166,697**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 August 2020	29,334	3,255	62,103	15,881	8,780	119,353
Provided for the year	4,308	19	651	308	592	5,878
Eliminated on write-off	—	(837)	(9,173)	(3,560)	(1,336)	(14,906)
Exchange realignment	2,342	199	336	285	125	3,287
At 31 July 2021	35,984	2,636	53,917	12,914	8,161	113,612
Provided for the year	4,738	8	872	336	609	6,563
Disposals	—	—	(23,651)	(4,821)	(6,151)	(34,623)
Transfer to investment properties *(Note 16)*	(1,857)	—	—	—	—	(1,857)
Exchange realignment	(1,310)	(70)	(61)	(42)	(42)	(1,525)
At 31 July 2022	**37,555**	**2,574**	**31,077**	**8,387**	**2,577**	**82,170**
CARRYING VALUES						
At 31 July 2022	**77,982**	**32**	**4,403**	**1,090**	**1,020**	**84,527**
At 31 July 2021	64,911	41	824	639	1,529	67,944

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The management reviewed the impairment of leasehold improvements on individual premises basis when events or circumstances indicate the carrying amount may not be recoverable. Certain stores/shop outlets were loss making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores/shop outlets with operating losses which is considered as an impairment indicator for the years ended 31 July 2022 and 31 July 2021. No impairment loss was recognised for the years ended 31 July 2022 and 31 July 2021. The recoverable amount of the relevant assets has been determined on the basis of their value-in-use. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The pre-tax discount rate in measuring the amounts of value-in-use was 3.5% (2021: 3.5%) in relation to furniture and fixtures and leasehold improvements.

The Group has pledged leasehold buildings with a carrying value of approximately HK$24,454,000 (2021: HK$5,346,000) to secure general banking facilities granted to the Group (Note 28).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	2022 HK$'000	2021 HK$'000
Leasehold land	**69,564**	44,288
Leased premises	**10,978**	4,644
	80,542	48,932

	2022 HK$'000	2021 HK$'000
At 1 August	**48,932**	46,387
Addition	**11,220**	10,789
Transfer from investment properties	**59,292**	—
Transfer to investment properties	**(31,681)**	—
Depreciation	**(5,658)**	(4,812)
Early termination of lease	**(1,131)**	—
Impairment loss in respect of right-of-use assets	**—**	(4,427)
Exchange realignment	**(432)**	995
At 31 July	**80,542**	48,932

The leasehold land of approximately HK$11,260,000 and HK$58,304,000 (2021: HK$11,983,000 and HK$32,305,000) are situated in the PRC and Hong Kong respectively.

The Group has lease arrangements for leased premises, shop outlets and warehouse. The lease terms are generally two to five (2021: two to five) years.

Additions to the right-of-use assets for the year ended 31 July 2022 amounted to approximately HK$11,220,000 (2021: HK$10,789,000), due to new leases of leased premises, including shop outlets and warehouse.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

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

The management reviewed the impairment of right-of-use assets on individual premises basis when events or circumstances indicate the carrying amount may not be recoverable. Certain stores/shop outlets were loss-making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on stores/shop outlets with operating losses which is considered as an impairment indicator for the years ended 31 July 2022 and 31 July 2021. As a result, the management recognised an impairment loss of approximately HK$4,427,000 (2022: nil) for certain right-of-use assets during the year ended 31 July 2021. The recoverable amount of each individual store/shop outlet cash generating unit was based on the discounted cash flow projections covering a period of the remaining lease term. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance of each cash generating units and management's expectations for the market development. The pre-tax discount rate in measuring the amounts of value-in-use was 3.5% (2021: 3.5%) in relation to right-of-use assets. As at 31 July 2022, the carrying amount of right-of-use assets was approximately HK$80,542,000 (2021: HK$48,932,000) in respect of the leasehold land and leased premises.

The Group has pledged leasehold land with a carrying value of approximately HK$58,304,000 (2021: HK$32,305,000) to secure general banking facilities granted to the Group (Note 28).

(ii) Lease liabilities

	2022	2021
	HK'$000	HK'$000
Non-current	**4,140**	8,621
Current	**15,332**	25,510
	19,472	34,131

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

(ii) Lease liabilities (continued)

Amounts payable under lease liabilities

	2022 HK$000	2021 HK$000
Within one year	**15,332**	25,510
After one year but within two years	**4,140**	8,332
After two years but within five years	**—**	289
	19,472	34,131
Less: Amount due for settlement within 12 months (Show under current liabilities)	**(15,332)**	(25,510)
Amount due for settlement after 12 months	**4,140**	8,621

During the year ended 31 July 2022, the Group entered into certain new lease agreements in respect of renting shop outlets, offices and warehouse and recognised lease liabilities of approximately HK$11,220,000 (2021: HK$10,789,000).

As at 31 July 2022, the carrying amount of lease liabilities was approximately HK$19,472,000 (2021: HK$34,131,000).

The weighted average incremental borrowings rate applied to lease liabilities is 3.5% (2021: 3.5%).

Rent concessions

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

(iii) Amounts recognised in profit and loss

	2022 HK$'000	2021 HK$'000
Depreciation on right-of-use assets		
— Leasehold land	**1,948**	1,574
— Leased premises	**3,710**	3,238
Interest expense on lease liabilities	**842**	1,775
Impairment loss in respect of right-of-use assets	**—**	4,427
COVID-19-related rent concessions	**5,361**	5,130
Expense relating to short-term leases	**2,597**	2,028
Expense relating to variable lease payments not included in the measurement of the lease liability	**1,688**	1,467
Gain on early termination of leases	**25**	2,739

(iv) Others

For the year ended 31 July 2022, the total cash outflow for leases amount to approximately HK$24,040,000 (2021: HK$35,442,000), including payment on interest of lease liabilities and lease termination penalty of approximately HK$842,000 and HK$400,000 (2021: HK$1,775,000 and nil) respectively.

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

	2022 HK$'000	2021 HK$'000
Fixed payments	**1,121**	1,808
Variable payments	**1,688**	1,467
Total payments	**2,809**	3,275

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

Restrictions or covenants on leases

As at 31 July 2022, lease liabilities of HK$19,472,000 are recognised with related right-of-use assets of HK$10,978,000 (2021: lease liabilities of HK$34,131,000 and related right-of-use assets of HK$4,644,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

16. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
FAIR VALUE		
At the beginning of the year	**1,725,948**	1,727,756
Decrease in fair value recognised in profit or loss	**(47,588)**	(3,538)
Increase in fair value recognised in other comprehensive income	**43,076**	—
Transfer from property, plant and equipment	**5,243**	—
Transfer to property, plant and equipment	**(24,868)**	—
Transfer from right-of-use assets	**31,681**	—
Transfer to right-of-use assets	**(59,292)**	—
Exchange realignment	**(722)**	1,730
At the end of the year	**1,673,478**	1,725,948

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

Unipress started to redevelop the KT Property in 2007 and the redevelopment was completed in September 2009. The KT Property was renamed as Crocodile Center upon the completion of the redevelopment. Pursuant to the Development Agreement, upon the completion of the redevelopment, the Group assigned the retail and restaurant portions of the Crocodile Center to Unipress and all the car parking spaces to Mass Energy Limited, in which the Group holds 50% equity interest and accounted for it as an associate (Note 18(b)).

The fair value of the Group's investment properties as at 31 July 2022 and 31 July 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuer (the "**Valuer**") not connected to the Group.

During the year ended 31 July 2022, the Group has transferred a property with fair value of HK$56,549,000 from investment properties to property, plant and equipment and right-of-use assets due to the change in use, which evidenced by commencement of owner-occupation. In return, a property originally self-occupied as office with a carrying value of approximately HK$36,924,000 has been leased out and classified as investment properties. At the date of transfer, the property is revalued by the Valuer, resulting in gains of approximately HK$43,076,000, which has been recognised in other comprehensive income for the year ended 31 July 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

16. INVESTMENT PROPERTIES (continued)

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

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

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

At 31 July 2022 and 31 July 2021, certain investment properties of approximately HK$1,624,470,000 (2021: HK$1,676,000,000) of the Group were pledged to banks to secure the bank loans granted to the Group (Note 28).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

16. INVESTMENT PROPERTIES (continued)

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

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

Description	Fair value as at 31 July		Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
	2022 **HK$'000**	2021 HK$'000					
Properties located in Hong Kong							
Office	28,000	28,000	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 85% to 110% (2021: 95% to 108%)	The higher the adjusting factor, the higher the fair value.
	1,468,470	1,600,000	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	3.3% (2021: 3.3%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	HK$30.5 (2021: HK$28.5) per square foot	The higher the market rent, the higher the fair value.
Industrial	156,000	76,000	Direct comparison approach		Adjusting factors (to reflect location, size, age and maintenance)	Adjusting factors ranging from 93% to 109% (2021: ranging from 89% to 107%)	The higher the adjusting factor, the higher the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

16. INVESTMENT PROPERTIES (continued)

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

Description	Fair value as at 31 July 2022 HK$'000	Fair value as at 31 July 2021 HK$'000	Valuation techniques	Unobservable inputs			Relationship of unobservable inputs to fair value
Properties located in the PRC							
Retail	12,608	13,548	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.5% (2021: 5.5%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB242 (2021: RMB242) per square metre	The higher the market rent, the higher the fair value.
Office	8,400	8,400	Income capitalisation approach	(i)	Capitalisation rate and reversionary yield (derived from monthly market rent)	5.5% (2021: 5.5%)	The higher the reversionary yield, the lower the fair value.
				(ii)	Reversionary rent	RMB69 (2021: RMB69) per square metre	The higher the market rent, the higher the fair value.
	1,673,478	1,725,948					

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

17. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ registration and operations	Issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2022	2021	
Crocodile (China) Limited	Hong Kong	HK$4	100	100	Investment holding
Crocodile KT Investment Limited	Hong Kong	HK$1	100	100	Property investment
Dackart Trading Company Limited	Hong Kong	HK$20	100	100	Property investment
Crocodile Garments (Hong Kong) Limited	Hong Kong	HK$1	100	100	Garment trading
Crocodile Garments (Zhong Shan) Limited* (鱷魚恤(中山)有限公司)	The PRC	HK$17,200,000	100	100	Garment trading
Guangzhou Crocodile Garments Commercial Limited* (廣州鱷魚恤商業有限公司)	The PRC	HK$5,000,000	100	100	Garment trading
Stargem Limited	Hong Kong	HK$1	100	100	Property investment
Public Global Investments Limited	Hong Kong	HK$1	100	100	Property investment
Pure Goal Limited	BVI	US$1	100	100	Investment holding
Purewell Limited	Hong Kong	HK$1	100	100	Property Investment
Keepower Limited	Hong Kong	HK$1	100	100	Property Investment

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

18(a). AMOUNT DUE FROM AN ASSOCIATE

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

18(b). INTEREST IN AN ASSOCIATE

	2022	2021
	HK$'000	HK$'000
Costs of investment in an associate	**—**	—
Share of post-acquisition profit and other comprehensive income, net of dividends received	**51,817**	49,921
	51,817	49,921

Details of the associate as at 31 July 2022 and 31 July 2021 are as follows:

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

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

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

Summarised financial information of the associate

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

Summarised financial information of the associate (continued)

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

	2022 **HK$'000**	2021 HK$'000
Current assets	**2,974**	1,289
Non-current assets — representing investment properties	**119,000**	116,000
Current liabilities	**(316)**	(563)
Non-current liabilities	**(18,024)**	(16,883)
Net assets	**103,634**	99,843
Proportion of the Group's ownership in Mass Energy Limited	**50%**	50%
Carrying amount of the Group's interest in Mass Energy Limited	**51,817**	49,921
Total revenue	**1,746**	1,691
Profit (loss) and total comprehensive income (expense) for the year	**3,792**	(2,339)
Group's share of profit (loss) of an associate for the year	**1,896**	(1,170)
Dividend shared by the Group and received from the associate during the year	**—**	—

19. INVENTORIES

	2022 **HK$'000**	2021 HK$'000
Raw materials	**—**	138
Finished goods	**12,484**	28,996
	12,484	29,134

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

19. INVENTORIES (continued)

The carrying amount of inventories of the Group was approximately HK$12,484,000 (2021: HK$29,134,000), net of allowance for inventories of approximately HK$12,127,000 (2021: HK$16,622,000). During the year ended 31 July 2022, there was an increase in the sales of slow-moving products. As a result, a reversal of provision for slow-moving inventories of approximately HK$4,359,000 (2021: HK$883,000) has been recognised and included in cost of sales in the current year.

20. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	HK$'000
Trade receivables	**16,209**	17,049
Less: Allowance for impairment	**(12,048)**	(11,111)
	4,161	5,938
Other receivables *(Notes (a) and (b))*	**46,216**	41,143
Less: Allowance for impairment	**(34,816)**	(29,725)
	11,400	11,418
Deposits and prepayments	**16,792**	15,123
	32,353	32,479
Less: Rental and utility deposits shown under non-current assets	**(3,009)**	(3,344)
	29,344	29,135

Notes:

(a) *As at 31 July 2022, net royalty receivables of the Group of nil (2021: nil), net of allowance for impairment of approximately HK$27,813,000 (2021: HK$29,772,000), was included in the other receivables, where payments are required monthly or semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2022, the Group made reversal of provision for impairment of approximately HK$955,000 (2021: HK$5,005,000).*

(b) *As at 31 July 2022, included in other receivables of the Group was advance of HK$7,000,000 (2021: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2022. During the year ended 31 July 2022, there was a provision for impairment amounted to HK$7,000,000 (2021: nil).*

As at 31 July 2022, gross amount of approximately HK$11,749,000 (2021: HK$13,532,000) included in the trade receivables arose from the sales of goods in accordance with HKFRS 15.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

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

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

	2022	2021
	HK$'000	HK$'000
0 to 90 days	**1,368**	3,641
91 to 180 days	**2,333**	648
181 to 365 days	**460**	1,649
	4,161	5,938

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

	2022	2021
	HK$'000	HK$'000
At the beginning of the year	**40,836**	42,317
Provision (reversal of allowance) provided, net	**7,331**	(4,702)
Exchange realignment	**(1,303)**	3,221
At the end of the year	**46,864**	40,836

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

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

As at 31 July 2022	**Weighted average expected loss rate %**	**Gross carrying amount HK$'000**	**Impairment loss allowance HK$'000**
Not credit-impaired:			
Within 60 days	*	**1,368**	—
61 days to 150 days	*	**2,333**	—
Over 150 days	*	**460**	—
		4,161	—
Credit-impaired:			
Default receivables	100%	**12,048**	**12,048**
		16,209	**12,048**

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

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

The assessments on ECL of other receivables and deposits are set out in Note 33(b).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

21. FINANCIAL ASSETS AT FVTPL

	2022 HK$'000	2021 HK$'000
Current assets		
Listed investments		
Equity securities listed in Hong Kong	**65,600**	25,926
Equity securities listed outside Hong Kong	**4,841**	14,394
Debt securities listed in Hong Kong	**37,650**	6,757
Debt securities listed outside Hong Kong	**13,695**	10,049
Perpetual securities listed in Hong Kong	**2,622**	5,511
Perpetual securities listed outside Hong Kong	**1,518**	1,711
	125,926	64,348
Unlisted investments		
Equity securities	**7,699**	7,522
Debt securities	**30,375**	88,369
	38,074	95,891
Total	**164,000**	160,239

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

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

At 31 July 2022, certain financial assets at FVTPL of approximately HK$36,742,000 (2021: HK$41,930,000) of the Group were pledged to banks to secure the margin loans payable of approximately HK$28,523,000 (2021: HK$4,396,000), details of which are set out in Note 24.

	2022 HK$'000	2021 HK$'000
Non-current asset		
Unlisted investment in Hong Kong, at fair value	**27,568**	29,457

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

21. FINANCIAL ASSETS AT FVTPL (continued)

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

The valuation technique and significant unobservable inputs are disclosed in Note 33(c).

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

	2022 **HK$'000**	2021 HK$'000
Bank balances and cash	**277,756**	40,953
Pledged bank deposits	**2,924**	7,432

As at 31 July 2022 and 31 July 2021, the pledged bank deposits of the Group carry interest at market rates and are therefore exposed to cash flow interest rate risk.

Pledged bank deposits amounting to approximately HK$2,924,000 (2021: HK$7,432,000) have been pledged to secure margin loans payable and therefore classified as current assets.

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

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 33(b).

23. BANK BORROWINGS

	2022		2021	
	HK$'000	**Effective interest rates (%) p.a**	HK$'000	Effective interest rates (%) p.a
Bank loans, secured	**809,407**	**1.72-3.49**	555,232	1.07-2.26

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

23. BANK BORROWINGS (continued)

	2022 HK$'000	2021 HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	**249,447**	349,198
Beyond one year, but not exceeding two years	**23,631**	206,034
Beyond two years, but not exceeding five years	**74,421**	—
Beyond five years	**461,908**	—
	809,407	555,232
Less: Amounts shown under current liabilities	**(249,447)**	(349,198)
Amounts shown under non-current liabilities	**559,960**	206,034

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

The borrowings of the Group were mainly denominated in HK$ and USD.

As at 31 July 2022, the Group's floating-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1.00% to 1.50% per annum.

As at 31 July 2021, the Group's fixed-rate and floating-rate borrowings are mainly subject to interest at 2.26% and HIBOR plus 1.00% to 1.50% per annum, respectively.

24. MARGIN LOANS PAYABLE

As at 31 July 2022, the margin loans payable was secured by the debt and equity securities held under the margin accounts, with a total market value of approximately HK$36,742,000 (2021: HK$41,930,000) (Note 21) and pledged bank deposits of approximately HK$2,924,000 (2021: HK$7,432,000) (Note 22).

	2022		2021	
	HK$'000	Effective interest rates (%) p.a	HK$'000	Effective interest rates (%) p.a
Within one year	**28,523**	**2.10-3.40**	4,396	1.45

The Group's variable-rate margin loans payable are mainly subject to interest rate at 2.10% to 3.40% (2021: 1.45%) per annum. The range of effective interest rates are equal to contractual interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

25. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2022	2021
	HK$'000	HK$'000
Trade payables:		
0 to 90 days	**700**	1,263
91 to 180 days	**165**	254
181 to 365 days	**270**	821
Over 365 days	**2,388**	2,811
	3,523	5,149
Other deposits	**17,957**	17,923
Other payables and accruals	**21,379**	30,222
	42,859	53,294
Less: Deposits received shown under non-current liabilities	**(6,571)**	(5,829)
	36,288	47,465

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

26. DEFERRED TAX

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

	2022	2021
	HK$'000	HK$'000
Deferred tax assets	**16,668**	15,391
Deferred tax liabilities	**(16,668)**	(15,391)
	—	—

26. DEFERRED TAX (continued)

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

	Losses available for offsetting against future taxable profits HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 31 July 2020	14,235	(14,235)	—
Credit (charged) to profit or loss *(Note 9)*	1,156	(1,156)	—
At 31 July 2021	15,391	(15,391)	—
Credit (charged) to profit or loss *(Note 9)*	1,277	(1,277)	—
At 31 July 2022	**16,668**	**(16,668)**	**—**

As at 31 July 2022, the Group has unutilised tax losses of approximately HK$611,818,000 (2021: HK$577,284,000). Tax losses in Hong Kong are available for offsetting against future taxable profits of the companies in which the losses arose for an indefinite period. The PRC tax loss unutilised of approximately HK$21,928,000 (2021: HK$27,661,000) may be carried forward for maximum five years.

Deferred tax asset has been recognised in respect of approximately HK$101,021,000 (2021: HK$93,280,000) of such losses arising from Hong Kong. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$510,797,000 (2021: HK$484,004,000) in aggregate due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$40,427,000 (2021: HK$42,639,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. No deferred taxation had been provided for in the consolidated financial statements since the temporary difference attributable to retained profits of the PRC subsidiaries is nil (2021: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

27. SHARE CAPITAL

	No. of shares	HK$'000
Issued and fully paid:		
At 1 August 2020, 31 July 2021 and 31 July 2022	**947,543,695**	**332,323**

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

28. PLEDGE OF ASSETS

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

	2022 **HK$'000**	2021 HK$'000
Leasehold building *(Note 14)*	**24,454**	5,346
Right-of-use assets *(Note 15)*	**58,304**	32,305
Investment properties *(Note 16)*	**1,624,470**	1,676,000
Financial assets at FVTPL *(Note 21)*	**36,742**	41,930
Pledged bank deposits *(Note 22)*	**2,924**	7,432
	1,746,894	1,763,013

29. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Gross property rental income earned during the year was approximately HK$52,803,000 (2021: HK$52,863,000). The Group leases out its investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from two to four years (2021: two to four years). The terms of the leases generally require the tenants to pay security deposits. During the year, the investment properties generated rental yields of 3.1% (2021: 3.1%). None of the leases includes variable payments.

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

	2022 **HK$'000**	2021 HK$'000
Within one year	**34,588**	40,896
After one year but within two years	**25,445**	10,863
After two years but within three years	**10,707**	2,868
After three years but within four years	**299**	—
	71,039	54,627

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

30. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	2022 HK$'000	2021 HK$'000
Expenses related to short-term leases and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii), (v), (vi)	**88**	104
Expenses related to short-term leases:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii), (v), (vi)	**39**	37
Lease payment and interest expense on lease liabilities:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii), (v), (vi)	**2,838**	3,177
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii), (v), (vi)	**973**	860
— Honor Lamp Investments Limited	(i), (ii), (v), (vi)	**—**	560
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii), (v), (vi)	**476**	400
Company secretarial fee:			
— Lai Sun Development Company Limited	(iii), (vi)	**807**	719
Rental income and building management fee income:			
— Big Honor Asia Limited	(v), (vi), (vii)	**N/A**	2,260
— HVC Limited	(i), (ii)	**452**	—
Interest income:			
— Mass Energy Limited	(iv)	**406**	412

Notes:

(i) Ms. Lam Wai Shan, Vanessa has certain shareholding interests in this company.

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

(iii) Dr. Lam Kin Ngok, Peter, a younger brother of Dr. Lam Kin Ming (deceased) and one of the key management personnel members of the Company, has certain shareholding interests in this company and is one of its key management personnel members.

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

(v) During the year ended 31 July 2021, Dr. Lam Kin Ming (deceased) had certain shareholding interests in this company.

(vi) During the year ended 31 July 2021, Dr. Lam Kin Ming (deceased) was one of the key management personnel members of this company.

(vii) No amounts were disclosed as this company is no longer a related party to the Group during the year ended 31 July 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

30. RELATED PARTY TRANSACTIONS

(b) Outstanding balances with related parties:

Amount due from a related company

			Maximum amount outstanding during the year ended 31 July	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Related company				
Lai Sun Development Company Limited	**—**	45	**45**	359

Note: Dr. Lam Kin Ming (deceased) and Dr. Lam Kin Ngok, Peter are the Directors of Lai Sun Development Company Limited.

Amounts due to related companies

	2022	2021
	HK$'000	HK$'000
Related companies		
Big Honor Asia Limited	**—**	42
Lai Sun Textiles Company Limited	**—**	296
	—	338

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

(c) Compensation of key management personnel of the Group

	2022	2021
	HK$'000	HK$'000
Short-term employee benefits	**8,549**	8,987
Post-employment benefits	**89**	72
	8,638	9,059

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

31. RETIREMENT BENEFITS SCHEMES

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

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

The only obligation of the Group with respect to the retirement benefit plans is to make the statutory specified contributions. During the year ended 31 July 2022, the total retirement benefits scheme contributions charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK$1,092,000 (2021: HK$1,226,000).

During the years ended 31 July 2022 and 31 July 2021, the Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employees who leave the scheme prior to vesting fully in such contributions) available to reduce its contributions to the pension schemes in future years.

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings, margin loans payable and amounts due to related companies disclosed in Notes 23, 24 and 30(b) respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT

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

	2022 HK$'000	2021 HK$'000
Debts *(i)*	**837,930**	559,628
Equity *(ii)*	**1,493,427**	1,531,521
Debt to equity ratio	**56.1%**	36.5%

Notes:

(i) Debt is defined as bank borrowings and margin loans payable as detailed in Notes 23 and 24 respectively.

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

(a) Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2022 and 31 July 2021 are categorised as follows:

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at FVTPL	**191,568**	189,696
Financial assets at amortised cost	**317,598**	87,669
Financial liabilities		
Financial liabilities at amortised cost	**874,218**	607,431

(b) Financial risk management objectives and policies

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

Notes to the Consolidated Financial Statements

33. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk

Foreign currency risk

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**26,211**	53,668	**3,488**	5,440
RMB	**6,373**	13,741	**—**	—
JPY	**295**	1,049	**—**	—
EUR	**352**	406	**—**	—

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

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2021: 5%) increase or decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% (2021: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2021: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates a decrease (2021: a decrease) in pre-tax loss where respective functional currency weakened 5% (2021: 5%) against the relevant foreign currency. For a 5% (2021: 5%) strengthening of respective functional currency against the relevant foreign currency, there would be an equal and opposite impact on the pre-tax (loss) profit and the balances below would be negative.

	Effect on profit or loss	
	2022	2021
	HK$'000	HK$'000
RMB	**319**	687
JPY	**15**	52
EUR	**18**	20

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Market risk (continued)

Interest rate risk

The Group was exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, margin loans payable, bank balances and pledged bank deposits. Details of bank balances and pledged bank deposits, bank borrowings and margin loans payable are disclosed in Notes 22, 23 and 24 respectively. It is the Group's policy to keep its bank balances and pledged bank deposits, bank borrowings and margin loans payable at floating rate of interests so as to minimise the fair value interest rate risk. Debt securities included in the financial assets at FVTPL, fixed-rate bank borrowings amounts due to related companies, amount due from an associate and a related company and short-term time deposits carried at fixed rates expose the Group to fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2021: 100 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Variable-rate bank balances (other than pledged bank deposits) is excluded from sensitivity analysis as the Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balance is insignificant.

If interest rates had been 100 (2021: 100) basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the years ended 31 July 2022 and 31 July 2021 would increase/decrease by HK$8,349,000 (2021: HK$5,522,000).

Other price risk

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

Price sensitivity analysis

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

If the prices had been 10% higher/lower while holding all other variables constant, pre-tax loss for the years ended 31 July 2022 and 31 July 2021 would decrease/increase by approximately HK$12,593,000 (2021: HK$6,435,000). This is mainly due to the change in fair value of held-for-trading investments.

The Group's method and assumption used in preparing the sensitivity to listed securities has not changed significantly from the prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk

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

The credit risk of the Group mainly caused from trade and other receivables, deposits, amounts due from a related company and an associate, pledged bank deposits and bank balances. The carrying amount of these balances represent the Group's maximum exposure credit risk in relation to financial assets.

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

The Group has no significant concentration of credit risk as at 31 July 2022 and 31 July 2021, as the exposure spread over a number of counterparties. As at 31 July 2022, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 71% (2021: 52%) of the total trade receivables.

Credit risk arising on debt securities and perpetual securities was mitigated by investing primarily in high credit rating instruments, any exception to which was approved by the management.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances or credit impaired and collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Management has considered the trade receivables with defaults or past due events over 90 days as credit-impaired.

For non-trade related receivables, deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL. Management has considered the non-trade related receivable, deposits and other receivables with defaults or past due events over two years as credit-impaired.

Management considered amounts due from an associate and a related company to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

In order to minimise credit risk, the Group has tasked its management of the Group to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management of the Group using public available financial information and the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 July 2022

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	*(Note)*	Lifetime ECL (simplified approach) — not credit impaired	4,161	—	4,161
	(Note)	Lifetime ECL (simplified approach) — credit impaired	12,048	12,048	—
Other receivables	Performing	12-month ECL	11,400	—	11,400
	Default	Lifetime ECL – credit impaired	34,816	34,816	—
Deposits	Performing	12-month ECL	13,416	—	13,416
Amount due from an associate	Performing	12-month ECL	7,941	—	7,941
Pledged bank deposits	Performing	12-month ECL	2,924	—	2,924
Bank balances and cash	Performing	12-month ECL	277,756	—	277,756

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk. (continued)

For the year ended 31 July 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Trade receivables	*(Note)*	Lifetime ECL (simplified approach) — not credit impaired	5,938	—	5,938
	(Note)	Lifetime ECL (simplified approach) — credit impaired	11,111	11,111	—
Other receivables	Performing	12-month ECL	11,418	—	11,418
	Default	Lifetime ECL — credit impaired	29,725	29,725	—
Deposits	Performing	12-month ECL	13,748	—	13,748
Amount due from an associate	Performing	12-month ECL	8,135	—	8,135
Amount due from a related company	Performing	12-month ECL	45	—	45
Pledged bank deposits	Performing	12-month ECL	7,432	—	7,432
Bank balances and cash	Performing	12-month ECL	40,953	—	40,953

Note:

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience with reference to the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented with reference to their past due status in terms of the provision matrix. Note 20 include further details on the loss allowance for trade receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Credit risk (continued)

In respect of cash and cash equivalents, the Group will place its cash at banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong.

Liquidity risk

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

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

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 year" time band in the below maturity analysis. As at 31 July 2022, the aggregate undiscounted principal amounts of these bank loans approximately amounted to HK$226,380,000 (2021: HK$340,240,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will approximately amount to HK$226,934,000 (2021: HK$340,535,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

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

Liquidity risk (continued)

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

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2022 HK$'000
Non-derivative financial instruments						
Bank borrowings	**263,856**	**36,921**	**110,764**	**550,744**	**962,285**	**809,407**
Margin loans payable	**28,542**	–	–	–	**28,542**	**28,523**
Trade and other payables and deposits received	**36,288**	–	–	–	**36,288**	**36,288**
	328,686	**36,921**	**110,764**	**550,744**	**1,027,115**	**874,218**
Lease liabilities	**15,780**	**4,208**	–	–	**19,988**	**19,472**

	On demand or less than 1 year HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount 31 July 2021 HK$'000
Non-derivative financial instruments						
Bank borrowings	352,853	208,988	–	–	561,841	555,232
Margin loans payable	4,400	–	–	–	4,400	4,396
Trade and other payables and deposits received	47,465	–	–	–	47,465	47,465
Amounts due to related companies	338	–	–	–	338	338
	405,056	208,988	–	–	614,044	607,431
Lease liabilities	26,255	8,469	291	–	35,015	34,131

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values

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

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting period. The fair value of unlisted investments was based on the value quoted by the brokers or/and the Valuer at the end of the reporting period (see Note 21 for details).

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

Fair value hierarchy as at 31 July 2022 and 31 July 2021

	31 July 2022			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL	**125,926**	**38,074**	**27,568**	**191,568**

	31 July 2021			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL	64,348	95,891	29,457	189,696

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

33. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair values (continued)

The valuation techniques and inputs used in the fair value measurements of the financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31/7/2022 HK$'000	Fair value as at 31/7/2021 HK$'000	Valuation technique	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted investment in preference shares	Level 3	27,568	29,457	Option pricing model backsolve valuation method for equity compensation	(i) Expected term of the instrument	The higher the expected term, the higher the fair value
					(ii) Anticipated volatility	The higher the anticipated volatility, the higher the fair value

Reconciliation of Level 3 fair value measurements of financial asset on recurring basis:

	Unlisted investment in preference shares HK$'000
At 1 August 2020	29,054
Fair value gains recognised in profit or loss	403
At 31 July 2021 and 1 August 2021	29,457
Fair value losses recognised in profit or loss	(1,889)
At 31 July 2022	**27,568**

The above total fair value losses for the year ended 31 July 2022 recognised in profit or loss of approximately HK$1,889,000 (2021: fair value gains of HK$403,000) are included in other losses/gains, net, that is attributable to unrealised gains or losses arising from changes in fair values of financial assets at FVTPL held at the end of the reporting period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

For the year ended 31 July 2022

			Non-cash changes				
	1 August 2021 HK$'000	**Financing cash flows HK$'000**	**New lease recognised HK$'000**	**COVID-19 related rent concessions HK$'000**	**Early termination of the lease contract HK$'000**	**Exchange difference HK$'000**	**31 July 2022 HK$'000**
Bank borrowings *(Note 23)*	**555,232**	**254,175**	**—**	**—**	**—**	**—**	**809,407**
Margin loans payable *(Note 24)*	**4,396**	**24,127**	**—**	**—**	**—**	**—**	**28,523**
Lease liabilities *(Note 15)*	**34,131**	**(18,913)**	**11,220**	**(5,361)**	**(1,556)**	**(49)**	**19,472**
	593,759	**259,389**	**11,220**	**(5,361)**	**(1,556)**	**(49)**	**857,402**

For the year ended 31 July 2021

			Non-cash changes				
	1 August 2020 HK$000	Financing cash flows HK$000	New lease recognised HK$000	COVID-19 related rent concessions HK$000	Early termination of the lease contract HK$000	Exchange difference HK$000	31 July 2021 HK$000
Bank borrowings *(Note 23)*	621,235	(66,003)	—	—	—	—	555,232
Margin loans Payable *(Note 24)*	13,097	(8,701)	—	—	—	—	4,396
Lease liabilities *(Note 15)*	61,302	(30,172)	10,789	(5,130)	(2,739)	81	34,131
	695,634	(104,876)	10,789	(5,130)	(2,739)	81	593,759

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**1,642**	1,408
Right-of-use assets		**9,385**	1,616
Investments in subsidiaries		**4,050**	4,050
Amounts due from subsidiaries	(c)	**722,150**	710,582
Rental and utility deposits		**3,005**	3,341
		740,232	720,997
Current assets			
Inventories		**9,578**	25,899
Trade and other receivables, deposits and prepayments		**18,948**	18,448
Amounts due from subsidiaries	(b)	**643**	286
Amount due from a related parties		—	45
Financial assets at FVTPL		**164,000**	160,239
Pledged bank deposits		**2,924**	7,432
Bank balances and cash		**257,462**	10,638
		453,555	222,987
Current liabilities			
Bank borrowings		**249.447**	349,198
Margin loans payable		**28,523**	4,396
Trade and other payables and deposits received		**11,708**	10,374
Amounts due to subsidiaries	(b)	**38,492**	39,504
Amount due to a related company	(b)	—	296
Lease liabilities		**13,920**	24,099
		342,090	427,867
Net current assets (liabilities)		**111,465**	(204,880)
Total assets less current liabilities		**851,697**	516,117
Non-current liabilities			
Bank borrowings		**559,960**	206,034
Provision for long service payments		**1,057**	326
Lease liabilities		**3,860**	6,871
		564,877	213,231
Net assets		**286,820**	302,886
Capital and reserves			
Share capital		**332,323**	332,323
Reserves	(a)	**(45,503)**	(29,437)
Total equity		**286,820**	302,886

The statements of financial position of the Company was approved and authorised for issue by the board of directors of the Company on 14 October 2022 and are signed on its behalf by:

Lam Wai Shan, Vanessa
Director

Wan Edward Yee Hwa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

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

Notes:

(a) The reserves of the Company as at 31 July 2022 and 31 July 2021 are as follows:

	Accumulated losses HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 August 2020	*(62,532)*	*985*	*(61,547)*
Lapse of share options	*985*	*(985)*	*—*
Profit and total comprehensive income for the year	*32,110*	*—*	*32,110*
At 31 July 2021 and 1 August 2021	*(29,437)*	*—*	*(29,437)*
Loss and total comprehensive expense for the year	*(16,066)*	*—*	*(16,066)*
At 31 July 2022	***(45,503)***	*—*	***(45,503)***

(b) The amounts were unsecured, non-interest bearing and repayable on demand.

(c) The amounts are unsecured with approximately HK$591,253,000 (2021: HK$575,272,000) being interest bearing of 5% to 10% (2021: 5% to 10%) and approximately HK$130,898,000 (2021: HK$135,310,000) being non-interest bearing. The Directors do not expect repayments from subsidiaries within the next twelve months from the end of the reporting period.

36. CAPITAL COMMITMENT

	2022 HK$'000	2021 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
Further acquisition of financial assets at FVTPL	**—**	1,476
Acquisition of property, plant and equipment	**696**	—
	696	1,476

37. MAJOR NON-CASH TRANSACTION

During the year ended 31 July 2022, the Group entered into new lease agreements for leased shop outlets and warehouse and recognised right-of-use assets and lease liabilities of approximately HK$11,220,000 (2021: HK$10,789,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

38. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The total number of shares in respect of which share options may be granted under the 2015 Scheme is not permitted to exceed 10% of the shares of the Company in issue on 15 December 2015 and the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2015 Scheme and any share option schemes of the Company must not exceed 30% of the number of shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which share options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted under the 2015 Scheme must be taken up within 30 days from the date of grant respectively, upon payment of HK$1 per option. Share options may be exercised at any time within a period from the date of grant of the share option to the expiry date of the 2015 Scheme. The exercise price of any share option is determined by the Directors, shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange daily quotation sheet on the date of the offer of grant and (ii) the average closing prices of the Company's shares as stated in the Stock Exchange daily quotation sheets for the five trading days immediately preceding the date of the offer of grant.

During the year ended 31 July 2021, all remaining share options were lapsed. As at 31 July 2021, there are no outstanding shares in respect of which share options had been granted under the 2015 Scheme (2022: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2022

38. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

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

Particulars of Investment Properties

As at 31 July 2022

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

Location	Use	Lease Term	Attributable Interests of the Group
Offices on 11th Floor to 25th Floor and the Office External Walls, Crocodile Center, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 1001 on 10th Floor, China Insurance Group Building, 141 Des Voeux Road Central, 73 Connaught Road Central and 61-65 Gilman Street, Central, Hong Kong	Property letting	Long	100%
Unit A on 11th Floor, and 12th Floor (whole floor),Wing Tai Centre (Front Block), 12 Hing Yip Street, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Workshop Nos. 1, 2, 3, 5, 6, 7, 8, 9 and Store Room on 20th Floor, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Property letting	Medium	100%
Unit 2005 on Level 20, Times 8, No. 68 Zhiquanduan, Dongda Street, Jinjiang District, Chengdu, the People's Republic of China ("**PRC**")	Property letting	Medium	100%
Shop No. 129, No. 103 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%
Shop No. 130, No. 105 Cheng Han Zhong Road, Gao Xin District, Chengdu, the PRC	Property letting	Medium	100%

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