

CROCODILE

2007-2008

Crocodile Garments Limited Interim Report | 鱷魚恤有限公司中期報告



CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Lam Kin Ming (*Chairman and Chief Executive Officer*)

Lam Wai Shan, Vanessa (*Deputy Chief Executive Officer*)

Lam Kin Ngok, Peter

Lam Kin Hong, Matthew

Cheng Suet Fei, Sophia

Lam Suk Ying, Diana

Tong Ka Wing, Carl

Wan Yee Hwa, Edward*

Yeung Sui Sang*

Chow Bing Chiu*

* *Independent non-executive directors*

Company Secretary

Yeung Kam Hoi

Qualified Accountant

Ko Ming Kin

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Crocodile Garments Limited

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Stock code on Hong Kong Stock Exchange: 122

RESULTS

The board of directors (the “Board”) of Crocodile Garments Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 January 2008 together with the comparative figures as follows:

Condensed Consolidated Income Statement

For the six months ended 31 January 2008

		Six months ended	
		31 January	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	230,739	218,690
Cost of sales		(90,158)	(85,949)
<hr/>			
Gross profit		140,581	132,741
Other income	4	24,270	20,289
Selling and distribution costs		(138,139)	(124,213)
Administrative expenses		(26,600)	(24,028)
Other operating expenses, net	5	(2,999)	(1,489)
Fair value gains on investment properties		10,000	2,000
Finance costs		(961)	(893)
<hr/>			
PROFIT BEFORE TAX	5	6,152	4,407
Tax	6	(3,887)	(2,267)
<hr/>			
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		2,265	2,140
<hr/> <hr/>			
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
— basic (HK cents)	7	0.37	0.35
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Condensed Consolidated Balance Sheet

As at 31 January 2008

		31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
	Notes		
Assets and liabilities			
Non-current assets			
Property, plant and equipment		41,340	27,944
Investment properties		449,628	439,628
Land lease payments		14,583	14,443
Rental and utility deposits		20,043	19,231
Deposits for prepaid land lease payments		30,256	29,685
		555,850	530,931
Current assets			
Inventories	8	96,798	82,546
Trade receivables, deposits and prepayments	9	58,238	52,648
Amount due from a related company	16(b)	710	710
Cash and cash equivalents		67,258	58,676
		223,004	194,580
Current liabilities			
Short-term borrowings		69,117	30,197
Trade and other payables	10	77,720	61,367
Amounts due to related companies	16(b)	256	76
Current tax payable		9,498	9,498
		156,591	101,138
Net current assets		66,413	93,442
Total assets less current liabilities		622,263	624,373
Non-current liabilities			
Provision for long service payments		989	1,989
Deferred tax liabilities	11	50,936	50,046
		51,925	52,035
Net assets		570,338	572,338
Equity			
Equity attributable to equity holders of the Company			
Issued capital	12	154,282	154,282
Reserves		333,275	331,369
Retained profits		82,781	86,687
Total equity		570,338	572,338

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2008

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 August 2006 (audited)	154,282	164,921	—	283	172,110	60,023	551,619
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	6,924	—	—	6,924
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	—	—	—	(7,800)	—	(7,800)
Transfer to income statement on disposal of property	—	—	—	—	(5,105)	5,105	—
Total income and expenses recognised directly in equity	—	—	—	6,924	(12,905)	5,105	(876)
Net profit for the year	—	—	—	—	—	21,559	21,559
Total recognised income and expenses for the year	—	—	—	6,924	(12,905)	26,664	20,683
Recognition of equity-settled share-based payment	—	—	36	—	—	—	36
At 31 July 2007 (audited) and 1 August 2007	154,282	164,921	36	7,207	159,205	86,687	572,338
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	1,449	—	—	1,449
Dividends paid — 2007 final	—	—	—	—	—	(6,171)	(6,171)
Total income and expenses recognised directly in equity	—	—	—	1,449	—	(6,171)	(4,722)
Net profit for the period	—	—	—	—	—	2,265	2,265
Total recognised income and expenses for the period	—	—	—	1,449	—	(3,906)	(2,457)
Recognition of equity-settled share-based payment	—	—	457	—	—	—	457
At 31 January 2008 (unaudited)	154,282	164,921	493	8,656	159,205	82,781	570,338

Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2008

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(10,352)	(14,858)
Net cash outflow from investing activities	(20,890)	(12,921)
Net cash inflow from financing activities	39,290	11,506
Net increase/(decrease) in cash and cash equivalents	8,048	(16,273)
Cash and cash equivalents at beginning of period	58,306	78,713
Effect of foreign exchange rate changes, net	904	1,294
Cash and cash equivalents at end of period	67,258	63,734

Analysis of Balances of Cash and Cash Equivalents

Cash and bank balances	67,258	63,285
Non-pledged time deposits with original maturity of less than three months when acquired	—	2,040
Bank overdrafts	—	(1,591)
	67,258	63,734

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain investment properties which have been measured at fair value. The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2007, except for adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations (“Int”)) which are generally effective for annual periods beginning on or after 1 August 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of these new HKFRSs has no material effect on the Group’s results and financial position for the current or prior accounting periods reflected in these financial statements.

The Group has not early adopted the following new HKFRSs which have been issued but not yet effective:

HKFRS 8	Operating Segments ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HK(IFRIC) — Int 12	Service Concession Arrangements ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 14	The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the financial statements of the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group’s operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories; and
- (b) the property investment segment invests in land and buildings for their rental income potential.

In determining the Group’s geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Business segments

For the six months ended 31 January 2008 (unaudited)

	Garment and related accessories HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to/income from external customers	229,121	1,618	230,739
Other revenue	19,782	4,260	24,042
Total	248,903	5,878	254,781
Segment results	(8,050)	14,941	6,891
Unallocated corporate income and expenses			(6)
			6,885
Interest income			228
Finance costs			(961)
Profit before tax			6,152
Tax			(3,887)
Profit for the period attributable to equity holders of the Company			2,265
Assets and liabilities:			
Segment assets	259,164	452,432	711,596
Unallocated assets			67,258
Total assets			778,854
Segment liabilities	77,168	1,796	78,964
Unallocated liabilities			129,552
Total liabilities			208,516
Other segment information:			
Depreciation	7,243	89	7,332
Amortisation of land lease payments	136	—	136
Provision for bad and doubtful debts	228	—	228
Provision for slow-moving inventories, net	2,242	—	2,242
Capital expenditure	21,119	—	21,119
Loss on disposal/write-offs of items of property, plant and equipment, net	740	—	740
Fair value gains on investment properties	—	(10,000)	(10,000)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the six months ended 31 January 2007 (unaudited)

	Garment and related accessories HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to/income from external customers	216,912	1,778	218,690
Other revenue	15,713	4,260	19,973
Total	232,625	6,038	238,663
Segment results	(2,244)	7,236	4,992
Unallocated corporate income and expenses			(8)
			4,984
Interest income			316
Finance costs			(893)
Profit before tax			4,407
Tax			(2,267)
Profit for the period attributable to equity holders of the Company			2,140
Other segment information:			
Depreciation	7,552	89	7,641
Provision for slow-moving inventories, net	39	—	39
Capital expenditure	7,297	—	7,297
Fair value gains on investment properties	—	(2,000)	(2,000)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Geographical segments

For the six months ended 31 January 2008 (unaudited)

	Hong Kong HK\$'000	Mainland China HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to/income from external customers	144,756	85,983	230,739
Other revenue	6,296	17,746	24,042
Total	151,052	103,729	254,781
Other segment information:			
Segment assets	564,632	146,964	711,596
Unallocated assets			67,258
Total assets			778,854
Capital expenditure	19,197	1,922	21,119

For the six months ended 31 January 2007 (unaudited)

	Hong Kong HK\$'000	Mainland China HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to/income from external customers	140,691	77,999	218,690
Other revenue	4,375	15,598	19,973
Total	145,066	93,597	238,663
Other segment information:			
Capital expenditure	2,983	4,314	7,297

4. OTHER INCOME

	Six months ended 31 January	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Royalty income	16,345	13,701
Interest income	228	316
Sale of miscellaneous materials	461	258
Income from a related company for contributing an investment property as security	4,260	4,260
Others	2,976	1,754
Total	24,270	20,289

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	7,332	7,641
Amortisation of land lease payments	136	—
Provision for slow-moving inventories, net	2,242	39
Other operating expenses/(income):		
Severance payments	2,029	1,667
Provision for bad and doubtful debts, net	228	—
Loss on disposal/write-offs of items of property, plant and equipment, net	740	—
Foreign exchange differences, net	2	(178)
	2,999	1,489

6. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the period (2007 (unaudited): Nil). The current and prior periods' tax charge represented deferred tax.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Elsewhere	2,997	1,938
Deferred — (note 11)	890	329
	3,887	2,267

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$2,265,000 (2007 (unaudited): HK\$2,140,000) and the number of 617,127,130 (2007 (unaudited): 617,127,130) ordinary shares in issue throughout the period.

No diluted earnings per share amount for the period ended 31 January 2008 has been presented as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period. No dilutive earnings per share amount for the period ended 31 January 2007 had been calculated as no diluting events existed for that period.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. INVENTORIES

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Raw materials	7,282	9,649
Work in progress	812	1,374
Finished goods	88,704	71,523
	96,798	82,546

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

An aging analysis of trade receivables as at the balance sheet date, net of provisions, based on the overdue date, and the balances of deposits and prepayments are as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Trade receivables:		
Current to 90 days	13,556	12,138
91 to 180 days	3,334	3,363
181 to 365 days	2,663	873
	19,553	16,374
Deposits and prepayments	38,685	36,274
	58,238	52,648

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of the goods and services purchased, and the balances of deposits received and accruals and other payables are as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Trade payables:		
Current to 90 days	30,581	20,199
91 to 180 days	1,814	1,643
181 to 365 days	634	1,141
Over 365 days	2,600	2,869
	35,629	25,852
Deposit received	18,567	14,085
Accruals and other payables	23,524	21,430
	77,720	61,367

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

11. DEFERRED TAX LIABILITIES

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The movements in deferred tax liabilities and assets during the period are as follows:

	Losses available for offsetting against future taxable profits HK\$'000	Accelerated capital allowances HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
Net deferred tax assets/(liabilities) at 1 August 2006 (audited)	850	(433)	(42,121)	(41,704)
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	—	(7,800)	(7,800)
Deferred tax charged during the year	(31)	(127)	(384)	(542)
Net deferred tax assets/(liabilities) at 31 July 2007 (audited) and 1 August 2007	819	(560)	(50,305)	(50,046)
Deferred tax credited/(charged) during the period (note 6)	(36)	30	(884)	(890)
Net deferred tax assets/(liabilities) at 31 January 2008 (unaudited)	783	(530)	(51,189)	(50,936)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. DEFERRED TAX LIABILITIES (Continued)

The Group has tax losses arising in Hong Kong of HK\$208,792,000 (31 July 2007 (audited): HK\$183,171,000). During the period, the Group did not have tax losses arising on the Mainland of China (31 July 2007 (audited): Nil). Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

At 31 January 2008, there was no significant unrecognised deferred tax liability (31 July 2007 (audited): Nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Group as the Group has no liability to additional tax should such amounts be remitted.

12. SHARE CAPITAL

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Authorised		
800,000,000 ordinary shares of HK\$0.25 each	200,000	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK\$0.25 each	154,282	154,282

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13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Within one year	4,051	1,687
In the second to fifth years, inclusive	12,740	4,186
	16,791	5,873

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

13. OPERATING LEASE ARRANGEMENTS (Continued)

(b) As lessee

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

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Within one year	92,612	92,880
In the second to fifth years, inclusive	111,013	124,477
	203,625	217,357

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

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14. COMMITMENTS

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the balance sheet date:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Contracted, but not provided for:		
Land lease payments on Mainland China	4,904	5,936
Expenditure on shops decorations in Hong Kong	136	2,351
	5,040	8,287

15. CONTINGENT LIABILITIES

As at 31 July 2007, the Company was required to provide a guarantee to a bank for facilities granted to a subsidiary and the facilities were not utilized at that date. During the period under review, the Group re-arranged its facilities with the aforesaid bank and the Company was no longer required to provide any guarantees since then.

On 28 February 2006, the Company, Lai Sun Garment (International) Limited ("LSG") and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the "Development Agreement") in connection with the redevelopment of an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (the "KT Property"). Further details of the redevelopment are included in the Company's circular dated 29 April 2006. In accordance with the Development Agreement, if construction finance is required by Unipress for financing the development and construction cost of the KT Property, the Group has agreed to provide or procure such security over or in relation to the KT Property as may reasonably be required by the relevant lending institution(s) and LSG is expected to provide a corporate guarantee as security for such finance.

On 8 February 2007, the Company's wholly-owned subsidiary, Crocodile KT Investment Limited ("Crocodile KT") entered into an agreement with a bank for a HK\$361,000,000 term loan facility for financing the development and construction cost of the KT Property. The term loan drawn will be secured by a first legal charge over the KT Property and a first floating charge over all the undertaking, property and assets of Crocodile KT.

Pursuant to a deed of undertaking, guarantee and indemnity entered into amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, Crocodile KT is only required to be a party to the term loan arrangement, and Unipress and LSG should be responsible for the funding obligations in respect thereof. Accordingly, in substance Unipress and LSG are the borrowers of the term loan and the term loan will not be recognized in the financial statements of the Group.

At 31 January 2008, the total amount of bank term loan drawn in respect of the above facility was HK\$41,000,000 (31 July 2007 (audited): HK\$28,000,000).

Apart from the foregoing, at the balance sheet date, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sum of approximately HK\$326,440,000 (31 July 2007 (audited): HK\$53,502,000). The Group has also simultaneously entered into the respective deeds of undertakings with Unipress and these contractors pursuant to which Unipress/LSG unconditionally and irrevocably undertakes to these contractors, as primary obligor/guarantor, to perform all obligations of the Group and to pay to the contractors all amounts due from time to time on the part of the Group under and in accordance with the terms of these construction and consultant contracts. Accordingly, the obligation of these contracts will not be reflected in the financial statements of the Group.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Six months ended	
		31 January	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	<i>(i)</i>	1,259	1,227
Related companies	<i>(ii)</i>	1,617	1,355
Income from a related company for contributing an investment property as security	<i>(iii)</i>	4,260	4,260

Notes:

- (i) Lai Sun Textiles Company Limited is a company beneficially owned by certain directors of the Company. The rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.
- (ii) The rental expenses and building management fee were paid to these related companies, of which certain directors of the Company are also the directors of these related companies, based on terms stated in the respective lease agreements.
- (iii) In consideration of the Group contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress shall make a quarterly payment of HK\$2,130,000 to the Group during the period from the delivery of vacant possession of the KT Property to the completion of construction.

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

(b) Outstanding balances with related parties

	31 January	31 July
	2008	2007
	(Unaudited)	(Audited)
	HK\$'000	<i>HK\$'000</i>
Amount due from a related company	710	710
Amounts due to related companies	256	76

The balances were derived from normal business activities and are unsecured, interest-free and repayable on terms similar to those granted to major customers or by major suppliers of the Group. The carrying values of these amounts approximate to their fair values.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the period under review, turnover was HK\$231 million (2007: HK\$219 million), representing a 5.5% increase. Gross profit of the Group increased by 6.0%, to HK\$141 million (2007: HK\$133 million).

Despite the increase in turnover and gross profit, the escalating retail rental expenses had adversely affected the performance of the Group. During the period, as part of its continuous efforts to improve brand recognition for its own brand "Crocodile", the Group has spent considerable investment in a series of promotional campaigns. In addition, the Group has also deployed much effort on human resources in recognition that quality staff is crucial to its continual efforts to improve service level to customers.

As a result of the above, the Group recorded a profit attributable to shareholders of HK\$2.3 million for the period under review (2007: HK\$2.1 million).

Operations Review

Hong Kong and Macau

The Group operates 25 outlets for Crocodile line and 4 outlets for Lacoste line in Hong Kong and Macau. The performance of these outlets was stable with an increase of 3.0% in turnover in the first half-year compared to the same period last year.

The Crocodile line, by strengthening brand image and positioning through revamping together with the grand openings of the new flagship shops, has enhanced its brand personality in the target clientele as an acclaimed brand.

The Lacoste line, which offers casual and fashionable high-end products, benefited from the booming market sentiment and achieved double-digit increase in sales during the first half-year.

However, the ongoing increase in rental expenses is a matter of key concern to the Group. In order to mitigate the negative impact on its performance, the Group has implemented stringent controls through shop optimization and relocation in order to maximize the cost efficiency of its retail network.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operations Review (Continued)

Mainland of China (the "Mainland")

To be in harmony with its nationwide franchising strategy, the Group restructured its own retail network in major cities on the Mainland during the period under review. Total sales increased by 10.2% in the first half-year compared to the same period last year.

The number of retail outlets run by the Group remained relatively stable at 94 (2007: 91). The increase in operating costs of these outlets, as reflected in the high inflation rate reported, offset the additional contribution generated from the growth in sales.

Other income, mainly representing royalty income derived from licensees, recorded a double-digit growth and continued to provide a stable income stream to the Group.

Currently, there are a total of 456 sales outlets on the Mainland, including self-operated retail outlets and those operated by our franchisees.

Prospects

In view of the substantial increment in rental and staff costs and the volatility of the stock market, the outlook for the retail sector will continue to be challenging in Hong Kong and Macau. To cope with the above business environment, the Group has been undertaking positive measures, including product perfecting, sale network restructuring and strict cost control.

The Group, which has a well-established sales channel via its self-operated and franchised outlets on the Mainland, is well positioned to benefit from the Mainland's growing fashion sector as a result of the remarkable increase in consumer spending in the retail market.

The redevelopment project of the Group's investment property in Kwun Tong, Hong Kong is planned for completion by the end of 2009. This investment property will be redeveloped into a new commercial complex and is expected to generate stable rental income to the Group in the future.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 15 to the unaudited condensed consolidated interim financial statements.

Liquidity, Financial Resources, Gearing, Charges on Assets and Capital Commitments

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposure. The use of financial instrument is strictly controlled.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, Financial Resources, Gearing, Charges on Assets and Capital Commitments (Continued)

Cash and cash equivalents held by the Group amounted to HK\$67,258,000 as at 31 January 2008 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 January 2008, total bank borrowings of the Group amounted to HK\$69,117,000 which were due for renewal within one year. Of the total bank borrowings, HK\$22,150,000 represented secured short-term bank loans, HK\$17,000,000 represented unsecured short-term bank loans and HK\$29,967,000 was unsecured trust receipt loans. Interest on bank borrowings is charged at floating rates. Except for unsecured trust receipt loans equivalent to HK\$4,293,000 which is denominated in US dollars, all other bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group during the period under review.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 January 2008 was 12.1%, expressed as a percentage of total bank borrowings to total net assets.

In addition to the securities provided by the Group for the redevelopment of the KT Property, as at 31 January 2008, the Group had pledged investment properties with carrying values of HK\$100,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK\$5,040,000 as at 31 January 2008.

Employees and Remuneration Policy

The total number of employees of the Group, including part-time sales staff, was 1,262 as at 31 January 2008. Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies. Total staff costs including retirement scheme contributions for the six months ended 31 January 2008 was approximately HK\$46,000,000.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or rewards to eligible employees, directors of the Company or its subsidiaries, agents or consultants of members of the Group, and employees of the shareholder or members of the Group or holders of securities issued by members of the Group (the "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 Share Option Scheme was adopted by the Company on 22 December 2006 and became effective on 29 December 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date.

SHARE OPTION SCHEME (Continued)

The following options were outstanding under the Share Option Scheme as at 31 January 2008:

Name or category of Participants	Number of options					At 31 January 2008	Date of grant of options (dd/mm/yyyy)	Exercise period	Exercise price of options ¹ per share (HK\$)
	At 1 August 2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors									
Lam Kin Ming	617,000 ²	—	—	—	—	617,000	13/07/2007	13/07/2007 to 12/07/2011	0.68
Lam Wai Shan, Vanessa	6,170,000 ²	—	—	—	—	6,170,000	13/07/2007	13/07/2007 to 12/07/2011	0.68
Other Participants (in aggregate)	5,800,000 ²	—	—	—	—	5,800,000	13/07/2007	13/07/2007 to 12/07/2011	0.68
	—	750,000 ³	—	—	—	750,000	03/08/2007	03/08/2007 to 02/08/2008	0.72
	—	750,000 ³	—	—	—	750,000	03/08/2007	03/08/2008 to 02/08/2009	0.72
	—	750,000 ³	—	—	—	750,000	03/08/2007	03/08/2009 to 02/08/2010	0.72
	—	750,000 ³	—	—	—	750,000	03/08/2007	03/08/2010 to 02/08/2011	0.72
Total	12,587,000	3,000,000	—	—	—	15,587,000			

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- The exercise price of the options is subject to adjustment in the case of rights or bonus issues, or similar changes in the Company's share capital.*
- The vesting period of the options is two years commencing from the date of grant.*
- The closing price of the Company's shares immediately before the date of grant (that is, 2 August 2007) is HK\$0.59.*

The fair value of the options granted during the period was HK\$207,000 of which the Group recognised a share option expense of HK\$26,000 in the condensed consolidated income statement for employee services received during the period ended 31 January 2008 (2007: Nil).

SHARE OPTION SCHEME (Continued)

The fair value of the options granted during the period was estimated as at the date of grant, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 31 January 2008:

Fair value at measurement date	HK\$0.069
Share price at the date of grant	HK\$0.600
Exercise price	HK\$0.720
Expected volatility (i)	42.65%
Expected life (ii)	1 year
Expected dividends	0%
Risk-free interest rate	3.93%

- (i) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.
- (ii) The expected life of the options is not necessarily indicative of the exercise patterns that may occur.
- (iii) No other feature of the options granted was incorporated into the measurement of fair value.

During the period under review, no options were exercised or cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at 31 January 2008, the total number of 15,587,000 options outstanding under the Share Option Scheme represented approximately 2.53% of the Company's shares in issue at that date.

DIRECTORS' INTERESTS

As at 31 January 2008, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

Name of Director	Personal Interests	Family Interests	Long positions in the shares of the Company			Capacity	Total	Percentage
			Corporate Interests	Other Interests				
Lam Kin Ming	Nil	Nil	314,800,000 <i>(Note)</i>	617,000 <i>(under share option)</i>	Beneficial owner	315,417,000	51.11%	
Lam Wai Shan, Vanessa	Nil	Nil	Nil	6,170,000 <i>(under share option)</i>	Beneficial owner	6,170,000	1.00%	

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

(2) Associated Corporation

Rich Promise Limited ("RPL")

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

Save as disclosed above, as at 31 January 2008, none of the directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 January 2008, the following persons, one of whom is a director and chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Long positions in the shares of the Company			
	Capacity	Nature of Interests	Number of Shares	Percentage
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000 (Note)	51.01%
Lam Kin Ming	Beneficial owner	Corporate and other	315,417,000 (Note)	51.11%

Note: Mr. Lam Kin Ming was deemed to be interested in 314,800,000 shares by virtue of his 100% interest in RPL. His interest includes options to subscribe for 617,000 shares in the Company granted to him on 13 July 2007.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 January 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the Interim Report save for deviations from code provisions A.2.1 and A.4.1 summarised below:

Code Provision A.2.1

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

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

CORPORATE GOVERNANCE *(Continued)*

Code Provision A.4.1

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2008.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2008 has been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu.

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By Order of the Board

Lam Kin Ming

Chairman and Chief Executive Officer

Hong Kong, 10 April 2008

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