



CROCODILE GARMENTS



Crocodile Garments Limited

(Stock code: 122)

Interim Report 2006-2007

CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

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

Lam Kin Ngok, Peter

Lam Kin Hong, Matthew

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

Cheng Suet Fei, Sophia

(appointed on 1st February, 2007)

Lam Suk Ying, Diana

(appointed on 22nd December, 2006)

Tong Ka Wing, Carl

(appointed on 1st February, 2007)

Wan Yee Hwa, Edward*

Yeung Sui Sang*

Chow Bing Chiu*

Shiu Kai Wah

(retired on 22nd December, 2006)

Chiu Wai

(resigned on 1st February, 2007)

* *Independent non-executive Directors*

Company Secretary

Yeung Kam Hoi

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Qualified Accountant

Ko Ming Kin

Crocodile Garments Limited

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Kowloon, Hong Kong

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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") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31st January, 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st January, 2007

		Six months ended	
		31st January,	
		2007	2006
		(Unaudited)	(Audited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	218,690	198,240
Cost of sales		(85,949)	(81,220)
Gross profit		132,741	117,020
Other income	4	20,289	16,368
Selling and distribution costs		(124,213)	(95,236)
Administrative expenses		(24,028)	(27,886)
Other operating expenses	5	(1,489)	(599)
PROFIT FROM OPERATING ACTIVITIES		3,300	9,667
Fair value gains on investment properties		2,000	146,593
Finance costs		(893)	(802)
PROFIT BEFORE TAX	5	4,407	155,458
Tax	6	(2,267)	(22,686)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		2,140	132,772
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— basic	7	0.35 HK cents	21.51 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31st January, 2007

		31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		30,864	31,208
Investment properties		446,628	444,628
Rental and utility deposits		12,568	13,906
Deposits for prepaid land lease payments		39,643	33,022
Total non-current assets		529,703	522,764
CURRENT ASSETS			
Inventories	8	102,212	84,332
Trade receivables, deposits and prepayments	9	46,685	39,131
Amount due from a related company	16	710	1,459
Cash and cash equivalents		65,325	80,878
Total current assets		214,932	205,800
CURRENT LIABILITIES			
Short-term borrowings		49,026	38,094
Trade and other payables	10	77,858	78,256
Amounts due to related companies	16	1,052	290
Current tax payable		16,377	14,755
Total current liabilities		144,313	131,395
NET CURRENT ASSETS		70,619	74,405
TOTAL ASSETS LESS CURRENT LIABILITIES		600,322	597,169
NON-CURRENT LIABILITIES			
Provision for long service payments		2,171	3,846
Deferred tax liabilities	11	42,033	41,704
Total non-current liabilities		44,204	45,550
Net assets		556,118	551,619
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	12	154,282	154,282
Reserves		339,673	337,314
Retained profits		62,163	60,023
Total equity		556,118	551,619

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st January, 2007

	Attributable to equity holders of the parent					Total HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	
At 1st August, 2005 (audited)	154,282	164,921	179	172,110	(49,996)	441,496
Exchange differences on translating foreign operations and total income for the year recognised directly in equity	—	—	104	—	—	104
Net profit for the year	—	—	—	—	110,019	110,019
At 31st July, 2006 (audited) and 1st August, 2006	154,282	164,921	283	172,110	60,023	551,619
Exchange differences on translating foreign operations and total income for the period recognised directly in equity	—	—	2,359	—	—	2,359
Net profit for the period	—	—	—	—	2,140	2,140
At 31st January, 2007 (unaudited)	154,282	164,921	2,642	172,110	62,163	556,118

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st January, 2007

	Six months ended	
	31st January,	
	2007	2006
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	(14,858)	5,145
Net cash outflow from investing activities	(12,921)	(31,691)
Net cash inflow/(outflow) from financing activities	11,506	(7,257)
Net decrease in cash and cash equivalents	(16,273)	(33,803)
Cash and cash equivalents at beginning of period	78,713	274,371
Effect of foreign exchange rate changes, net	1,294	—
Cash and cash equivalents at end of period	63,734	240,568

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

Cash and bank balances	63,285	145,696
Non-pledged time deposits with original maturity of less than three months when acquired	2,040	97,652
Bank overdrafts	(1,591)	(2,780)
	63,734	240,568

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 (“HKICPA”) 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 31st July, 2006, 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 1st January, 2006:

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC) — Int 4	Determining whether an Arrangement contains a Lease

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.

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

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HKAS 1 Amendment & HKFRS 7	Effective for annual periods beginning on or after 1st January, 2007.
HKFRS 8	Effective for annual periods beginning on or after 1st January, 2009.
HK(IFRIC) — Int 10	Effective for annual periods beginning on or after 1st November, 2006.
HK(IFRIC) — Int 11	Effective for annual periods beginning on or after 1st March, 2007.
HK(IFRIC) — Int 12	Effective for annual periods beginning on or after 1st January, 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

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;
- (b) the property investment segment invests in land and buildings for their rental income potential; and
- (c) the corporate and others segment comprises the Group's corporate income and expense items and other segment income and segment expense items.

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 31st January, 2007 (unaudited)

	Garment and related accessories HK\$'000	Property investment HK\$'000	Corporate and others 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	(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 parent				2,140
Assets and liabilities:				
Segment assets	230,806	448,504	—	679,310
Unallocated assets				65,325
Total assets				744,635
Segment liabilities	80,057	1,023	1	81,081
Unallocated liabilities				107,436
Total liabilities				188,517
Other segment information:				
Depreciation	7,552	89	—	7,641
Provision for slow-moving inventories, net	39	—	—	39
Fair value gain on investment properties	—	2,000	—	2,000
Capital expenditure	7,297	—	—	7,297

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the six months ended 31st January, 2006 (audited)

	Garment and related accessories HK\$'000	Property investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales to/income from external customers	194,588	3,652	—	198,240
Other revenue	13,310	107	—	13,417
Total	207,898	3,759	—	211,657
Segment results	4,119	149,201	(11)	153,309
Interest income				2,951
Finance costs				(802)
Profit before tax				155,458
Tax				(22,686)
Profit for the period attributable to equity holders of the parent				132,772
Other segment information:				
Depreciation	5,718	90	—	5,808
Write-back of provision for slow-moving inventories, net	(2,922)	—	—	(2,922)
Capital expenditure	7,235	—	—	7,235
Loss on disposals/write-offs of items of property, plant and equipment	14	—	—	14
Fair value gains on investment properties	—	(146,593)	—	(146,593)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENT INFORMATION (Continued)

Geographical segments

For the six months ended 31st 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:			
Segment assets	543,765	135,545	679,310
Unallocated assets			65,325
Total assets			744,635
Capital expenditure	2,983	4,314	7,297

For the six months ended 31st January, 2006 (audited)

	Hong Kong HK\$'000	Mainland China HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales to/income from external customers	126,877	71,363	198,240
Other revenue	145	13,272	13,417
Total	127,022	84,635	211,657
Other segment information:			
Capital expenditure	4,788	2,447	7,235

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4. OTHER INCOME

	Six months ended 31st January,	
	2007 (Unaudited) HK\$'000	2006 (Audited) HK\$'000
Royalty income	13,701	11,532
Interest income	316	2,951
Sale of miscellaneous materials	258	249
Income from a related company for contributing an investment property as security	4,260	—
Others	1,754	1,636
Total	20,289	16,368

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

5. PROFIT BEFORE TAX

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

	Six months ended 31st January,	
	2007 (Unaudited) HK\$'000	2006 (Audited) HK\$'000
Depreciation	7,641	5,808
Provision/(write-back of provision) for slow-moving inventories, net	39	(2,922)
Other operating expenses/(income):		
Severance payments	1,667	503
Foreign exchange differences, net	(178)	82
Loss on disposals/write-offs of items of property, plant and equipment, net	—	14
	1,489	599

6. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the period (2006 (audited): 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 31st January,	
	2007 (Unaudited) HK\$'000	2006 (Audited) HK\$'000
Current — Elsewhere	1,938	—
Deferred — (note 11)	329	22,686
	2,267	22,686

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the period of HK\$2,140,000 (2006 (audited): HK\$132,772,000) and the number of 617,127,130 (2006 (audited): 617,127,130) ordinary shares in issue throughout the period.

Diluted earnings per share amounts for the six months ended 31st January, 2007 and 2006 have not been calculated because no diluting events existed during these periods.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

8. INVENTORIES

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Raw materials	14,185	11,081
Work in progress	2,484	438
Finished goods	85,209	72,813
Goods in transit	334	—
	102,212	84,332

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 terms are 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 aged 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:

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	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Trade receivables:		
Current to 90 days	11,869	9,662
91 to 180 days	2,512	5,119
181 to 365 days	2,917	12
	17,298	14,793
Deposits and prepayments	29,387	24,338
	46,685	39,131

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. TRADE AND OTHER PAYABLES

An aged 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:

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Trade payables:		
Current to 90 days	40,932	26,688
91 to 180 days	2,767	3,276
181 to 365 days	1,012	643
Over 365 days	3,005	4,609
	47,716	35,216
Deposit received	9,828	16,105
Accruals and other payables	20,314	26,935
	77,858	78,256

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

11. DEFERRED TAX

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 1st August, 2005 (audited)	854	(404)	(5,827)	(5,377)
Deferred tax charged during the year	(4)	(29)	(36,294)	(36,327)
Net deferred tax assets/(liabilities) at 31st July, 2006 (audited) and 1st August, 2006	850	(433)	(42,121)	(41,704)
Deferred tax credited/(charged) during the period (note 6)	26	(5)	(350)	(329)
Net deferred tax assets/(liabilities) at 31st January, 2007 (unaudited)	876	(438)	(42,471)	(42,033)

The Group has tax losses arising in Hong Kong of HK\$174,463,000 (31st July, 2006 (audited): HK\$164,291,000). During the period, the Group did not have tax losses arising on the Mainland China (31st July, 2006 (audited): Nil). Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

11. DEFERRED TAX (Continued)

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 31st January, 2007, there was no significant unrecognised deferred tax liability (31st July, 2006 (audited): Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

12. SHARE CAPITAL

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (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

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 terms falling due as follows:

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Within one year	3,361	3,390
In the second to fifth years, inclusive	5,302	6,923
	8,663	10,313

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:

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Within one year	75,111	79,708
In the second to fifth years, inclusive	50,068	61,876
	125,179	141,584

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 rents have not been included above and only the minimum lease commitments have been included in the above table.

14. COMMITMENTS

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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:

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Contracted, but not provided for:		
Land lease payments on Mainland China	8,394	14,044

15. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	—	—	3,000	3,000

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

15. CONTINGENT LIABILITIES (Continued)

As at 31st January, 2007, the banking facilities granted to a subsidiary subject to guarantee given to the banks by the Company were not utilised (31st July, 2006 (audited): Nil).

In accordance with the conditional development agreement in respect of the redevelopment of the investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (the "KT Property") entered into by the Company, Lai Sun Garment (International) Limited ("LSG") and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG, on 28th February, 2006 (the "Development Agreement"), if construction finance was required by Unipress for financing the development and construction cost of the KT Property, the Group had agreed to provide or procure such security over or in relation to the KT Property as might reasonably be required by the relevant lending institution(s) and LSG was expected to provide a corporate guarantee as security for such finance. As at 31st January, 2007, the KT Property was not secured for any construction finance. Subsequent to that balance sheet date, Crocodile KT Investment Limited ("Crocodile KT"), a wholly-owned subsidiary of the Company, entered into an agreement on 8th February, 2007 with a bank for a HK\$361,000,000 term loan facility in accordance with the Development Agreement and the Group has put up certain security relating to the KT Property and entered into certain ancillary agreements in relation thereto. Details of the agreements are set out in the announcement of the Company dated 8th February, 2007.

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 sums of about HK\$52,400,000 (31st July, 2006 (audited): HK\$7,000,000). The Group has also simultaneously entered into the respective deeds of undertakings with Unipress and these contractors of 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 terms of these construction and consultancy contracts.

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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	
		31st January,	
		2007	2006
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	<i>(i)</i>	1,227	1,060
A related company	<i>(ii)</i>	1,355	1,270
Income received and receivable from a related company for contributing an investment property as security	<i>(iii)</i>	4,260	—

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Lai Sun Textiles Company Limited is a company beneficially owned by certain Directors of the Company. Rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.
- (ii) Rental expenses and building management fee were paid and payable to this related company, of which certain Directors of the Company are also the directors of this related company, 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

	31st January, 2007 (Unaudited) HK\$'000	31st July, 2006 (Audited) HK\$'000
Amount due from a related company	710	1,459
Amounts due to related companies	1,052	290

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.

17. POST BALANCE SHEET EVENT

On 8th February, 2007, Crocodile KT entered into an agreement with a bank for a HK\$361,000,000 term loan facility in accordance with the Development Agreement and the Group has put up certain security relating to the KT Property and entered into certain ancillary agreements in relation thereto. Details of the agreements are set out in the announcement of the Company dated 8th February, 2007.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31st January, 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, turnover was HK\$219 million (2006: HK\$198 million), representing a 10.6% increase. Gross profit of the Group increased by 13.7%, to HK\$133 million (2006: HK\$117 million). Operating profit amounted to about HK\$3.3 million, down by 66.0% compared to the same period last year (2006: HK\$9.7 million). This was mainly attributable to the increase in rentals for Hong Kong retail outlets. At the same time, the number of retail outlets on the Mainland of China (the "Mainland") increased from 36 in the same period of last year to 91 this year, resulting in significant increase in shop related expenses on the Mainland. During the period under review, the Group recorded a profit attributable to shareholders of HK\$2.1 million (2006: HK\$132.8 million). The change in the property market contributed a revaluation surplus of HK\$2 million to the half-year results (2006: HK\$146.6 million).

Operations in Hong Kong

The Group operates 20 Crocodile outlets and 6 Lacoste outlets in Hong Kong. Total sales from retail in Hong Kong showed a 12.7% increase in the first half-year compared to the same period last year. The Lacoste line, which offers casual and fashionable high-end products, recorded significant increase in sales during the first half-year.

However, the boom in the Hong Kong economy and property market resulted in significant increases in rental cost, which partly offset the increase in contributions from retail in Hong Kong.

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Operations on the Mainland

During the period under review, the Group continued to expand its own retail network in major cities on the Mainland to complement its nationwide franchising strategy. Total sales increased by 9.3% in the first half-year compared to the same period last year.

The number of retail outlets operated by the Group increased from 36 as at 31st January, 2006 to 91 as at 31st January, 2007. The contribution generated from the increase in sales was partly offset by the increase in costs associated with the operation of these outlets.

Other income, mainly representing royalty income derived from licensees, increased by 18.8% as a result of granting of Crocosports to the new licensee and the increase in fees from the existing licensees.

Currently, there are a total of 515 sales outlets on the Mainland (2006: 515), including self-operated retail outlets and those operated by our franchisees.

Prospects

The Group believes that the continuing improvement in the unemployment rate in Hong Kong and a general rise in salaries, as well as the booming stock market should stimulate consumer spending. If the trend continues, the Group is of the opinion that the results in future can improve. On the other hand, management is concerned with the impact from increase in rental and salaries and will devote greater efforts to discipline expenses in order to achieve better results.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

On the Mainland, the retail market and consumer spending power continue to grow at a remarkable speed. The Group is well positioned to benefit from the Mainland's growing demand in this market. The Group is restructuring its self-operated outlets, aimed at achieving better economic results, and puts efforts to win new franchisees in the second- and third-tier cities on the Mainland.

The boom in the Hong Kong property market, especially the redevelopment plan in Kwun Tong by the Government of the HKSAR, has provided the Group with an excellent opportunity to improve the quality of its property investments. The investment property in Kwun Tong is now under redevelopment and will be built into a completely new commercial complex, which is expected to contribute stable 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

Cash and cash equivalents held by the Group amounted to HK\$65,325,000 as at 31st January, 2007 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31st January, 2007, total bank borrowings of the Group amounted to HK\$49,026,000 which were due for renewal within one year. Of the total bank borrowings, HK\$22,150,000 represented secured short-term bank loans and HK\$5,000,000 represented unsecured short-term bank loan, HK\$20,285,000 was trust receipt loans and the balance was unsecured overdrafts. Interest on bank borrowings is charged at floating rates. All of the Group's bank borrowings 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 31st January, 2007 was only 8.8%, expressed as a percentage of total bank borrowings to total net assets.

As at 31st January, 2007, the Group had pledged investment properties with carrying values of HK\$97,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK\$8,394,000 as at 31st January, 2007.

Employees and Remuneration Policy

The total number of employees of the Group, including part-time sales staff, was 1,263 as at 31st January, 2007. 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 31st January, 2007 were approximately HK\$41 million.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or rewards to any eligible employee, director of the Company or any of its subsidiaries, agent or consultant of any member of the Group, and employee of the shareholder or any member of the Group or any holder of any securities issued by any member of the Group (the "Participants") for their contribution or would-be contribution to the Group and 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 22nd December, 2006 and became effective on 29th December, 2006 and unless otherwise cancelled or amended, will remain in force for 10 years from the latter date.

No options under the Share Option Scheme were granted to any Participants or other persons or were exercised or cancelled or lapsed during the six months ended 31st January, 2007. As at 31st January, 2007, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' INTERESTS

As at 31st January, 2007, the following Director and chief executive of the Company was interested, or was 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 for Securities Transactions by Directors adopted by the Company, to be notified to the Company and the Stock Exchange:

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(1) The Company

Name of Director	Long positions in the shares			Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests			
Lam Kin Ming	Nil	Nil	314,800,000 (Note)	Beneficial owner	314,800,000	51.01%

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

DIRECTORS' INTERESTS *(Continued)*

Save as disclosed above, as at 31st January, 2007, 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 31st January, 2007, 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			
	Capacity	Nature of Interests	Number of Shares	Percentage
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000	51.01%
Lam Kin Ming	Beneficial owner	Corporate	314,800,000 <i>(Note)</i>	51.01%

Note: Mr. Lam Kin Ming was deemed to be interested in 314,800,000 shares by virtue of his 100% interest in RPL.

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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 31st January, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st January, 2007, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

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 the 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.

CORPORATE GOVERNANCE *(Continued)*

Code Provision A.2.1 (Continued)

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.

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.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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The Company has adopted a code for securities transactions by Directors (the “Code”) on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained 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 Code during the six months ended 31st January, 2007.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31st January, 2007 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.

By Order of the Board
Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong, 20th April, 2007