CROCODILE
2008-2009

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

Stock Code | 股份代號 122

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

Crocodile Garments Limited
11/F Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong
Tel (852) 2785 3898 **Fax** (852) 2786 0190
Internet http://www.crocodile.com.hk
E-mail corpadmin@crocodile.com.hk

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 2009 together with the comparative figures as follows:

Condensed Consolidated Income Statement
For the six months ended 31 January 2009

		Six months ended 31 January	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**245,240**	230,739
Cost of sales		**(98,520)**	(90,158)
Gross profit		**146,720**	140,581
Fair value gain on investment property		**—**	10,000
Other income and gains	*4*	**24,482**	24,270
Selling and distribution costs		**(144,052)**	(138,139)
Administrative expenses		**(26,562)**	(26,600)
Other operating expenses, net	*5*	**(2,722)**	(2,999)
Finance costs		**(325)**	(961)
PROFIT/(LOSS) BEFORE TAX	*5*	**(2,459)**	6,152
Tax	*6*	**(3,408)**	(3,887)
PROFIT/(LOSS) FOR THE PERIOD		**(5,867)**	2,265
EARNINGS/(LOSS) PER SHARE			
— basic (HK cents)	*7*	**(0.95)**	0.37

Condensed Consolidated Balance Sheet

As at 31 January 2009

	Notes	31 January 2009 (Unaudited) HK$'000	31 July 2008 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**30,897**	31,489
Investment properties		**349,628**	349,628
Construction in progress		**3,326**	3,326
Land lease prepayments		**15,365**	15,524
Rental and utility deposits		**23,507**	20,271
Deposits for land lease prepayments		**32,539**	32,539
		455,262	452,777
Current assets			
Inventories	*8*	**103,386**	81,344
Trade receivables, deposits and prepayments	*9*	**72,858**	71,917
Amounts due from related companies	*17*	**710**	845
Cash and cash equivalents	*10*	**114,492**	149,371
		291,446	303,477
Assets classified as held for sale		**4,075**	4,857
		295,521	308,334
Current liabilities			
Short-term borrowings		**40,510**	44,664
Trade and other payables	*11*	**82,687**	70,339
Amounts due to related companies	*17*	**2,091**	200
Tax payable		**6,693**	3,285
		131,981	118,488
Net current assets		**163,540**	189,846
Total assets less current liabilities		**618,802**	642,623
Non-current liabilities			
Provision for long service payments		**1,192**	1,192
Deferred tax liabilities	*12*	**35,016**	35,016
		36,208	36,208
Net assets		**582,594**	606,415
EQUITY			
Issued capital	*13*	**154,282**	154,282
Reserves		**293,046**	292,486
Retained profits		**135,266**	159,647
Total equity		**582,594**	606,415

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2009

	Issued capital	Share premium account	Capital reserve	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 August 2007 (audited)	154,282	164,921	36	7,207	159,205	86,687	572,338
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	10,262	—	—	10,262
Reversal of deferred tax liabilities directly in equity on disposal of investment property	—	—	—	—	7,800	—	7,800
Transfer to profit or loss on disposal of investment property	—	—	—	—	(57,915)	57,915	—
Total income and expenses recognised directly in equity	—	—	—	10,262	(50,115)	57,915	18,062
Profit for the year	—	—	—	—	—	21,216	21,216
Total recognised income and expenses for the year	—	—	—	10,262	(50,115)	79,131	39,278
Recognition of equity-settled share-based payment	—	—	970	—	—	—	970
Dividend paid	—	—	—	—	—	(6,171)	(6,171)
At 31 July 2008 (audited) and 1 August 2008	154,282	164,921	1,006	17,469	109,090	159,647	606,415
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	75	—	—	75
Total income and expenses recognised directly in equity	—	—	—	75	—	—	75
Loss for the period	—	—	—	—	—	(5,867)	(5,867)
Total recognised income and expenses for the period	—	—	—	75	—	(5,867)	(5,792)
Recognition of equity-settled share-based payment	—	—	485	—	—	—	485
Dividend paid	—	—	—	—	—	(18,514)	(18,514)
At 31 January 2009 (unaudited)	**154,282**	**164,921**	**1,491**	**17,544**	**109,090**	**135,266**	**582,594**

Condensed Consolidated Cash Flow Statement

For the six months ended 31 January 2009

	Six months ended 31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash used in operating activities	**(23,828)**	(10,352)
Net cash used in investing activities	**(6,897)**	(20,890)
Net cash generated from/(used in) financing activities	**(4,154)**	39,290
Net increase/(decrease) in cash and cash equivalents	**(34,879)**	8,048
Cash and cash equivalents at beginning of period	**149,371**	58,306
Effect of foreign exchange rate changes	**—**	904
Cash and cash equivalents at end of period	**114,492**	67,258
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**114,492**	67,258
	114,492	67,258

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 2008, 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 January 2008:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 13	Customer loyalty programmes
HK(IFRIC) — Int 14	HKAS19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 and 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First time adoption of HKFRS	1 July 2009
HKFRS 2 (Amendment)	Share-based payment — vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Improving disclosures about financial instruments	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation	1 October 2008
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) — Int 18	Transfer of assets from customers	1 July 2009
HKFRSs (Amendments) (Except for HKFRS 7 (Amendment))	Improvements to HKFRSs	1 July 2009

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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) 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.

3. SEGMENT INFORMATION *(Continued)*

Business segments

For the six months ended 31 January 2009 (unaudited)

	Garment and related accessories HK$'000	Property investment HK$'000	Consolidated HK$'000
Segment revenue:			
Sales to/income from external customers	245,240	—	245,240
Other revenue	19,579	4,260	23,839
Total	264,819	4,260	269,079
Segment results	(6,412)	3,643	(2,769)
Unallocated corporate income and expenses			(8)
			(2,777)
Interest income			643
Finance costs			(325)
Loss before tax			(2,459)
Tax			(3,408)
Loss for the period			(5,867)
Assets and liabilities:			
Segment assets	285,404	350,887	636,291
Unallocated assets			114,492
Total assets			750,783
Segment liabilities	85,377	593	85,970
Unallocated liabilities			82,219
Total liabilities			168,189
Other segment information:			
Depreciation of property, plant and equipment	7,470	—	7,470
Depreciation of assets classified as held for sale	349	—	349
Amortisation of land lease prepayments	159	—	159
Provision for bad and doubtful debts	424	—	424
Provision for slow-moving inventories, net	492	—	492
Capital expenditure	8,170	—	8,170
Loss on disposal/write-off of property, plant and equipment, net	1,289	—	1,289
Profit on disposal/write-off of assets classified as held for sale, net	(195)	—	(195)
Bad debts written off	85	—	85

3. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

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			2,265
Other segment information:			
Depreciation of property, plant and equipment	7,243	89	7,332
Amortisation of land lease prepayments	136	—	136
Provision for slow-moving inventories, net	2,242	—	2,242
Capital expenditure	21,119	—	21,119
Loss on disposal/write-off of property, plant and equipment, net	740	—	740
Bad debts written off	228	—	228
Fair value gain on investment property	—	(10,000)	(10,000)

3. SEGMENT INFORMATION *(Continued)*

Geographical segments

For the six months ended 31 January 2009 (unaudited)

	Hong Kong	Mainland China	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to/income from external customers	**155,322**	**89,918**	**245,240**
Other revenue	**4,443**	**19,396**	**23,839**
Total	**159,765**	**109,314**	**269,079**
Other segment information:			
Segment assets	**497,458**	**138,833**	**636,291**
Unallocated assets			**114,492**
Total assets			**750,783**
Capital expenditure	**5,189**	**2,981**	**8,170**

For the six months ended 31 January 2008 (unaudited)

	Hong Kong	Mainland China	Consolidated
	HK$'000	*HK$'000*	*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:			
Capital expenditure	19,197	1,922	21,119

4. OTHER INCOME AND GAINS

	Six months ended 31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Royalty income	**18,752**	16,345
Interest income	**643**	228
Sale of miscellaneous materials	**433**	461
Income from a related company for contributing an investment property as security	**4,260**	4,260
Others	**371**	2,976
	24,459	24,270
Gains		
Foreign exchange differences, net	**23**	—
	24,482	24,270

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 31 January	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**7,470**	7,332
Depreciation of assets classified as held for sale	**349**	—
Amortisation of land lease prepayments	**159**	136
Provision for slow-moving inventories, net	**492**	2,242
Other operating expenses/(income):		
Severance payments	**1,119**	2,029
Provision for bad and doubtful debts, net	**424**	—
Bad debts written off	**85**	228
Loss on disposal/write-off of property, plant and equipment, net	**1,289**	740
Profit on disposal/write-off of assets classified as held for sale, net	**(195)**	—
Exchange loss, net	**—**	2
	2,722	2,999

6. TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong during the period (2008 (unaudited): Nil). The prior period's 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	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Elsewhere	**3,408**	2,997
Deferred — *(note 12)*	**—**	890
	3,408	3,887

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the loss of the Group for the period of HK$5,867,000 (2008 (unaudited): profit of HK$2,265,000) and the number of 617,127,130 (2008 (unaudited): 617,127,130) ordinary shares in issue throughout the period.

No diluted earnings/(loss) per share amount for the period ended 31 January 2009 and 2008 has been presented as the share options outstanding during these two periods had an anti-dilutive effect on the basic earnings/(loss) per share for the periods.

8. INVENTORIES

	31 January 2009	31 July 2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Raw materials	**1,333**	2,330
Work in progress	**—**	114
Finished goods	**102,053**	78,900
	103,386	81,344

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2009 (Unaudited)	31 July 2008 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**41,210**	34,710
Less: Allowance for bad and doubtful debts	**(15,731)**	(15,353)
	25,479	19,357
Deposits and prepayments	**47,379**	52,560
	72,858	71,917

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

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

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

(iii) An aging analysis of the trade receivables as at the balance sheet date, net of provisions, based on the overdue date are as follows:

	31 January 2009 (Unaudited)	31 July 2008 (Audited)
	HK$'000	*HK$'000*
Trade receivables:		
Current to 90 days	**22,356**	14,534
91 to 180 days	**1,089**	3,132
181 to 365 days	**1,306**	1,418
Over 365 days	**728**	273
	25,479	19,357

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

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

	31 January 2009 (Unaudited) HK$'000	31 July 2008 (Audited) HK$'000
At beginning of period	**15,353**	15,083
Impairment loss recognised	**424**	171
Exchange realignments	**(46)**	99
At end of period	**15,731**	15,353

At 31 January 2009, the Group's trade receivables of HK$15,731,000 (31 July 2008 (audited): HK$15,353,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

(v) An aging analysis of trade receivables (net of provision for bad and doubtful debts) that are neither individually nor collectively considered to be impaired is as follows:

	31 January 2009 (Unaudited) HK$'000	31 July 2008 (Audited) HK$'000
Neither past due nor impaired	**5,638**	5,521
Past due		
Within 90 days	**16,718**	9,013
91 days — 180 days	**1,089**	3,132
181 days — 365 days	**1,306**	1,418
Over 365 days	**728**	273
	19,841	13,836
	25,479	19,357

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

10. CASH AND CASH EQUIVALENTS

	31 January 2009 (Unaudited) *HK$'000*	31 July 2008 (Audited) *HK$'000*
Cash and bank balances	**114,492**	79,365
Time deposits	**—**	70,006
Cash and cash equivalents	**114,492**	149,371

At 31 January 2009, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$70,651,000 (31 July 2008 (audited): HK$62,547,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

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

11. 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 2009 (Unaudited) *HK$'000*	31 July 2008 (Audited) *HK$'000*
Trade payables:		
Current to 90 days	**26,200**	17,492
91 to 180 days	**1,767**	972
181 to 365 days	**412**	1,382
Over 365 days	**1,351**	1,141
	29,730	20,987
Deposits received	**21,277**	23,648
Accruals and other payables	**31,680**	25,704
	82,687	70,339

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

12. DEFERRED TAX LIABILITIES

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

	Losses available for offsetting against future taxable profits	Accelerated capital allowances	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net deferred tax assets/ (liabilities) at 1 August 2007 (audited)	819	(560)	(50,305)	(50,046)
Reversal of deferred tax in respect of revaluation of investment property on its disposal	—	—	7,800	7,800
Effect on change in tax rate	(4)	17	2,109	2,122
Deferred tax credited/ (charged) during the year	(757)	265	5,600	5,108
Net deferred tax assets/ (liabilities) at 31 July 2008 (audited) and 1 August 2008	58	(278)	(34,796)	(35,016)
Deferred tax credited/ (charged) during the period *(note 6)*	(13)	13	—	—
Net deferred tax assets/ (liabilities) at 31 January 2009 (unaudited)	**45**	**(265)**	**(34,796)**	**(35,016)**

The Group has tax losses arising in Hong Kong of HK$242,907,000 (31 July 2008 (audited): HK$230,479,000). During the period, the Group did not have tax losses arising in Mainland China (31 July 2008 (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 Directors' opinion, it is uncertain that future taxable profits would arise to offset against these losses.

At 31 January 2009, there was no significant unrecognised deferred tax liability (31 July 2008 (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.

13. SHARE CAPITAL

	31 January 2009 (Unaudited) *HK$'000*	31 July 2008 (Audited) *HK$'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

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the balance sheet date, the Group had no future minimum lease receivables under non-cancellable operating lease.

(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 2009 (Unaudited) *HK$'000*	31 July 2008 (Audited) *HK$'000*
Within one year	**95,278**	94,418
In the second to fifth years, inclusive	**73,850**	93,366
	169,128	187,784

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.

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the balance sheet date:

	31 January 2009 (Unaudited) *HK$'000*	31 July 2008 (Audited) *HK$'000*
Contracted but not provided for:		
Land lease payments in Mainland China	**3,939**	4,076
Cost of construction of warehouse and senior staff quarters in Mainland China	**13,406**	—
Expenditure on shop decorations in Hong Kong	**1,370**	679
	18,715	4,755

16. CONTINGENT LIABILITIES

As at 31 January 2009, the Group had the following contingent liabilities:

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 would not be recognized in the financial statements of the Group.

As at 31 January 2009, the total amount of bank term loan drawn in respect of the above facility was HK$144,000,000 (31 July 2008 (audited): HK$82,000,000).

16. CONTINGENT LIABILITIES *(Continued)*

Apart from the foregoing, at 31 January 2009, 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 approximately HK$327,321,000 (31 July 2008 (audited): HK$326,760,000). The Group has also simultaneously entered into respective deeds of undertaking 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 consultancy contracts. Accordingly, the obligation of these contracts would not be reflected in the financial statements of the Group.

17. 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	
		2009	2008
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	*(i)*	**1,344**	1,259
Related companies	*(ii)*	**1,528**	1,617
Royalty income from a related company	*(iii)*	**190**	—
Income from a related company for contributing an investment property as security	*(iv)*	**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) The royalty income was received from a related company of which certain Directors of the Company are also the directors of this related company.

(iv) In consideration of the Group contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress will 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.

17. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

The Directors 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 2009 (Unaudited) ***HK$'000***	31 July 2008 (Audited) *HK$'000*
Amounts due from related companies	**710**	845
Amounts due to related companies	**2,091**	200

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 amounts 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 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, turnover of the Group was HK$245,240,000 (2008: HK$230,739,000), representing a 6.3% increase, having benefited from an earlier Chinese New Year. Gross profit of the Group increased by 4.4% to HK$146,720,000 (2008: HK$140,581,000).

In the period under review, the "Garment and Related Accessories" segment of the Group continued to suffer from high rental expenses. To continue to enhance its own brand "Crocodile", the Group has deployed certain efforts in a series of advertising and promotional campaigns. In addition, the Group has continued to invest heavily in human resources to maintain quality customer service.

Mainly as a result of the above, the Group recorded a loss attributable to shareholders of HK$5,867,000 (2008: profit attributable to shareholders of HK$2,265,000).

Operations in Hong Kong and Macau

The Group operated 28 outlets for Crocodile line and 3 outlets for Lacoste line in Hong Kong and Macau as at 31 January 2009. The performance of these outlets achieved an increase of 8.5% in turnover as compared to the same period last year.

Following the brand revamping and the grand openings of new flagship shops last year, the Crocodile line has enhanced its brand personality in the market and achieved a double-digit increase in sales during the first half-year.

The Lacoste line, which offers casual and fashionable high-end products, recorded a single-digit decline in sales after the closure of certain shops in the period under review for retail network restructure purpose.

The relatively high rental expenses are still a key concern of the Group especially when facing the current poor market sentiment. The Group has been taking positive measures to maximize the rental cost efficiency through shop re-positioning and relocation to sustain its competitiveness.

Operations in the Mainland of China (the "Mainland")

The consumer market in the Mainland was also adversely affected by the global economic crisis. Despite efforts put in by the Group in restructuring its own retail network in major cities on the Mainland, total sales increased by only 4.6% in the first half-year when compared to the same period last year.

The number of retail outlets run by the Group was 79 as at 31 January 2009 (2008: 94). The increase in operating costs of these outlets, mainly promotional expenses, offset the additional contribution generated from the growth in sales.

Operations in the Mainland of China (the "Mainland") *(Continued)*

Other income, mainly representing royalty income derived from licensees, remained stable in the period under review.

As at 31 January 2009, there were a total of 398 sales outlets on the Mainland, including self-operated retail outlets and those operated by our franchisees.

Prospects

In view of prevailing uncertainties in the local and the Mainland retail markets due to the recent global financial turmoil, the Group expects that the outlook for this line of business will be more challenging and difficult in coming years.

The management also notes that property prices and shop rentals have stood high in the past which resulted in high operating costs and eroded the net profit of the Group. Now, in times of economic downturn and given the difficulties faced by banks and financial institutions, it will be a challenging task to raise funds through traditional bank financing or in the capital markets. The Group intends to preserve cash to take the opportunities that may arise to acquire retail shops at affordable prices, and also to meet the forthcoming difficult environment. Accordingly, the Group is seeking every means to achieve such purpose, including considering the possibility of not paying dividend in the coming two to three years.

The redevelopment project of the Group's major investment property in Kwun Tong, Hong Kong in joint venture with Lai Sun Garment (International) Limited group is planned to complete by the end of 2009. On completion, the Group will own the office space and certain carparks. As long as the leasing market does not deteriorate further, this portion of the new commercial complex is expected to generate rental income to hedge a portion of the heavy rental expenses of the Group.

Contingent Liabilities

Details of contingent liabilities of the Group are set out in note 16 to the unaudited condensed consolidated interim financial statements.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as Letters of Credit and Trust Receipt Loans, the Group has not employed other financial instruments for the six months ended 31 January 2009.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments *(Continued)*

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

Cash and cash equivalents held by the Group amounted to HK$114,492,000 as at 31 January 2009 and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 January 2009 amounted to HK$70,651,000 which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 January 2009, the total outstanding borrowings of the Group amounted to approximately HK$40,510,000 which were repayable within a period not exceeding one year. The total outstanding borrowings comprised unsecured short-term bank loan of approximately HK$17,000,000 and unsecured trust receipt loans of approximately HK$23,510,000. Interest on bank borrowings is charged at floating rates. All bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group in the six months ended 31 January 2009.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 January 2009 was 7%, expressed as a percentage of total bank borrowings to total net assets.

As at 31 January 2009, the Group had capital commitments, contracted, but not provided for, in respect of the land lease payments in the Mainland of approximately HK$3,939,000; construction of the warehouse and senior staff quarters in the Mainland of approximately HK$13,406,000 and expenditure on shops decoration in Hong Kong of approximately HK$1,370,000.

Major Investments, Acquisitions and Disposals

Except for the construction of the warehouse and senior staff quarters in the Mainland, details of which are included in the Company's announcement dated 23 January 2009, the Group had no significant investments, material acquisitions or disposals for the six months ended 31 January 2009.

Employees and Remuneration Policy

The total number of employees of the Group, including part-time sales staff, was 842 as at 31 January 2009. 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 2009 was approximately HK$44,094,000.

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.

The following options were outstanding under the Share Option Scheme as at 31 January 2009:

	Number of options								
Name or category of Participants	At 1 August 2008	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	At 31 January 2009	Date of grant of options (dd/mm/yyyy)	Exercise period (dd/mm/yyyy to dd/mm/yyyy)	Exercise price of options[1] per share *(HK$)*
Directors									
Lam Kin Ming	617,000[2]	—	—	—	—	617,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Lam Wai Shan, Vanessa	6,170,000[2]	—	—	—	—	6,170,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Other Participants (in aggregate)	5,800,000[2]	—	—	—	—	5,800,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
	750,000[3]	—	—	750,000[3]	—	—	03/08/2007	03/08/2007 to 02/08/2008	0.72
	750,000[3]	—	—	—	—	750,000[3]	03/08/2007	03/08/2008 to 02/08/2009	0.72
	750,000[3]	—	—	—	—	750,000[3]	03/08/2007	03/08/2009 to 02/08/2010	0.72
	750,000[3]	—	—	—	—	750,000[3]	03/08/2007	03/08/2010 to 02/08/2011	0.72
Total	15,587,000	—	—	750,000	—	14,837,000			

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

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

3 *The vesting period of the options is one to four years commencing from the date of grant.*

SHARE OPTION SCHEME *(Continued)*

The Group recognised a share option expense of HK$485,000 in the condensed consolidated income statement for employee services received during the six months ended 31 January 2009 (2008 (unaudited): HK$457,000).

During the period under review, 750,000 options lapsed in accordance with the terms of the Share Option Scheme. As at 31 January 2009, the total number of 14,837,000 options outstanding under the Share Option Scheme represented approximately 2.4% of the Company's shares in issue at that date.

DIRECTORS' INTERESTS

As at 31 January 2009, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

Long positions in the shares of the Company

Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Capacity	Total	Percentage
Lam Kin Ming	3,412,000	Nil	314,800,000 *(Note)*	617,000 *(under share option)*	Beneficial owner	318,829,000	51.66%
Lam Wai Shan, Vanessa	Nil	Nil	Nil	6,170,000 *(under share option)*	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.

DIRECTORS' INTERESTS *(Continued)*

(2) Associated Corporation

Rich Promise Limited ("RPL")

Long positions in the shares of RPL

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lam Kin Ming	1	Nil	Nil	Beneficial owner	1	100%

Save as disclosed above, as at 31 January 2009, 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 2009, the following persons, one of whom is a director and chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000 *(Note)*	51.01%
Lam Kin Ming	Beneficial owner	Corporate and other	318,829,000 *(Note)*	51.66%

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 included 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 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2009, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the 2008-2009 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.

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.

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 to the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2009.

REVIEW OF INTERIM REPORT

The Interim Report of the Company for the six months ended 31 January 2009 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, 9 April 2009

CROCODILE