CROCODILE

2006-2007

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

Stock Code | 股份代號 122

Contents

Crocodile Garments Limited
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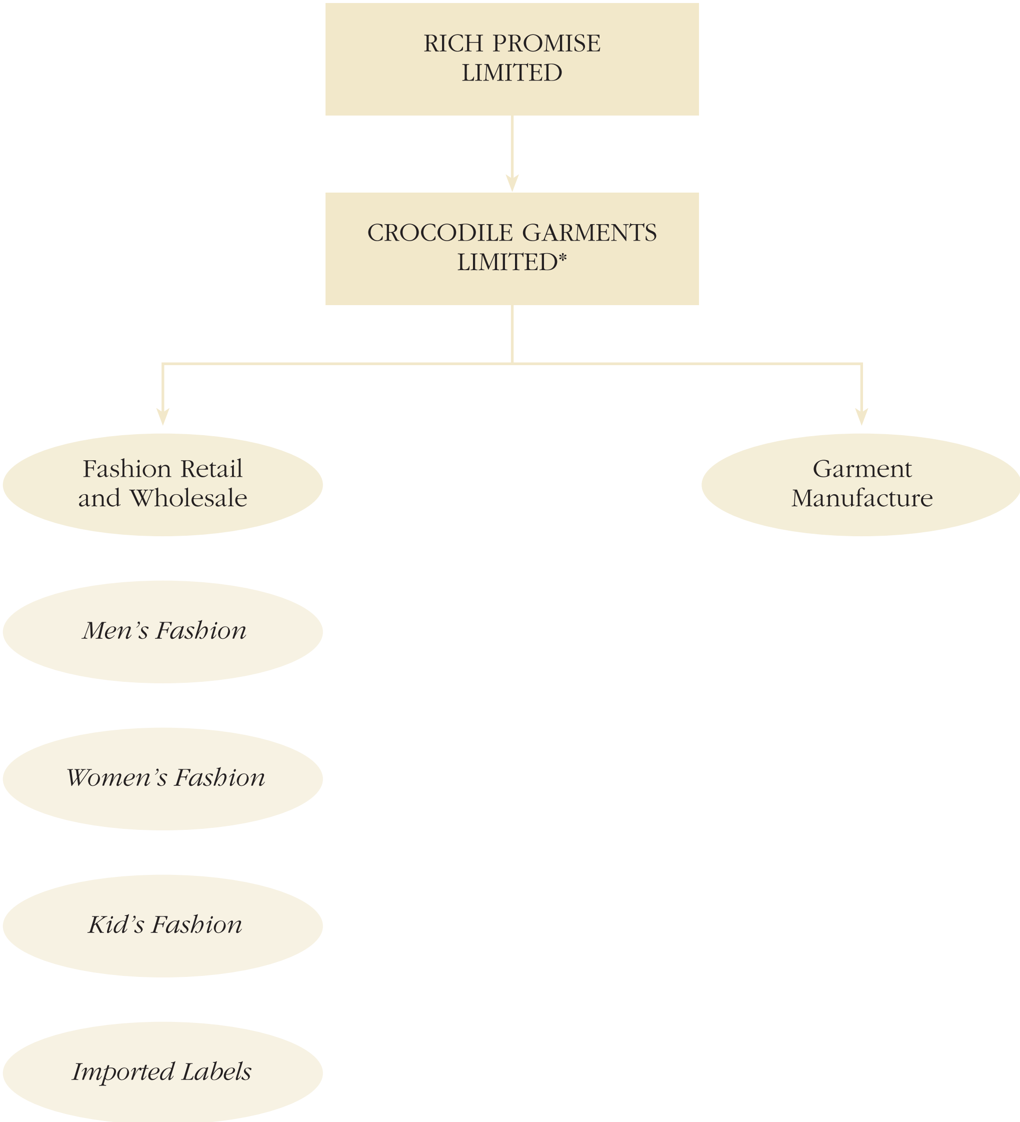
Stock code on Hong Kong Stock Exchange: ***122***

Corporate Profile

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



* *Listed on Main Board of Stock Exchange*

Corporate Information

Place of Incorporation
Hong Kong

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

Secretary and Registered Office
Yeung Kam Hoi
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Qualified Accountant
Ko Ming Kin

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

Auditor
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
2001 Central Plaza
18 Harbour Road
Wanchai, Hong Kong

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

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

Vincent T.K. Cheung, Yap & Co.
15th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

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

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL RESULTS

During the year under review, the Group recorded a turnover of HK$441 million (2006: HK$386 million), representing an increase of approximately 14% from last year. The increase is mainly due to the increase in revenue from retail business, both in Hong Kong and in the mainland of China (the "Mainland").

Gross profit of the Group increased by approximately 16%, to HK$271 million (2006: HK$233 million), and profit before tax was HK$23.1 million (2006: HK$150.6 million). Excluding the fair value gains on investment properties, profit before tax showed a remarkable increase of 308% from HK$4.0 million in 2006 to HK$16.1 million in 2007.

Profit attributable to shareholders of the Group was HK$22 million (2006: HK$110 million), which included the aforesaid revaluation surplus of HK$7 million (2006: HK$146.6 million).

Chairman's Statement

OPERATIONS REVIEW

Hong Kong and Macau

The Group operates 29 outlets in Hong Kong and Macau, out of which 23 are for the Crocodile line and 6 are for the Lacoste line. Turnover from retail operation in Hong Kong and Macau showed an increase of 17% from last year.

The promotional campaign for the Crocodile line continued with the engagement of spokesmodel and billboard advertising. This brand, which was elected one of the top 10 brands in Hong Kong, attracts mass- and mid-income customers and recorded double-digit increase in sales during the year.

Lacoste, a famous French brand that offers casual and fashionable high-end products, benefited from the global and local advertising campaign in different media including television. It also benefited from the boom in the high-end consumers market due to strong economic growth in the Mainland, and recorded significant double-digit increase in sales during the year.

The continual increase in rentals during the year had some negative impact on contributions from the retail operation in Hong Kong. During the year, management efforts focused on controlling costs and overheads to mitigate the impact from increase in rentals.

Mainland

During the year under review, the Group continued to restructure its retail network in major cities on the Mainland to complement its nationwide franchising strategy. Total sales increased by 12% from last year.

The number of self-operated outlets as at 31 July 2007 was 93 (2006: 95). Due to the high inflation rate recorded on the Mainland, the additional contribution 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 14% as a result of granting new licence agreements and increase in fees from the existing licensees.

The Group has a total of 483 sales outlets on the Mainland (2006: 600), including self-operated retail outlets and those operated by franchisees.

Chairman's Statement

PROSPECTS

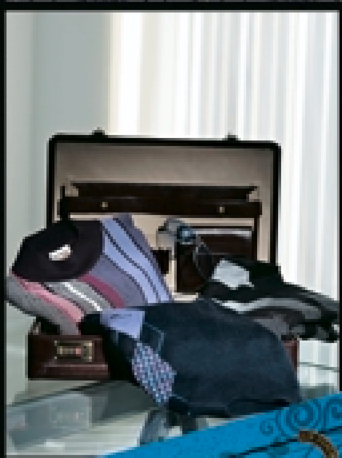
The continuing improvement in the economy of Hong Kong and Macau and a general rise in salaries of the working population in these two cities, as well as the boom in the Hong Kong stock market are expected to stimulate retail sales. The influx of visitors to Macau in recent months has had certain impact on the retail operation in Hong Kong, but at the same time, this gives rise to new opportunities in the expansion of our business to Macau. The management will closely monitor market changes and will adopt corresponding strategy to achieve optimum results.

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 consumers market. The Group is restructuring its self-operated outlets in order to achieve better economic results, and to strengthen efforts in winning new franchisees in the second- and third-tier cities on the Mainland.

The continuing resurgence of the Hong Kong property market, especially the redevelopment plan in Kwun Tong recently announced by the Hong Kong Government, underpins the Group's strategy of upgrading the quality of its property investment. 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.


CROCODILE
MEN'S COLLECTIONS

CROCODILE





LACOSTE

LACOSTE

Chairman's Statement

CONTINGENT LIABILITIES

Details are set out in note 33 to the financial statements.

LIQUIDITY, FINANCIAL RESOURCES, GEARING, CHARGES ON ASSETS AND CAPITAL COMMITMENTS

Cash and cash equivalents held by the Group amounted to HK$58,676,000 as at 31 July 2007 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 July 2007, total bank borrowings of the Group amounted to HK$30,197,000 which were due for renewal within one year. Of the total bank borrowings, HK$17,900,000 represented secured short-term bank loans, HK$5,000,000 represented unsecured short-term bank loan, HK$6,927,000 was unsecured trust receipt loans and the balance was unsecured overdrafts. Interest on bank borrowings is charged at floating rates. Except for unsecured bank overdrafts equivalent to HK$370,000 which is denominated in Renminbi, 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 year under review.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2007 was only 5%, expressed as a percentage of total bank borrowings to total net assets.

In addition to the securities provided by the Group for the re-development of the property erected on 79 Hoi Yuen Road, Kwun Tong, Kowloon, as at 31 July 2007, the Group had pledged investment properties with carrying values of HK$90,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK$8,287,000 as at 31 July 2007.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 1,348 as at 31 July 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 year ended 31 July 2007 was approximately HK$87 million.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank all members of staff and management for achieving the encouraging results for the year under review. I would also like to thank our shareholders and business associates for their continuous support.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
5 November 2007

Report of the Directors

The directors herein present their report together with the audited financial statements of the Company and of the Group for the year ended 31 July 2007.

PRINCIPAL ACTIVITIES

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

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business segment and geographical areas of the operations for the year ended 31 July 2007 is set out in note 5 to the financial statements.

FINANCIAL RESULTS AND DIVIDEND

The Group's profit for the year ended 31 July 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 78.

The directors of the Company propose a final dividend of HK1 cent per ordinary share for the year ended 31 July 2007 (2006: Nil). No interim dividend has been paid by the Company for the year (2006: Nil).

SUMMARY OF FINANCIAL INFORMATION

Following is a summary of the published consolidated results and assets and liabilities of the Group for the five financial years from 2003 to 2007:

	Year ended 31 July				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**441,155**	385,809	396,862	459,562	484,063
Profit/(loss) attributable to equity holders of the Company	**21,559**	110,019	127,205	47,896	(58,768)

	As at 31 July				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**725,511**	728,564	575,954	476,218	416,510
Total liabilities	**153,173**	176,945	134,458	162,106	150,849
Equity attributable to equity holders of the Company	**572,338**	551,619	441,496	314,112	265,661
	725,511	728,564	575,954	476,218	416,510

Report of the Directors

DIRECTORS

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

Executive directors

Lam Kin Ming *(Chairman and Chief Executive Officer)*	
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	
Lam Kin Ngok, Peter	
Lam Kin Hong, Matthew	
Cheng Suet Fei, Sophia	(appointed on 1 February 2007)

Non-executive directors

Lam Suk Ying, Diana	(appointed on 22 December 2006)
Tong Ka Wing, Carl	(appointed on 1 February 2007)
Wan Yee Hwa, Edward *	
Yeung Sui Sang *	
Chow Bing Chiu *	
Shiu Kai Wah	(retired on 22 December 2006)
Chiu Wai	(resigned on 1 February 2007)

* Independent non-executive directors

In accordance with Article 94 of the Company's articles of association, Ms. Cheng Suet Fei, Sophia, Ms. Lam Suk Ying, Diana and Mr. Tong Ka Wing, Carl retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 100 of the Company's articles of association, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lam Kin Ming, Chairman and Chief Executive Officer, aged 70, was appointed a director in December 1993. He is also the chairman of Lai Sun Garment (International) Limited ("LSG"), a non-executive director of Lai Sun Development Company Limited ("LSD") and eSun Holdings Limited ("eSun"), and the deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG, LSD, eSun and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has been involved in day-to-day management in the garment business since 1958. He is the elder brother of Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Suk Ying, Diana. He is also the father of Ms. Lam Wai Shan, Vanessa.

Ms. Lam Wai Shan, Vanessa, Deputy Chief Executive Officer, aged 36, was appointed a director in February 2006. Ms. Lam holds a Bachelor of Arts degree from Scripps College, California, USA and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. She has over 10 years of experience in the fashion industry. Prior to joining the Company in 1998, she worked for two famous London-based design houses – Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work. She is a daughter of Mr. Lam Kin Ming.

Mr. Lam Kin Ngok, Peter, aged 50, was appointed a director in October 1987. He is the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("LFH"), and an executive director of eSun Holdings Limited ("eSun"). LSG, LSD, LFH and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He is currently Chairman of the Hong Kong Chamber of Films, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association, a member of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. He is also a member of the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council and a Trustee of the Better Hong Kong Foundation. Mr. Lam is a director of the Real Estate Developers Association of Hong Kong, an ex-committee member of the Federation of Hong Kong Hotel Owners and a council member of the Anglo-Hong Kong Trust. He is the younger brother of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Kin Hong, Matthew, aged 39, was appointed a director in July 1999. He is also an executive director of Lai Sun Garment (International) Limited ("LSG"), and an executive director and executive deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. Mr. Lam is a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has considerable experience in property development and corporate finance fields in Hong Kong and China. Mr. Lam is the younger brother of Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter.

Ms. Cheng Suet Fei, Sophia, aged 44, was appointed a director in February 2007. Ms. Cheng is a member of the Institute of Chartered Accountants in England and Wales. She has over 20 years' experience in business and financial management both in Hong Kong and the Mainland of China, including 10 years as a senior management executive of the Lai Sun Group. During 1997 to 1999, she was an executive director of Lai Fung Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Cheng does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. She has not held any directorships in other public listed companies in the last three years. Ms. Cheng has entered into a service contract with the Company for a term of three years which contract is determinable by the Company within one year without payment of compensation other than statutory compensation. Ms. Cheng will be subject to retirement from office by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the articles of association of the Company. She will receive such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 94 of the articles of association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Non-executive directors:

Ms. Lam Suk Ying, Diana, aged 52, was appointed a director in December 2006. Ms. Lam graduated from the Loyola University in California, USA with a Bachelor of Business Administration degree. She also holds a Master's degree in Public Administration from the Pepperdine University in California, USA. Ms. Lam worked for Metropolitan Life Insurance Company in California, USA for two years and has been managing her personal investments continuously to date. Ms. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She is a younger sister of Mr. Lam Kin Ming. She has not held any directorships in other public listed companies in the last three years. Ms. Lam has not entered into any service contract with the Company and is not appointed for any specific term. She will be subject to retirement from office by rotation once every three years since her last election and will be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the articles of association of the Company. Ms. Lam will receive such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of her re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 94 of the articles of association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Tong Ka Wing, Carl, aged 56, was appointed a director in February 2007. Mr. Tong is currently the managing director and chief executive officer of Creative Master Bermuda Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. He is also an independent non-executive director of eSun Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 20 years' experience in corporate management. Mr. Tong does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tong does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. He does not hold any position with the Company or any subsidiary of the Company. Mr. Tong has not entered into any service contract with the Company and is not appointed for any specific term. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company in accordance with the provisions of the articles of association of the Company. Mr. Tong will receive such remuneration and discretionary bonus as may be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 94 of the articles of association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Wan Yee Hwa, Edward, aged 71, was appointed a director in December 1993 and is an independent non-executive director. Mr. Wan is also an independent non-executive director of Lai Sun Garment (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961. Mr. Wan does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Wan does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Wan does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the articles of association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Non-executive directors: (continued)

Mr. Yeung Sui Sang, aged 69, was appointed an independent non-executive director in October 2001. Before joining the Lai Sun Group in March 1988, Mr. Yeung had worked in the civil service for over 30 years. He first joined Lai Sun Garment (International) Limited ("LSG") as administration manager, and was later appointed Lai Sun Group's administration controller. He was also appointed to the boards of LSG, Asia Television Limited and later eSun Holdings Limited ("eSun"). LSG and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Yeung retired from the Lai Sun Group in June 1998. He does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Yeung does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Yeung does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the Company's articles of association, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Mr. Chow Bing Chiu, aged 56, was appointed an independent non-executive director in September 2004. He is also an independent non-executive director of Lai Sun Garment (International) Limited ("LSG"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. He is also a China-appointed attesting officer. Mr. Chow does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Chow does not have any relationship with any other directors, senior management, substantial or controlling shareholders of the Company. Mr. Chow does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions. For the purpose of his re-election as a director of the Company at the forthcoming annual general meeting in accordance with Article 100 of the articles of association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

Report of the Directors

DIRECTORS' INTERESTS

As at 31 July 2007, 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	Nil	Nil	314,800,000 *(Note 1)*	617,000 *(Note 2)*	Beneficial owner	315,417,000	51.11%
Lam Wai Shan, Vanessa	Nil	Nil	Nil	6,170,000 *(Note 2)*	Beneficial owner	6,170,000	1.00%

Notes:

1. Rich Promise Limited ("RPL") beneficially owned 314,800,000 shares in the Company. 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. A share option scheme was adopted by the Company on 22 December 2006 and will remain in force for a period of 10 years. Details of the options granted to the above directors of the Company are set out below:

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

Report of the Directors

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 July 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.

SHARE OPTION SCHEME

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

Details of the Share Option Scheme are set out in note 27 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 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:

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	51.01%
Lam Kin Ming	Beneficial owner	Corporate and other	315,417,000 *(Notes 1 and 2)*	51.11%

Notes:

1. 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. Mr. Lam Kin Ming was granted options to subscribe for 617,000 shares in the Company on 13 July 2007.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2007.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

ACCOUNTING POLICIES

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 19 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the balance sheet date are set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DISTRIBUTABLE RESERVES

As at 31 July 2007, the Company had reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,709,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Report of the Directors

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 July 2007.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 20 to 24 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDITOR

Horwath Hong Kong CPA Limited was appointed auditor of the Company to fill the casual vacancy caused by the resignation of Ernst & Young in June 2007, to hold office until the conclusion of the forthcoming annual general meeting. On 9 October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited. A notice has been received from a member of the Company and a resolution to re-appoint Shu Lun Pan Horwath Hong Kong CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
5 November 2007

Corporate Governance Report

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

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this annual report save for the 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 of directors of the Company (the "Board"), the in-depth knowledge of the Chairman and Chief Executive Officer of the operations of the Company and of the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes it is in the best interest of the Company for 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.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code 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 year ended 31 July 2007.

Corporate Governance Report

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

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

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

(3.3) The Board met four times during the year ended 31 July 2007. The attendance record of individual directors at these board meetings is set out in the following table:

	Board Meetings	
Directors	**Held**	**Attended**
Executive Directors		
Lam Kin Ming *(Chairman and Chief Executive Officer)*	4	4
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	4	4
Lam Kin Ngok, Peter	4	0
Lam Kin Hong, Matthew	4	3
Cheng Suet Fei, Sophia (appointed on 1 February 2007)	2	2
Non-executive Directors		
Shiu Kai Wah (retired on 22 December 2006)	1	1
Chiu Wai (resigned on 1 February 2007)	2	0
Lam Suk Ying, Diana (appointed on 22 December 2006)	3	0
Tong Ka Wing, Carl (appointed on 1 February 2007)	2	2
Independent Non-executive Directors		
Wan Yee Hwa, Edward	4	4
Yeung Sui Sang	4	4
Chow Bing Chiu	4	4

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

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

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

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

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(5) NON-EXECUTIVE DIRECTORS

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

(6) REMUNERATION OF DIRECTORS

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

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

Corporate Governance Report

(6) REMUNERATION OF DIRECTORS (continued)

(6.3) The Remuneration Committee held three meetings during the year ended 31 July 2007 to discuss remuneration-related matters. The attendance record of individual members at these Remuneration Committee meetings is set out in the following table:

Members	Remuneration Committee Meetings Held	Remuneration Committee Meetings Attended
Wan Yee Hwa, Edward	3	3
Yeung Sui Sang	3	3
Chow Bing Chiu	3	3
Chan Lai Ping, Connie (retired on 20 April 2007)	2	2
Tong Ka Wing, Carl (appointed on 20 April 2007)	1	1

(7) NOMINATION OF DIRECTORS

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

(8) AUDITOR'S REMUNERATION

Ernst & Young ("E&Y") resigned as auditors of the Company with effect from 11 June 2007 and Horwath Hong Kong CPA Limited was appointed auditor of the Company with effect from the same date. On 9 October 2007, Horwath Hong Kong CPA Limited changed its name to Shu Lun Pan Horwath Hong Kong CPA Limited ("Shu Lun Pan Horwath"). A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Shu Lun Pan Horwath as auditor of the Company.

During the year under review, Shu Lun Pan Horwath received audit fees amounting to approximately HK$730,000 for statutory audit work on the Group. The cost of audit services of the Company's subsidiaries not performed by Shu Lun Pan Horwath amounted to approximately HK$58,000. No other fee has been paid to Shu Lun Pan Horwath for any non-audit service assignments during the year.

Corporate Governance Report

(9) AUDIT COMMITTEE

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

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodical financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

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

(9.2) The Audit Committee held two meetings during the year under review. The members of the Audit Committee, namely, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu, attended all the meetings.

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

(10) FINANCIAL REPORTING

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

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

(11) INTERNAL CONTROL

The Board has reviewed the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.

Independent Auditor's Report

Shu Lun Pan Horwath Hong Kong CPA Limited
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18 Harbour Road
Wanchai, Hong Kong
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TO THE MEMBERS OF CROCODILE GARMENTS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Crocodile Garments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 78, which comprise the consolidated and company balance sheets as at 31 July 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
5 November 2007

Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Notes	**2007** **HK$'000**	2006 HK$'000
Revenue	6	**441,155**	385,809
Cost of sales		**(170,441)**	(153,012)
Gross profit		**270,714**	232,797
Other income and gains	6	**42,415**	34,975
Selling and distribution costs		**(243,048)**	(205,215)
Administrative expenses		**(50,640)**	(53,545)
Other operating expenses, net		**(1,568)**	(1,480)
Fair value gains on investment properties		**7,000**	146,593
Finance costs	11	**(1,734)**	(3,575)
Profit before tax	7	**23,139**	150,550
Tax	12	**(1,580)**	(40,531)
Profit for the year attributable to equity holders of the Company	13	**21,559**	110,019
Dividend			
Proposed final dividend	8	**6,171**	—
Earnings per share attributable to equity holders of the Company			
– basic (HK cents)	14	**3.49**	17.83

Consolidated Balance Sheet

At 31 July 2007
(Expressed in Hong Kong dollars)

	Notes	**2007** **HK$'000**	2006 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**27,944**	31,208
Investment properties	16	**439,628**	444,628
Land lease payments	17	**14,443**	—
Rental and utility deposits		**19,231**	13,906
Deposits for prepaid land lease payments	18	**29,685**	33,022
		530,931	522,764
Current assets			
Inventories	20	**82,546**	84,332
Trade receivables, deposits and prepayments	21	**52,648**	39,131
Amount due from a related company	34(c)	**710**	1,459
Cash and cash equivalents	22	**58,676**	80,878
		194,580	205,800
Current liabilities			
Short-term borrowings	23	**30,197**	38,094
Trade and other payables	24	**61,367**	78,256
Amounts due to related companies	34(c)	**76**	290
Current tax payable		**9,498**	14,755
		101,138	131,395
Net current assets		**93,442**	74,405
Total assets less current liabilities		**624,373**	597,169

Consolidated Balance Sheet

At 31 July 2007
(Expressed in Hong Kong dollars)

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Provision for long service payments	25	**1,989**	3,846
Deferred tax liabilities	26	**50,046**	41,704
		52,035	45,550
Net assets		**572,338**	551,619
Equity			
Equity attributable to equity holders of the Company			
Issued capital	28	**154,282**	154,282
Reserves	29(a)	**331,369**	337,314
Retained profits		**86,687**	60,023
Total equity		**572,338**	551,619

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2005	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 31 July 2006	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	**154,282**	**164,921***	**36***	**7,207***	**159,205***	**86,687**	**572,338**

* *These reserve accounts comprise the consolidated reserves of HK$331,369,000 (2006: HK$337,314,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	2007 HK$'000	2006 HK$'000
Operating activities		
Profit before tax	**23,139**	150,550
Adjustment for:		
Finance costs	**1,734**	3,575
Interest income	**(622)**	(4,250)
Share-based payment expenses	**36**	—
Depreciation	**14,592**	14,648
Amortisation of land lease payments	**82**	—
Loss on disposal/write-offs of items of property, plant and equipment, net	**82**	14
(Write-back of provision)/provision for bad and doubtful debts, net	**(521)**	1
Write-back of provision for slow-moving inventories, net	**(2,316)**	(8,195)
Fair value gains on investment properties	**(7,000)**	(146,593)
Operating cash flows before working capital changes	**29,206**	9,750
Decrease/(increase) in inventories	**4,102**	(8,130)
Increase in trade receivables, deposits and prepayments	**(18,321)**	(9,790)
(Decrease)/increase in trade and other payables	**(16,889)**	6,600
Movements in the balance with the former ultimate holding company	**—**	(6)
Movements in balances with related companies	**535**	(1,178)
(Decrease)/increase in provision for long service payments	**(1,857)**	854
Exchange differences on working capital	**700**	(125)
Cash used for operations	**(2,524)**	(2,025)
Interest paid	**(1,734)**	(3,575)
Tax paid	**(6,295)**	—
Net cash used in operating activities	**(10,553)**	(5,600)

Consolidated Cash Flow Statement

For the year ended 31 July 2007
(Expressed in Hong Kong dollars)

	2007 HK$'000	2006 HK$'000
Investing activities		
Interest received	**622**	4,250
Purchases of items of property, plant and equipment	**(11,220)**	(18,782)
Purchases of land	**(8,911)**	—
Proceeds from disposal of investment properties	**12,000**	—
Additions to investment properties	**—**	(137,035)
Payments for deposits for prepaid land lease payments	**—**	(33,022)
Net cash used in investing activities	**(7,509)**	(184,589)
Financing activities		
New bank loans	**5,000**	149,185
Repayment of bank loans	**(4,250)**	(151,285)
Repayment of trust receipt loans	**(6,852)**	(3,413)
Net cash used in financing activities	**(6,102)**	(5,513)
Net decrease in cash and cash equivalents	**(24,164)**	(195,702)
Cash and cash equivalents at beginning of year	**78,713**	274,371
Effect of foreign exchange rate changes	**3,757**	44
Cash and cash equivalents at end of year	**58,306**	78,713
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**58,676**	74,878
Non-pledged time deposits with original maturity of less than three months when acquired	**—**	6,000
Bank overdrafts	**(370)**	(2,165)
	58,306	78,713

Balance Sheet

At 31 July 2007
(Expressed in Hong Kong dollars)

	Notes	2007 HK$'000	2006 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**9,674**	15,173
Interests in subsidiaries	19	**509,251**	500,207
Rental and utility deposits		**18,411**	13,585
		537,336	528,965
Current assets			
Inventories	20	**40,628**	42,805
Trade receivables, deposits and prepayments	21	**17,431**	14,018
Amount due from a related company	34(c)	**710**	1,459
Cash and cash equivalents	22	**11,842**	15,593
		70,611	73,875
Current liabilities			
Short-term borrowings	23	**29,827**	38,094
Trade and other payables	24	**25,901**	30,783
Amounts due to related companies	34(c)	**76**	290
		55,804	69,167
Net current assets		**14,807**	4,708
Total assets less current liabilities		**552,143**	533,673
Non-current liabilities			
Provision for long service payments	25	**1,989**	3,846
Net assets		**550,154**	529,827

Balance Sheet

At 31 July 2007
(Expressed in Hong Kong dollars)

	Notes	**2007** HK$'000	2006 HK$'000
Equity			
Issued capital	28	**154,282**	154,282
Reserves	29(b)	**164,957**	164,921
Retained profits		**230,915**	210,624
Total equity		**550,154**	529,827

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

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

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

In the opinion of the directors of the Company (the "Directors"), Rich Promise Limited, a company incorporated in the British Virgin Islands, is considered as the parent and ultimate holding company of the Group. Lai Sun Garment (International) Limited ("LSG") was the former ultimate holding company of the Group up to 29 May 2006.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies nor have affected the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following HKFRSs which are relevant to the Group were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (Revised)	Borrowing Cost	1 January 2009
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment	1 November 2006
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

The Directors have considered these HKFRSs and anticipate that they have no material impact on how the results of operations and financial position of the Group are prepared and presented.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value as further explained in note 4 (b)(i).

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

(b) Basis of consolidation

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

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

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

(c) Subsidiaries

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

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

(d) Joint venture

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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment and depreciation

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

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

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

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

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

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

Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (other than financial assets)

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rentals or for capital appreciation or both, and which include those existing investment properties being redeveloped by the Group for continued future use. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the fair values of investment properties are recognised in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of an investment property, calculated as the differences between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost includes the cost of materials computed using the first-in, first-out method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined by reference either to the net sales proceeds of items in the ordinary course of business subsequent to the balance sheet date, or to management estimates based on the prevailing market conditions.

(i) Financial assets

Financial assets in the scope of HKAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. The Group determines the classification of its financial assets after the initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(j) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(k) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognised at fair value of the consideration received net of issue costs associated with the borrowings.

After initial recognition, bank and other borrowings are subsequently measured at amortised cost using the effective interest method.

Gain and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

(m) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(n) Cash and cash equivalents

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

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

(o) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions

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

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

(q) Contingent liabilities

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

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

(r) Financial guarantees issued

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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax

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

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

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

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

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

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Foreign currencies

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

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

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

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

(u) Employee benefits

(i) Paid leave carried forward

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

(ii) Employment Ordinance long service payments

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(iii) Pension schemes

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

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

(iv) Share-based payments

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

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

(v) Borrowing costs

Borrowing costs represented interest on bank overdrafts and short term borrowings. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Revenue recognition

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

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

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

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

(iv) compensation income, on the straight-line basis over the terms of the relevant agreement; and

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

(x) Related parties

A party is related to the Group if:

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

  (i) controls, is controlled by, or is under common control with, the Group;

  (ii) has an interest in the Group that gives it significant influence over the Group; or

  (iii) has joint control over the Group;

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

(c) the party is an associate;

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

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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Judgements

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

(i) Impairment of assets

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

(ii) Income tax

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

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

(iii) Provision for obsolete and slow-moving inventories

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(b) Estimation uncertainty

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

(i) Estimation of fair value of investment properties

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

(ii) Impairment testing of assets

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

(iii) Income tax

The carrying amounts of deferred tax assets and related financial models and budgets are reviewed by management at each balance sheet date. To the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. 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.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2007 and 2006.

	Garment and related accessories		Property investment		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to/income from external customers	**437,649**	379,222	**3,506**	6,587	**441,155**	385,809
Other revenue	**33,269**	29,106	**8,524**	1,619	**41,793**	30,725
Total	**470,918**	408,328	**12,030**	8,206	**482,948**	416,534
Segment results	**6,846**	(2,656)	**17,423**	152,556	**24,269**	149,900
Unallocated corporate income and expenses					**(18)**	(25)
					24,251	149,875
Interest income					**622**	4,250
Finance costs					**(1,734)**	(3,575)
Profit before tax					**23,139**	150,550
Tax					**(1,580)**	(40,531)
Profit for the year attributable to equity holders of the Company					**21,559**	110,019

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Garment and related accessories		Property investment		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**225,132**	200,457	**441,703**	447,229	**666,835**	647,686
Unallocated assets					**58,676**	80,878
Total assets					**725,511**	728,564
Segment liabilities	**62,419**	81,155	**1,011**	1,236	**63,430**	82,391
Unallocated liabilities					**89,743**	94,554
Total liabilities					**153,173**	176,945
Other segment information:						
Depreciation	**14,413**	14,469	**179**	179	**14,592**	14,648
Amortisation of land lease payments	**82**	—	**—**	—	**82**	—
(Write-back of provision)/ provision for bad and doubtful debts	**(521)**	1	**—**	—	**(521)**	1
Write-back of provision for slow-moving inventories, net	**(2,316)**	(8,195)	**—**	—	**(2,316)**	(8,195)
Capital expenditure	**25,459**	18,782	**7**	137,035	**25,466**	155,817
Loss on disposal/ write-offs of items of property, plant and equipment, net	**66**	14	**16**	—	**82**	14
Fair value gains on investment properties	**—**	—	**(7,000)**	(146,593)	**(7,000)**	(146,593)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 July 2007 and 2006.

	Hong Kong		Mainland China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to/income from						
external customers	**283,036**	244,866	**158,119**	140,943	**441,155**	385,809
Other revenue	**8,743**	1,660	**33,050**	29,065	**41,793**	30,725
Total	**291,779**	246,526	**191,169**	170,008	**482,948**	416,534
Other segment information:						
Segment assets	**532,542**	539,605	**134,293**	108,081	**666,835**	647,686
Unallocated assets					**58,676**	80,878
Total assets					**725,511**	728,564
Capital expenditure	**3,898**	150,628	**21,568**	5,189	**25,466**	155,817

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue		
Sales of goods	**437,649**	379,222
Gross rental income	**3,506**	6,587
	441,155	385,809
Other income		
Royalty income	**28,329**	24,955
Interest income	**622**	4,250
Sale of miscellaneous materials	**544**	480
Income from a related company for contributing an investment property as security	**8,520**	1,459
Others	**4,400**	3,440
	42,415	34,584
Gains		
Foreign exchange differences, net	**—**	391
	42,415	34,975

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7. PROFIT BEFORE TAX

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

	Group	
	2007	2006
	HK$'000	HK$'000
Cost of inventories sold	**172,757**	161,207
Depreciation	**14,592**	14,648
Amortisation of land lease payments	**82**	—
Auditor's remuneration	**788**	1,000
Lease payments in respect of land and buildings:		
Minimum lease payments under operating leases	**91,162**	76,682
Contingent rents	**9,043**	5,754
	100,205	82,436
Employee benefits expense (including directors' remuneration – note 9):		
Wages and salaries	**83,338**	73,822
Pension scheme contributions	**2,375**	2,146
Equity-settled share-based benefit	**36**	—
Provision/(Write-back of provision) for long service payments	**1,746**	(332)
	87,495	75,636
Gross rental income	**(3,506)**	(6,587)
Less: outgoings	**116**	1,200
Net rental income	**(3,390)**	(5,387)
Write-back of provision for slow-moving inventories, net (included in cost of sales)	**(2,316)**	(8,195)
Other operating expenses/(income):		
Severance payments	**1,936**	1,465
(Write back of provision)/provision for bad and doubtful debts, net	**(521)**	1
Loss on disposal/write-offs of items of property, plant and equipment, net	**82**	14
Exchange loss, net	**71**	—
	1,568	1,480

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8. DIVIDEND

	2007 HK$'000	2006 HK$'000
Final dividend proposed after the balance sheet date of HK 1 cent per ordinary share (2006: Nil)	**6,171**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Companies Ordinance, is as follows:

	Group			
	Executive directors		Non-executive directors	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Fees	**45**	34	**247**	166
Other emoluments:				
Salaries, allowances and benefits in kind	**9,059**	6,499	—	—
Pension scheme contributions	**29**	18	—	—
Equity-settled share based benefits	**20**	—	—	—
Bonuses paid and payable	—	1,205	—	—
	9,108	7,722	—	—
	9,153	7,756	**247**	166

The above balances included the remuneration paid to three directors who were appointed during the year and two directors who retired/resigned during the year.

Directors' remuneration paid to independent non-executive directors during the year amounted to HK$165,000 (2006: HK$144,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2007						2006
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based benefits HK$'000	Bonuses paid and payable HK$'000	Total HK$'000	Total HK$'000
Executive directors:							
Lam Kin Ming	10	5,085	—	2	—	5,097	5,424
Lam Kin Ngok, Peter	10	—	—	—	—	10	10
Lam Kin Hong, Matthew	10	780	12	—	—	802	802
Lam Wai Shan, Vanessa	10	2,319	12	18	—	2,359	1,520
Cheng Suet Fei, Sophia (note 1)	5	875	5	—	—	885	—
Non-executive directors:							
U Po Chu (note 2)	—	—	—	—	—	—	2
Shiu Kai Wah (note 3)	4	—	—	—	—	4	10
Chiu Wai (note 4)	5	—	—	—	—	5	10
Tong Ka Wing, Carl (note 5)	40	—	—	—	—	40	—
Lam Suk Ying, Diana (note 6)	33	—	—	—	—	33	—
Independent non-executive directors							
Yeung Sui Sang	55	—	—	—	—	55	48
Wan Yee Hwa, Edward	55	—	—	—	—	55	48
Chow Bing Chiu	55	—	—	—	—	55	48
	292	9,059	29	20	—	9,400	7,922

Notes:

1. Appointed on 1 February 2007
2. Resigned on 6 October 2005
3. Retired on 22 December 2006
4. Resigned on 1 February 2007
5. Appointed on 1 February 2007
6. Appointed on 22 December 2006

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the year are set out below:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,614**	8,463
Pension scheme contributions	**32**	23
Bonuses paid and payable	**—**	575
	3,646	9,061

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

	Group Number of employees	
	2007	2006
Below HK$1,000,000	**2**	—
HK$1,500,001 – HK$2,000,000	**1**	2
HK$5,500,001 – HK$6,000,000	**—**	1
	3	3

11. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within one year	**1,734**	3,575

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong for the year (2006: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	HK$'000
Current – Elsewhere	**1,038**	4,204
Deferred – (note 26)	**542**	36,327
	1,580	40,531

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

Group – 2007

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(9,504)		32,643		23,139	
Tax at the statutory tax rate	(1,663)	17.5	8,814	27.0*	7,151	30.9
Income not subject to tax	(1,269)	13.3	(513)	(1.6)	(1,782)	(7.7)
Expenses not deductible for tax	181	(1.9)	627	1.9	808	3.5
Increase/(decrease) in unprovided deferred tax assets	2,995	(31.5)	(1,341)	(4.1)	1,654	7.2
Under/(over) provision in prior years	298	(3.1)	(6,549)	(20.0)	(6,251)	(27.1)
Tax charge at the Group's effective rate	542	(5.7)	1,038	3.2	1,580	6.8

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. TAX (continued)

Group – 2006

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit before tax	140,013		10,537		150,550	
Tax at the statutory tax rate	24,502	17.5	2,845	27.0*	27,347	18.2
Income not subject to tax	(892)	(0.6)	—	—	(892)	(0.6)
Expenses not deductible for tax	879	0.6	8,866	84.1	9,745	6.5
Tax losses utilised	(1,524)	(1.1)	(5,121)	(48.6)	(6,645)	(4.4)
Increase/(decrease) in unprovided deferred tax assets	13,362	9.5	(2,386)	(22.6)	10,976	7.2
Tax charge at the Group's effective rate	36,327	25.9	4,204	39.9	40,531	26.9

* *The Group's operations in the Coastal Open Economic Zones of Mainland China are entitled to a preferential tax rate of 27% (2006: 27%).*

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year ended 31 July 2007 attributable to equity holders of the Company dealt with in the financial statements of the Company was HK$20,291,000 (2006: HK$175,105,000) (note 29(b)).

14. 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 year of HK$21,559,000 (2006: HK$110,019,000) and the number of 617,127,130 (2006: 617,127,130) ordinary shares in issue throughout the year.

No diluted earnings per share amount for the year ended 31 July 2007 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year. No dilutive earnings per share amount for the year ended 31 July 2006 had been calculated as no diluting events existed for that year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings* HK$'000	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 August 2005	17,778	18,154	58,659	13,453	4,951	112,995
Additions	—	662	13,855	2,206	2,059	18,782
Disposals/write-offs	—	(542)	(3,088)	(93)	—	(3,723)
Exchange realignment	—	21	192	11	5	229
At 31 July 2006	17,778	18,295	69,618	15,577	7,015	128,283
Additions	493	725	7,980	1,755	267	11,220
Disposals/write-offs	—	(16)	(18,318)	—	—	(18,334)
Exchange realignment	5	165	311	135	34	650
At 31 July 2007	**18,276**	**19,169**	**59,591**	**17,467**	**7,316**	**121,819**
Accumulated depreciation:						
At 1 August 2005	10,150	16,712	46,043	11,396	1,791	86,092
Provided during the year	800	541	11,794	723	790	14,648
Disposals/write-offs	—	(530)	(3,088)	(91)	—	(3,709)
Exchange realignment	—	15	19	8	2	44
At 31 July 2006	10,950	16,738	54,768	12,036	2,583	97,075
Provided during the year	801	337	10,983	1,305	1,166	14,592
Disposals/write-offs	—	(16)	(18,236)	—	—	(18,252)
Exchange realignment	—	132	262	49	17	460
At 31 July 2007	**11,751**	**17,191**	**47,777**	**13,390**	**3,766**	**93,875**
Net book value:						
At 31 July 2007	**6,525**	**1,978**	**11,814**	**4,077**	**3,550**	**27,944**
At 31 July 2006	6,828	1,557	14,850	3,541	4,432	31,208

* *Since the land lease payment cannot be allocated reliably between the land and buildings elements, the entire lease payment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are situated in Mainland China and are held under long term leases.*

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and fixtures, including leasehold improvements	Computer equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 1 August 2005	39,767	12,465	3,246	55,478
Additions	11,186	348	1,508	13,042
Disposals/write-offs	(3,020)	(89)	—	(3,109)
At 31 July 2006	47,933	12,724	4,754	65,411
Additions	3,509	388	—	3,897
Disposals/write-offs	(18,175)	—	—	(18,175)
At 31 July 2007	**33,267**	**13,112**	**4,754**	**51,133**
Accumulated depreciation:				
At 1 August 2005	30,737	11,201	1,110	43,048
Provided during the year	9,295	420	584	10,299
Disposals/write-offs	(3,020)	(89)	—	(3,109)
At 31 July 2006	37,012	11,532	1,694	50,238
Provided during the year	8,107	453	836	9,396
Disposals/write-offs	(18,175)	—	—	(18,175)
At 31 July 2007	**26,944**	**11,985**	**2,530**	**41,459**
Net book value:				
At 31 July 2007	**6,323**	**1,127**	**2,224**	**9,674**
At 31 July 2006	10,921	1,192	3,060	15,173

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**444,628**	161,000	—	63,000
Additions during the year	—	137,035	—	137,035
Disposals during the year	**(12,000)**	—	—	(349,628)
Fair value gains	**7,000**	146,593	—	149,593
At end of year	**439,628**	444,628	—	—
An analysis of investment properties is as follows:				
Investment properties, at fair value	**90,000**	95,000	—	—
Investment properties under redevelopment, at cost	**349,628**	349,628	—	—
	439,628	444,628	—	—

On 28 February 2006, the Company, 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.

During the year, Unipress started to redevelop the KT Property. As the fair value of the KT Property is not reliably determinable for the duration of redevelopment, the KT Property was stated at its previous carrying amount of HK$349,628,000. As at 31 July 2007, the KT Property was pledged to secure a term loan arrangement, as further detailed in note 33(ii) to the financial statements.

Except for the KT Property, the Group's investment properties were stated at their aggregate open market value of HK$90,000,000 (2006: HK$95,000,000) based on their existing use/existing physical state. The open market value of these investment properties was determined based on a valuation performed by Savills Valuation and Professional Services Limited, independent chartered surveyors.

Except for the KT Property, the investment properties with a carrying amount of HK$90,000,000 (2006: HK$95,000,000) are leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 July 2007, all of the Group's investment properties are held under medium term leases.

Further details of the Group's investment properties are disclosed on page 79 of this report.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17. LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**—**	—
Additions	**14,246**	—
Amortisation	**(82)**	—
Exchange realignment	**279**	—
At end of year	**14,443**	—

Land lease payments represent prepaid operating lease payments and their net book value is analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Mainland China, held on between 10 to 50 years	**14,443**	—

18. DEPOSITS FOR PREPAID LAND LEASE PAYMENTS

Deposits for prepaid land lease payments were for the purchase of land use rights in Mainland China. The Group is in the process of obtaining from the relevant authority the land use right certificates which, in the opinion of the Directors, will be issued in due course. Details of the capital commitments are set out in note 32 to the financial statements.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**586,464**	603,202
Amounts due to subsidiaries	**(12,967)**	(5,429)
	577,547	601,823
Provision for impairment	**(68,296)**	(101,616)
	509,251	500,207

The amounts with the subsidiaries included in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. Included therein are amounts due from subsidiaries of HK$11,909,000 (2006: HK$15,602,000), which bear interest at the Hong Kong dollar prime rate plus 2% per annum (2006: Hong Kong dollar prime rate plus 2% per annum). The carrying amounts of these amounts approximate to their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2007	2006	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	**100**	100	Garment trading
Crocodile Garments (Zhong Shan) Limited *	Mainland China	HK$17,200,000	**90**	90	Garment manufacturing and trading
Crocodile KT Investment Limited	Hong Kong	HK$1	**100**	100	Property development
Dackart Trading Company Limited	Hong Kong	HK$20	**100**	100	Property investment
Shenton Investment Limited	Hong Kong	HK$2	**100**	100	Property investment and became inactive since 16 April 2007
Zhongshan Crocodile Garments Limited	Mainland China	HK$8,000,000	**100**	100	Property investment

* *This subsidiary is a joint venture and is indirectly held by the Company. The paid-up capital represents the registered capital in Mainland China. The subsidiary is registered as a sino-foreign owned enterprise under the law of the PRC.*

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

20. INVENTORIES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**9,649**	11,081	**1,002**	1,596
Work in progress	**1,374**	438	**—**	—
Finished goods	**71,523**	72,813	**39,626**	41,209
	82,546	84,332	**40,628**	42,805

21. 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 the 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:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables:				
Current to 90 days	**12,138**	9,662	**617**	576
91 to 180 days	**3,363**	5,119	**48**	23
181 to 365 days	**873**	12	**108**	—
	16,374	14,793	**773**	599
Deposits and prepayments	**36,274**	24,338	**16,658**	13,419
	52,648	39,131	**17,431**	14,018

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**58,676**	74,878	**11,842**	9,593
Time deposits	**—**	6,000	**—**	6,000
Cash and cash equivalents	**58,676**	80,878	**11,842**	15,593

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$46,123,000 (2006: HK$62,803,000). 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. The carrying amounts of the cash and cash equivalents approximate to their fair values.

23. SHORT-TERM BORROWINGS

	Effective	Group		Company	
	interest	**2007**	2006	**2007**	2006
	rates (%) p.a.	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current					
Bank overdrafts, unsecured	7.29	**370**	2,165	**—**	2,165
Bank loans, secured	5.9-6.7	**17,900**	22,150	**17,900**	22,150
Bank loans, unsecured	6.2-6.4	**5,000**	—	**5,000**	—
Trust receipt loans – secured	5.2-6.4	**—**	205	**—**	205
Trust receipt loans – unsecured	5.2-7.4	**6,927**	13,574	**6,927**	13,574
		30,197	38,094	**29,827**	38,094

At the balance sheet date, the bank borrowings of the Group were secured by its investment properties (note 16) with an aggregate carrying amount of HK$90,000,000 (2006: HK$95,000,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23. SHORT–TERM BORROWINGS (continued)

Included in short-term borrowings are the following amounts denominated in a currency other than the functional currency of the Group to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Euro	**—**	636	**—**	636
Renminbi	**370**	—	**—**	—

All other short-term borrowings of the Group and the Company bear interest at floating interest rates and are denominated in Hong Kong dollars. The carrying amounts of the Group's and the Company's short-term borrowings approximate to their fair values.

24. 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:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Current to 90 days	**20,199**	26,688	**9,966**	15,287
91 to 180 days	**1,643**	3,276	**1,818**	1,524
181 to 365 days	**1,141**	643	**1,406**	467
Over 365 days	**2,869**	4,609	**296**	1,070
	25,852	35,216	**13,486**	18,348
Deposits received	**14,085**	16,105	**132**	139
Accruals and other payables	**21,430**	26,935	**12,283**	12,296
	61,367	78,256	**25,901**	30,783

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25. PROVISION FOR LONG SERVICE PAYMENTS

	Group and Company	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**3,846**	2,992
Amounts provided during the year	**1,746**	1,668
Amounts utilised during the year	**(3,603)**	(814)
At end of year	**1,989**	3,846

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 3 (u)(ii) to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the balance sheet date. Included in the above balance was also the provision for the gratuity payment payable to an executive of HK$1,000,000 which will be due in 2009.

26. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities and assets during the year 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
At 1 August 2005	854	(404)	(5,827)	(5,377)
Deferred tax charged during the year – (note 12)	(4)	(29)	(36,294)	(36,327)
Net deferred tax assets/(liabilities) at 31 July 2006	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 (note 12)	(31)	(127)	(384)	(542)
Net deferred tax assets/(liabilities) at 31 July 2007	**819**	**(560)**	**(50,305)**	**(50,046)**

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

26. DEFERRED TAX LIABILITIES (continued)

The Group has tax losses arising in Hong Kong of HK$183,171,000 (2006: HK$164,291,000). During the year, the Group did not have tax losses arising in Mainland China (2006: Nil). The Company has tax losses arising in Hong Kong of HK$101,910,000 (2006: HK$86,393,000). 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 July 2007, there was no significant unrecognised deferred tax liability (2006: 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.

27. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives or rewards to any eligible employee, any director of the Company or any of its subsidiaries, any agent or consultant of any member of the Group, and any 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/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 (the "Adoption Date") 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 principal terms of the Share Option Scheme are:

(a) The total number of the Company's shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the total number of shares in issue on the Adoption Date unless the 10% limit has been refreshed on shareholders' approval. The maximum number of shares to be issued upon exercise of the options granted to each Participant under the Share Option Scheme within any 12-month period must not exceed 1% of the total number of the Company's shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

(b) Any grant of options to a director, chief executive or substantial shareholder of the Company, or to any of their associates is subject to approval in advance by the independent non-executive directors. In addition, any grant of options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to shareholders' approval in advance in a general meeting.

(c) The offer of a grant of options may be accepted within 28 days from the date of offer, to be accompanied by payment of a consideration of HK$1 in total by the grantee. The exercise period of the options granted (the "Option Period") is determinable by the board of directors in its absolute discretion save that such Option Period may not be more than 10 years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(d) The subscription (or exercise) price of any options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Options do not confer rights on the holders to dividends or to vote at general meetings of the Company.

The following options were outstanding under the Share Option Scheme during the year:

Name or category of participant	Number of options: At 1 Aug 2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31 Jul 2007	Date of grant of options (dd/mm/yyyy)	Exercise period# (dd/mm/yyyy to dd/mm/yyyy)	Exercise price of options# per share (HK$)	Closing price of each share at date of grant (HK$)
Director										
Lam Kin Ming	—	617,000	—	—	—	617,000	13/07/2007	13/07/2007 to 12/07/2011	0.68	0.60
Lam Wai Shan, Vanessa	—	6,170,000	—	—	—	6,170,000	13/07/2007	13/07/2007 to 12/07/2011	0.68	0.60
Other Participants										
In aggregate	—	5,800,000	—	—	—	5,800,000	13/07/2007	13/07/2007 to 12/07/2011	0.68	0.60
		12,587,000				12,587,000				

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

* *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 fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the options granted is measured based on Black Scholes model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

Fair value of share options and assumptions

	2007	2006
Fair value at measurement date	**0.14**	—
Share price at the date of grant (i)	**0.60**	—
Exercise price	**0.68**	—
Expected volatility (ii)	**42.36%**	—
Expected life (iii)	**2 years**	—
Expected dividends	**0%**	—
Risk-free interest rate	**4.24%**	—

(i) The price of the Company's shares disclosed as at the date of grant of the options is the Stock Exchange closing price on the date of grant of the options.

(ii) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(iii) The expected life of the options is based on the assumption that the options will be exercised by the directors and other employees during the first half of the option life. It is not necessarily indicative of the exercise patterns that may occur.

(iv) No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the options granted during the year was HK$1,738,000, of which the Group recognised an equity-settled share-based expense of approximately HK$36,000 during the year ended 31 July 2007.

Subsequent to the balance sheet date, on 3 August 2007, 3,000,000 options were granted to an employee of the Company in respect of his services to the Group in the forthcoming years.

At the date of approval of these financial statements, the Company had 15,587,000 options outstanding under the Share Option Scheme, which represented approximately 2.53% of the Company's shares in issue as at that date.

28. SHARE CAPITAL

	Company	
	2007	2006
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.25 each	**200,000**	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK$0.25 each	**154,282**	154,282

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29. RESERVES

(a) Group

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

Capital reserve

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

Asset revaluation reserve

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

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 August 2005	164,921	—	109,090	(73,571)	200,440
Net profit for the year	—	—	—	175,105	175,105
Transferred to retained profits	—	—	(109,090)	109,090	—
At 31 July 2006	164,921	—	—	210,624	375,545
Recognition of equity-settled share-based payment	—	36	—	—	36
Net profit for the year	—	—	—	20,291	20,291
At 31 July 2007	**164,921**	**36**	**—**	**230,915**	**395,872**

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short-term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised as follows:

(i) Fair value and cash flow interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to both interest rate risks. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term debt obligations with floating interest rates.

Short-term bank and other borrowings, cash and bank balances, and short-term time deposits are stated at cost and are not revalued on a periodic basis. Floating rate interest income and expenses are charged to the income statement as incurred.

(ii) Foreign currency risk

A portion of the Group's revenue is denominated in Renminbi ("RMB") and the Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not expect any significant movements in the exchange rate of RMB to the Hong Kong dollar.

(iii) Commodity price risk

The Group's exposure to commodity price risk is minimal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that the wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(v) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. In addition, banking facilities have been put in place for contingency purposes.

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of their investment properties (note 16) 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:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**1,687**	3,390
In the second to fifth years, inclusive	**4,186**	6,923
	5,873	10,313

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**92,880**	79,708	**85,532**	73,120
In the second to fifth years, inclusive	**124,477**	61,876	**118,390**	55,293
	217,357	141,584	**203,922**	128,413

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.

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for:				
– Land lease payments in Mainland China	**5,936**	14,044	**—**	—
– Expenditure on shops decorations in Hong Kong	**2,351**	—	**2,351**	—
	8,287	14,044	**2,351**	—

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33. CONTINGENT LIABILITIES

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	**—**	—	**3,000**	3,000

As at 31 July 2007 and 31 July 2006, the banking facilities granted to a subsidiary subject to guarantee given to the banks by the Company were not utilised. The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured and its transaction price was nil.

(ii) 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 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 undertaking, property and assets of Crocodile KT.

Pursuant to a deed of undertaking, guarantee and indemnity entered amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, as disclosed in note 34(b), 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 recognised in the financial statements of the Group.

At 31 July 2007, the total amount of bank term loan drawn in respect of the above facility was HK$28,000,000.

Apart from the foregoing, at the balance sheet date, the Group has also entered into a number of construction and consultant contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sums of HK$53,502,000 (2006: 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 the terms of these construction and consultant contracts. Accordingly, the obligation of these contracts would not be reflected in the financial statements of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	**2007** **HK$'000**	2006 HK$'000
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	**2,453**	2,136
Related companies	(ii)	**3,735**	2,798
Income from a related company for contributing an investment property as security	(iii)	**8,520**	1,459

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 Company 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 Company during the period from the delivery of vacant possession of the KT Property to the completion of construction. Further details are set out in notes 16 and 33 to the financial statements and the Company's circular dated 29 April 2006.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

On 28 February 2006, the Company, LSG and Unipress, entered into the Development Agreement in connection with the redevelopment of the KT Property. Details of the arrangement are set out in note 16 to the financial statements and the Company's circular dated 29 April 2006.

On 10 July 2006, the Company, Crocodile KT, a wholly-owned subsidiary of the Company which now owns the KT Property, Unipress and LSG entered into a deed of undertaking, guarantee and indemnity (the "Deed") of which (a) Unipress (i) has agreed to act as covenantor and primary obligor in relation to a facility agreement to be entered into between a lending institution(s), as lender, and Crocodile KT, as borrower (the "Facility Agreement"); and (ii) has agreed, at its own expense, to arrange for the construction and completion of the redevelopment of the KT Property under such construction contracts as Unipress considers necessary; (b) LSG has agreed to guarantee the performance by Unipress of its obligations thereunder. Pursuant to the Deed, Crocodile KT is required to be a party to the Facility Agreement and some or all of the constructions or consultant contracts entered into from time to time, and Unipress and LSG should be responsible for completing the redevelopment of the KT Property and for the funding obligations in respect thereof.

Further details of the funding arrangement and construction and consultant contracts, which were entered into by the Group at the balance sheet date, but borne by Unipress have been disclosed in note 33 above.

(c) Outstanding balances with related parties

The amount due from a related company disclosed pursuant to Section 161C of the Companies Ordinance and the amounts due to related companies are as follows:

	Maximum amount outstanding during the year HK$'000	**2007 HK$'000**	2006 HK$'000
Group and Company			
Amount due from a related company	**2,879**	**710**	1,459
Amounts due to related companies		**76**	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 amounts of these amounts approximate to their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**9,104**	7,738
Post-employment benefits	**29**	18
Equity-settled share-based benefits	**20**	—
	9,153	7,756

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 November 2007.

Particulars of Investment Properties

At 31 July 2007

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

Location	Use	Lease term	Attributable interest of the Group
The whole basement, Shop No. 24 on Ground and Mezzanine Floors, Shop No. 33B on Ground and Mezzanine Floors, Tsimshatsui Mansion, Nos. 83-97 Nathan Road, Nos. 36-50 Lock Road, Tsimshatsui, Kowloon, Hong Kong	Commercial rental	Medium	100%
Crocodile Building, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Redevelopment	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at The Chater Room I, Function Room Level (B1), The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Friday, 21 December 2007 at 11:45 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditor for the year ended 31 July 2007;

2. To declare a final dividend;

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

4. To appoint the auditor and to authorise the directors to fix its remuneration, notice having been received of a member's intention to propose the following resolution as an Ordinary Resolution of the Company:

   "**THAT** Shu Lun Pan Horwath Hong Kong CPA Limited be hereby re-appointed auditor of the Company to hold office until the conclusion of the next Annual General Meeting at a fee to be agreed with the directors of the Company."

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

   "**THAT**:

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

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

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

Notice of Annual General Meeting

(d) for the purposes of this Resolution:

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

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

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

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

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

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 5 November 2007

Notes:

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

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

Notice of Annual General Meeting

3. The Register of Members of the Company will be closed from 18 December 2007 to 21 December 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 17 December 2007.

4. Concerning item 3 of this Notice, Ms. Cheng Suet Fei, Sophia was appointed an executive director of the Company on 1 February 2007 and Ms. Lam Suk Ying, Diana and Mr. Tong Ka Wing, Carl were appointed non-executive directors of the Company on 22 December 2006 and 1 February 2007 respectively. In accordance with Article 94 of the Articles of Association of the Company, Ms. Cheng, Ms. Lam and Mr. Tong will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu will retire by rotation at the forthcoming Annual General Meeting pursuant to Article 100 of the Articles of Association of the Company and, being eligible, offer themselves for re-election. Details of the above directors are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report 2006-2007 of the Company.

5. Concerning item 4 of this Notice, Shu Lun Pan Horwath Hong Kong CPA Limited, formerly known as Horwath Hong Kong CPA Limited, was appointed auditor of the Company to fill the casual vacancy caused by the resignation of Ernst & Young in June 2007, to hold office until the conclusion of the forthcoming Annual General Meeting. A resolution to re-appoint Shu Lun Pan Horwath Hong Kong CPA Limited will be proposed at the forthcoming Annual General Meeting.

6. Item 5 relates to the granting of a general mandate to the directors of the Company to issue new shares of up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue such new shares under the general mandate.

7. In accordance with the Company's Articles of Association, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

   (i) the Chairman of the Meeting; or

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

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

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

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