CROCODILE

2011-2012

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

SINCE 1952

60

CROCODILE

Stock Code | 股份代號 122

CORPORATE INFORMATION

Place of Incorporation
Hong Kong

Board of Directors
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
Wan Yee Hwa, Edward

Non-executive Director
Lam Suk Ying, Diana

Independent Non-executive Directors
Yeung Sui Sang
Chow Bing Chiu
Leung Shu Yin, William

Audit Committee
Leung Shu Yin, William *(Chairman)*
Yeung Sui Sang
Chow Bing Chiu

Remuneration Committee
Leung Shu Yin, William *(Chairman)*
Yeung Sui Sang
Chow Bing Chiu
Wan Yee Hwa, Edward

Company Secretary
Kwok Siu Man

Authorised Representatives
Lam Kin Ming
Lam Wai Shan, Vanessa

Registered Office
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Tel: (852) 2785 3898
Fax: (852) 2786 0190

Share Registrars and Transfer Office
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Independent Auditor
SHINEWING (HK) CPA Limited
Certified Public Accountants

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

Stock Code
122

Board Lot
1,000 shares

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RESULTS

The board of directors (the "**Board**") of Crocodile Garments Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 31 January 2012 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2012

		Six months ended 31 January	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*3*	**294,074**	284,147
Cost of sales		**(104,768)**	(99,443)
Gross profit		**189,306**	184,704
Fair value gains on investment properties		**25,553**	35,453
Other income	*4*	**24,261**	23,572
Selling and distribution expenses		**(154,952)**	(147,865)
Administrative expenses		**(29,521)**	(35,481)
Other operating income (expenses), net		**813**	(689)
Finance costs	*5*	**(615)**	(137)
Share of profit from an associate		**543**	1,100
PROFIT BEFORE INCOME TAX	*6*	**55,388**	60,657
Income tax expense	*7*	**(9,135)**	(11,165)
PROFIT FOR THE PERIOD		**46,253**	49,492
OTHER COMPREHENSIVE INCOME:			
Exchange differences arising on translation of foreign operations		**2,236**	2,565
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**48,489**	52,057
EARNINGS PER SHARE			
— Basic (HK cents)	*9*	**7.41**	8.00

Condensed Consolidated Statement of Financial Position

As at 31 January 2012

	Notes	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**44,056**	43,961
Investment properties	11	**833,300**	791,000
Construction in progress		**42,961**	35,586
Land lease prepayments		**15,547**	15,463
Interest in an associate		**18,542**	17,762
Rental and utility deposits		**24,552**	25,082
Deposits for acquisition and construction of property, plant and equipment		**11,052**	10,873
Deposits for land lease prepayments		**35,109**	34,537
		1,025,119	974,264
Current assets			
Inventories		**100,705**	73,376
Trade and other receivables, deposits and prepayments	12	**101,547**	80,610
Amounts due from related companies	18(b)	**105**	149
Financial assets at fair value through profit and loss		**35,876**	—
Cash and cash equivalents		**80,123**	80,045
		318,356	234,180
Current liabilities			
Borrowings	13	**2,374**	15,946
Trade and other payables and deposits received	14	**103,389**	80,432
Amounts due to related companies	18(b)	**911**	352
Tax payable		**22,629**	19,948
		129,303	116,678
Net current assets		**189,053**	117,502
Total assets less current liabilities		**1,214,172**	1,091,766
Non-current liabilities			
Borrowings	13	**93,977**	24,434
Provision for long service payments		**2,854**	2,854
Deferred tax liabilities		**73,924**	69,550
		170,755	96,838
		1,043,417	994,928
Capital and reserves			
Share capital	15	**155,957**	155,957
Reserves		**887,460**	838,971
		1,043,417	994,928

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Asset revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 31 July 2011 (Audited) and 1 August 2011	155,957	168,728	—	27,467	109,090	533,686	994,928
Total comprehensive income for the period	—	—	—	2,236	—	46,253	48,489
At 31 January 2012 (Unaudited)	**155,957**	**168,728**	**—**	**29,703**	**109,090**	**579,939**	**1,043,417**
At 31 July 2010 (Audited) and 1 August 2010	154,282	164,921	1,738	19,019	109,090	447,695	896,745
Total comprehensive income for the period	—	—	—	2,565	—	49,492	52,057
Exercise of share options	1,521	3,457	(840)	—	—	—	4,138
At 31 January 2011 (Unaudited)	155,803	168,378	898	21,584	109,090	497,187	952,940

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2012

	Six months ended 31 January	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(26,127)**	35,156
Net cash used in investing activities	**(30,343)**	(40,150)
Net cash generated from/(used in) financing activities	**55,971**	(4,380)
Net decrease in cash and cash equivalents	**(499)**	(9,374)
Cash and cash equivalents at the beginning of the period	**80,045**	96,985
Effect of foreign exchange rate changes	**577**	1,258
Cash and cash equivalents at the end of the period	**80,123**	88,869
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**69,620**	65,375
Non-pledged time deposits with original maturity of less than 3 months when acquired	**10,503**	23,494
	80,123	88,869

Notes to the Condensed Consolidated Interim Financial Statements

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the unaudited condensed consolidated interim financial statements also comply with the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

These financial statements have been prepared under the historical cost convention, except for certain investment properties and financial instruments which have been measured at fair value.

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

(2) PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2011, except for certain financial assets other than loans and receivables have been classified into financial assets at fair value through profit or loss and adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) which are generally effective for the current accounting period of the Group.

(a) Adoption of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRS issued in 2010
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement

The adoption of the new and revised HKFRSs in the current period has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

(2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKAS 19 (Revised)	Employee Benefits[3]
HKAS 27 (Revised)	Separate Financial Statements[3]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[3]

[1] Effective for annual periods beginning on or after 1 January 2012
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

(2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the financial statements for the annual period beginning 1 August 2015 and that the application of the new standard might have a significant impact on amounts reported in respect of the financial assets and financial liabilities of the Group.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets mainly deals with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, there is a rebuttable presumption that the carrying amounts of the investment properties are to be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of deferred tax liabilities and assets should reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. If the presumption is not rebutted, the directors of the Company anticipate that the application of the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets will decrease the deferred tax liabilities recognised for investment properties.

(2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Potential impact arising on HKFRSs not yet effective *(Continued)*

HKFRS 13 Fair Value Measurement was issued in June 2011 replaces the fair value measurement guidance contained in individual HKFRSs by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied when its use is already required or permitted by other standards within HKFRSs. The directors of the Company consider that had the amendment been adopted during the period, the disclosure of three-level fair value hierarchy would be applied to the investment properties of the Group.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit or loss in the future by presenting them separately from those that would never be reclassified to profit or loss. The application of the amendment to HKAS 1 might result in changes in presentation of the Group's statement of comprehensive income.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and the financial positions of the Group.

(3) SEGMENT INFORMATION

The Group determines its operating segments based on information reported to the directors of the Company, being the chief operating decision-maker, for the purposes of resources allocation and performance assessment.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Garment and related accessories business; and
- Property investment and letting business

(3) SEGMENT INFORMATION *(Continued)*

Segment revenues and results

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

For the six months ended 31 January (unaudited)

	Garment and related accessories business		Property investment and letting business		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**282,036**	273,965	**12,038**	10,182	**294,074**	284,147
Other revenue from external customers	**23,075**	23,329	**456**	—	**23,531**	23,329
Group's revenue	**305,111**	297,294	**12,494**	10,182	**317,605**	307,476
Reportable segment profit	**19,792**	17,459	**35,520**	43,097	**55,312**	60,556
Unallocated corporate income					**730**	243
Unallocated corporate expenses					**(39)**	(5)
Finance costs					**(615)**	(137)
Profit before income tax					**55,388**	60,657

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of bank interest income, corporate expenses and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

(3) SEGMENT INFORMATION *(Continued)*

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	Garment and related accessories business		Property investment and letting business		Total	
	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*	**31 January 2012 (Unaudited) *HK$'000***	31 July 2011 (Audited) *HK$'000*	**31 January 2012 (Unaudited) *HK$'000***	31 July 2011 (Audited) *HK$'000*
Assets						
Segment assets	**403,646**	310,835	**859,706**	817,564	**1,263,352**	1,128,399
Unallocated corporate assets					**80,123**	80,045
Total consolidated assets					**1,343,475**	1,208,444

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

— all assets are allocated to reportable segments, other than cash and cash equivalents.

(4) OTHER INCOME

	Six months ended 31 January	
	2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Other income		
Royalty income	**21,772**	22,059
Bank interest income	**730**	243
Interest income from an associate	**237**	—
Fair value gain on financial assets at fair value through profit and loss	**372**	—
Others	**1,150**	1,270
	24,261	23,572

(5) FINANCE COSTS

	Six months ended 31 January	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on borrowings		
— wholly repayable within five years	**545**	137
— not wholly repayable within five years	**70**	—
	615	137

(6) PROFIT BEFORE INCOME TAX

The Group's profit before income tax has been arrived at after charging:

	Six months ended 31 January	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**7,726**	6,243
Amortisation of land lease prepayments (included in administrative expense)	**169**	163
Provision for slow-moving inventories, net	**1,983**	193

(7) INCOME TAX EXPENSE

	Six months ended 31 January	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
— PRC Enterprise Income Tax	**3,881**	4,218
— Hong Kong	**880**	742
Deferred tax	**4,374**	6,205
Income tax expense	**9,135**	11,165

(7) INCOME TAX EXPENSE *(Continued)*

Hong Kong profit tax has been provided at the rate of 16.5% (six months ended 31 January 2011: 16.5%) on the estimated assessable profits arising in Hong Kong.

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

(8) DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 31 January 2012. The directors of the Company do not recommend the payment of an interim dividend (six months ended 31 January 2011: nil).

(9) EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 January 2012 is based on the consolidated profit attributable to owners of the Company of approximately HK$46,253,000 (2011 (unaudited): HK$49,492,000) and the number of ordinary shares of 623,829,130 (2011 (unaudited): the weighted average number of ordinary shares of 618,915,717).

(b) Diluted earnings per share

Diluted earnings per share amount for the six months ended 31 January 2012 has not been presented as no diluting event existed during the period. No diluted earnings per share amount for the six months ended 31 January 2011 was presented as the dilutive effect of share options outstanding during that period was not material.

(10) PROPERTY, PLANT AND EQUIPMENT

	31 January 2012 (Unaudited) ***HK$'000***	31 July 2011 (Audited) *HK$'000*
At the beginning of the period/year	**43,961**	21,492
Additions	**7,549**	16,147
Depreciation provided for the period/year	**(7,726)**	(12,930)
Disposals/write-off	**(106)**	(962)
Transfer from construction in progress	**—**	19,486
Exchange realignment	**378**	728
At the end of the period/year	**44,056**	43,961

(11) INVESTMENT PROPERTIES

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
At the beginning of the period/year	**791,000**	700,000
Additions	**16,747**	14,547
Fair value gains	**25,553**	76,453
At the end of the period/year	**833,300**	791,000

As at 31 January 2012, the Group's certain investment properties of HK$816,800,000 were pledged to banks to secure the bank loans granted to the Group.

The Group's investment properties were revalued on 31 January 2012 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers not connected to the Group, at HK$833,300,000 (31 July 2011: HK$791,000,000) on an open market basis, which has taken into account the market evidence of transaction prices for similar properties in the same locations and conditions.

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

As at 31 January 2012 and 31 July 2011, the investment properties are situated on the land under medium-term land lease prepayments in Hong Kong.

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
Trade receivables	**25,765**	14,617
Less: Allowance for bad and doubtful debts	**(203)**	(1,641)
	25,562	12,976
Other receivables	**39,058**	36,185
Deposits and prepayments	**36,927**	31,449
	101,547	80,610

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

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

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

(ii) An aging analysis of the trade receivables as at the end of reporting period, net of allowance, based on the invoice date is as follows:

	31 January 2012 (Unaudited) ***HK$'000***	31 July 2011 (Audited) *HK$'000*
Trade receivables:		
0 to 90 days	**18,664**	9,571
91 to 180 days	**5,752**	2,681
181 to 365 days	**1,146**	724
	25,562	12,976

(13) BORROWINGS

	31 January 2012 (Unaudited) ***HK$'000***	31 July 2011 (Audited) *HK$'000*
Bank loans, secured	**94,893**	25,347
Trust receipt loans, unsecured	**1,458**	15,033
	96,351	40,380

(13) BORROWINGS *(Continued)*

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Carrying amounts repayable:		
On demand or within one year	**2,374**	15,946
More than one year, but not exceeding two years	**86,934**	930
More than two years but not exceeding five years	**2,907**	18,886
More than five years	**4,136**	4,618
	96,351	40,380
Less: Amount shown under current liabilities	**(2,374)**	(15,946)
Amount shown under non-current liabilities	**93,977**	24,434

(14) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

An aging analysis of the trade payables as at the end of the reporting period, based on the date of receipt of the goods and provision of services, and the balances of deposits received and accruals and other payables is as follows:

	31 January 2012 (Unaudited) HK$'000	31 July 2011 (Audited) HK$'000
Trade payables:		
0 to 90 days	**41,617**	16,544
91 to 180 days	**1,099**	2,717
181 to 365 days	**1,089**	1,589
Over 365 days	**2,885**	1,148
	46,690	21,998
Advance from customers	**14,426**	16,862
Deposits received	**7,319**	7,127
Other payables and accruals	**34,954**	34,445
	103,389	80,432

The trade payables are normally settled between 30 and 90 days. The Group have financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(15) SHARE CAPITAL

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
Authorised:		
1,200,000,000 (31 July 2011 (audited): 800,000,000) ordinary shares of HK$0.25 each	**300,000**	200,000
Issued and fully paid:		
At the beginning of the period/year: 623,829,130 (1 August 2010 (audited): 617,127,130) ordinary shares of HK$0.25 each	**155,957**	154,282
Shares issued under share option scheme: 6,702,000 ordinary shares of HK$0.25 each (Note)	**—**	1,675
At the end of the period/year	**155,957**	155,957

Note:

During the year ended 31 July 2011, the Company issued 6,702,000 shares at the subscription price of HK$0.68 each for a total consideration of approximately HK$4,556,000 upon the exercise of the share options previously granted. These shares issued rank pari passu in all respects with the existing ordinary shares in issue.

(16) OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases contracted with tenants as follows:

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
Within one year	**25,257**	24,672
In the second to fifth years, inclusive	**15,020**	27,192
	40,277	51,864

(b) As lessee

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

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
Within one year	**110,076**	107,269
In the second to fifth years, inclusive	**116,148**	85,362
	226,224	192,631

The operating lease rentals of certain retail shops are charged on the higher of fixed rental or 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 in these retail shops could not be accurately determined, the relevant contingent rent has not been included in the analysis above which only included the minimum lease commitments.

(17) CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in Note 16 above, the Group had the following capital commitments at the end of the reporting period:

	31 January 2012 (Unaudited) *HK$'000*	31 July 2011 (Audited) *HK$'000*
Contracted but not provided for:		
— Land lease payments in the PRC	**4,250**	4,181
— Acquisition and construction of property, plant and equipment in the PRC	**2,507**	4,473
— Expenditure on shop decorations in Hong Kong and the PRC	**631**	—
	7,388	8,654

(18) RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Six months ended 31 January	
	Notes	2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
Rental expenses and building management fee paid and payable to:			
— Lai Sun Textiles Company Limited	*(i)*	**1,352**	1,352
— Lai Sun Development Company Limited	*(ii)*	**1,694**	1,219
Royalty income from a related company	*(iii)*	**314**	291
Rental income from a related company	*(iv)*	**614**	613
Interest income from an associate	*(v)*	**237**	—

(18) RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

(i) Lai Sun Textiles Company Limited is a company of which certain executive directors of the Company are the beneficial shareholders. The rental expenses and building management fee were paid to this related company pursuant to the terms of respective lease agreements.

(ii) Lai Sun Development Company Limited is a company of which certain executive directors of the Company are also its directors. The rental expenses and building management fee were paid to this related company pursuant to the terms of the respective lease agreements.

(iii) The royalty income was received from a related company of which an executive director of the Company is also its director.

(iv) The rental income was received from a related company of which an executive director of the Company is also its director.

(v) The interest income received from an associate was charged based on an interest rate of 5% per annum.

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

(b) Outstanding balances with related parties

The balances were derived from normal business activities and are unsecured, interest-free and repayable on demand.

(19) POST BALANCE SHEET EVENT

On 9 March 2012, a wholly-owned subsidiary of the Company entered into the provisional agreement for the acquisition of the property in Hong Kong (the "**Property**") at a consideration of HK$43,500,000. The Property will be held as an investment property for rental purpose or self-occupation to cope with the expected expansion in garment business. Details of the transaction are contained in the announcement of the Company dated 12 March 2012.

BONUS ISSUE AND INTERIM DIVIDEND

To celebrate the 60th anniversary of Crocodile in the apparel business, the Board proposes that a bonus issue of shares (the "**Bonus Issue**") be made on the basis of one bonus ordinary share (the "**Bonus Share**") for every two ordinary shares held as a requital to the shareholders of the Company (the "**Shareholders**") for their ever-lasting valuable trust and support in these decades of development. The Bonus Shares will be issued as fully paid by capitalization of a portion of the share premium account of the Company and will rank pari passu in all respects with the existing ordinary shares in issue. The Bonus Issue is to be made to the Shareholders whose names appear on the Register of Members of the Company on a record date to be determined by the Board.

The Bonus Issue is conditional upon the approval of the Shareholders at an extraordinary general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and the permission to deal in the Bonus Shares. Further information of the Bonus Issue will be set out in a circular of the Company for despatch by the Company to the Shareholders in due course.

On the other hand, the Board has resolved not to pay an interim dividend for the six months ended 31 January 2012 (2011: Nil) in order to preserve the liquidity of the Group in the prevailing highly volatile economic atmosphere.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The turnover for the period under review was HK$294,074,000 (2011: HK$284,147,000), a modest increase of 3.5% over the corresponding period last year and the gross profit of the Group increased by 2.5%, to HK$189,306,000 (2011: HK$184,704,000).

For the "Garment and Related Accessories Business" segment, the Group has continued the long-term strategy of enhancing its brand image and value, and introducing more higher-end merchandises into its product mix. Propelled by effective advertising and marketing campaigns, and sales personnel training in product knowledge, sales skills and etiquette, this direction has been well received gradually by the clients. On the other hand, the late coming of the chilly weather in the period under review took toll on the sales of high valued items and caused a drop in the gross profit margin to 62.9% (2011: 63.7%).

The "Property Investment and Letting Business" segment not only generated the stable rental income of HK$12,038,000 for the six months ended 31 January 2012 (2011: HK$10,182,000), but also contributed fair value gains on investment properties of HK$25,553,000 (2011: HK$35,453,000).

Combining the result above with the share of profit of an associated company of HK$543,000 (2011: HK$1,100,000) and the exchange differences arising from translation of foreign operations of HK$2,236,000 (2011: HK$2,565,000), the total comprehensive income for the six months ended 31 January 2012 attributable to the owners of the Company was HK$48,489,000 (2011: HK$52,057,000).

Operations in Hong Kong and Macau

Attributed to the robust tourism industry, the growth momentum of the retail markets in Hong Kong and Macau sustained. However, parallel with this were the even higher increments in operating expenses especially rental and staff costs. To secure its profitability, the Group has been restructuring the sales network of the "Garment and Related Accessories Business" segment in the territories. As at 31 January 2012, the Group operated 26 shops for Crocodile line (2011: 27) and 9 shops for Lacoste line (2011: 7); and recorded a slight growth in turnover for the six months ended 31 January 2012.

Under the keen competition of the retail business, the "Property Investment and Letting Business" segment was a revenue stabilizer of the Group. The rental revenue remained steady in the period under review and was HK$12,038,000 (2011: HK$10,182,000). Unaffected by the governmental measures on tightening the property market on residential side, the performance on commercial side was still promising. The Group recognized fair value gains on investment properties of HK$25,553,000 as at 31 January 2012, which mainly consisted of the surplus from revaluation of the Crocodile Center — benefitting from the governmental policy on redevelopment of Kowloon East region.

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

The business environment in the Mainland was unexpectedly tough. In addition to the competition from the influx of renowned foreign brands, the customer sentiment was hampered by the downturn of the export and property sectors in the Mainland because of the governmental contracting measures on liquidity. Despite of these, the Group still has to bear heavy operating costs and outlays under the nagging inflationary atmosphere. To mitigate these adversities, the Group has accelerated the pace of improving its sales and distribution channels. The Group also further optimized its operating efficiencies by fortifying stringent controls over costs and expenses.

As at 31 January 2012, there were a total of 297 shops in the Mainland (2011: 281), including self-operated shops of 93 (2011: 80) and those operated by the Group's franchisees of 204 (2011: 201).

Royalty income from licensees, the major component of the other income, contributed a stable income stream of HK$21,772,000 in the six months ended 31 January 2012.

Prospects

Though recently there are signs of economic recovery in the United States and the European credit crisis is on the road to a controlled status, these developments are still at nascent stage and unstable. The downside risk to the economic growth persists worldwide and any downturn will stifle the tourism and retail sectors which are the two major drivers of Hong Kong economy, the Group's major market.

In the Mainland, the government's current measures to release the liquidity, as a precaution for the potential plunge in economy, have a positive effect on the consumer sentiment. Nevertheless, the government remains vigilant about inflation especially speculations on household commodities. Any hikes in pricing levels will definitely trigger the reinforcement of tight monetary policy by the government. By then, the Group's operational conditions will be deteriorated by the high inflationary environment together with weakening consumer demand.

Prospects *(Continued)*

Even the path ahead is bumpy, having its solid foundations established for sixty years, the Group is confident that it can, by executing pragmatic business development strategies, overcome all these difficulties eventually and continue to provide satisfactory returns to the Shareholders and prestige brand choice to the customers for their long-enduring precious supports.

Contingent Liabilities

As at 31 January 2012, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as financial assets at fair value through profit or loss, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the six months ended 31 January 2012.

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

Cash and cash equivalents held by the Group amounted to HK$80,123,000 as at 31 January 2012 (2011: HK$88,869,000) and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 January 2012 amounted to HK$36,651,000 (2011: HK$66,683,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 January 2012, the total outstanding borrowings of the Group amounted to HK$96,351,000. The total outstanding borrowings comprised unsecured short-term bank trust receipt loans of HK$1,458,000, secured long-term bank mortgage loan of HK$8,893,000 and secured long-term bank revolving loans of HK$86,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured long-term bank mortgage loan was repayable by instalments with its current portion of HK$916,000 repayable within one year and long-term portion of HK$7,977,000 repayable in the second to ninth years. Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2012.

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

As at 31 January 2012, the Group had mortgaged certain of its investment properties with carrying values of HK$816,800,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 January 2012 was 9.2%, expressed as a percentage of total bank borrowings to total net assets.

As at 31 January 2012, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,250,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,507,000 and expenditure on shop decorations in Hong Kong and the Mainland of HK$631,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals in the six months ended 31 January 2012.

Employees and Remuneration Policy

The total number of employees of the Group, including part-time sales staff, was 897 as at 31 January 2012 (2011: 895). Pay rates of the employees are largely based on industry practice and the performance of individual employees. 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.

SHARE OPTION SCHEME

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

During the period under review, no options were exercised, granted or cancelled or lapsed in accordance with the terms of the Share Option Scheme. As at 31 January 2012, there were no share options outstanding under the Share Option Scheme. As at the date of this Report, the Company could grant further options to subscribe for a maximum of 55,010,713 shares of HK$0.25 each in the Company under the Share Option Scheme, representing approximately 8.82% of the Company's shares in issue on that date.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 31 January 2012 save for the deviations from code provisions A.2.1 and A.4.1:

Code Provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. However, the Company's Articles of Association (the "**Articles of Association**") do not contain any requirement as to the separation of these roles.

In view of the present composition of the Board, the in-depth knowledge of the Chairman who is also the 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 that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of both the Chairman and the 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 (including the independent non-executive Directors ("**INEDs**")) is appointed for a specific term. However, all the Directors are subject to the retirement provisions of the Articles of Association which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by Shareholders and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting of the Company and will then be eligible for re-election. Further, each of the Directors appointed to fill a casual vacancy will be subject to election by the Shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

Directors' Securities Transactions

The Company has adopted the 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 for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all the Directors who have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2012.

Directors' Interests

The Directors and the chief executive of the Company who held office on 31 January 2012 and their respective associates (as defined in the Listing Rules) had the following interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provision of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (the "**Register**"); or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Securities Code adopted by the Company:

(1) The Company

Long positions in the ordinary shares of HK$0.25 each (the "Shares")

Name of Directors	Capacity	Personal Interests	Corporate Interests	Total Interests	Approximate Percentage of Total Interests to Total Issued Shares
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	3,272,000	314,800,000 *(Note)*	318,072,000	50.99%
Lam Wai Shan, Vanessa	Beneficial owner	1,885,000	Nil	1,885,000	0.30%

*Note: Rich Promise Limited ("**RPL**") beneficially owned 314,800,000 Shares, representing approximately 50.46% of the issued share capital of the Company. Dr. Lam Kin Ming was deemed to be interested in the same 314,800,000 Shares by virtue of his 100% shareholding interest in RPL.*

(2) Associated Corporation

Rich Promise Limited — the parent and ultimate holding company of the Company

Long positions in the ordinary shares of US$1.00 each

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

Directors' Interests *(Continued)*

Save as disclosed above, as at 31 January 2012, none of the Directors or the 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/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2012, so far as it is known by or otherwise notified to any Director or the chief executive of the Company, the particulars of the corporations or persons (one being a Director and the chief executive of the Company) who had 5% or more interests 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 or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (the "**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Approximate Percentage of Total Interests to Total Issued Shares
Rich Promise Limited ("**RPL**")	Beneficial owner	Corporate	314,800,000 *(Note 1)*	50.46%
Lam Kin Ming	Beneficial owner/ Owner of controlled corporation	Personal/ Corporate	318,072,000 *(Notes 1 and 2)*	50.99%

Notes:

1. *Dr. Lam Kin Ming was deemed to be interested in the 314,800,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL.*

2. *Dr. Lam Kin Ming was personally interested in 3,272,000 Shares.*

Save as disclosed above, the Directors are not aware of any other corporation or person who, as at 31 January 2012, had the Voting Entitlements or 5% or more interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Shares

During the six months ended 31 January 2012, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

Review of Interim Report

The audit committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William, Yeung Sui Sang and Chow Bing Chiu. Such committee has reviewed the interim report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2012.

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

Hong Kong, 27 March 2012

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