

CROCODILE

2015-2016

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



CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

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 Edward Yee Hwa

Non-executive Director

Lam Suk Ying, Diana

Independent Non-executive Directors

Chow Bing Chiu

Leung Shu Yin, William

Yeung Sui Sang

Audit Committee

Leung Shu Yin, William *(Chairman)*

Chow Bing Chiu

Yeung Sui Sang

Remuneration Committee

Leung Shu Yin, William *(Chairman)*

Chow Bing Chiu

Yeung Sui Sang

Wan Edward Yee Hwa

Company Secretary

Ko Ming Kin

Authorised Representatives

Lam Kin Ming

Lam Wai Shan, Vanessa

Shares Listing

Place

The Main Board of The Stock Exchange of
Hong Kong Limited

Stock Code

122

Board Lot

1,000 shares

Share Registrar and Transfer Office

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Solicitors

Deacons

Reed Smith Richards Butler

Vincent T.K. Cheung, Yap & Co.

Principal Bankers

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank

of China (Asia) Limited

Registered Office

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Principal Place of Business

12th Floor, Wing Tai Centre

12 Hing Yip Street

Kwun Tong

Kowloon, Hong Kong

Website

www.crocodile.com.hk

RESULTS

The board (“**Board**”) of directors (“**Directors**”) of Crocodile Garments Limited (“**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively “**Group**”) for the six months ended 31 January 2016 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 January 2016

	Notes	Six months ended 31 January	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	168,221	218,289
Cost of sales		(71,815)	(85,166)
Gross profit		96,406	133,123
Fair value gains on investment properties	11	41,631	65,645
Other income	4	20,811	26,728
Selling and distribution expenses		(106,988)	(138,326)
Administrative expenses		(30,316)	(28,291)
Other operating expenses, net		(1,004)	(3,770)
Finance costs	5	(5,947)	(5,516)
Share of profit from an associate		2,664	2,148
Profit before tax	6	17,257	51,741
Income tax expense	7	(1,718)	(1,515)
Profit for the period attributable to owners of the Company		15,539	50,226
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(10,179)	(3,221)
Total comprehensive income for the period attributable to owners of the Company		5,360	47,005
		HK Cents	HK Cents
Earnings per share	9		
— Basic		1.64	5.37
— Diluted		1.64	5.36

Condensed Consolidated Statement of Financial Position

As at 31 January 2016

	Notes	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	144,573	154,667
Investment properties	11	1,635,197	1,595,050
Land lease prepayments		13,597	14,578
Interest in an associate		42,018	39,065
Rental and utility deposits		12,889	11,131
Deposits for land lease prepayments		16,310	17,278
Available-for-sale financial asset		27,614	26,366
		1,892,198	1,858,135
Current assets			
Inventories		101,816	102,407
Trade and other receivables, deposits and prepayments	12	78,903	85,552
Amounts due from related companies	19(b)	219	—
Financial assets at fair value through profit and loss		132,183	141,540
Pledged bank deposits		1,133	1,819
Bank balances and cash		110,657	72,143
		424,911	403,461
Current liabilities			
Bank borrowings	13	533,340	495,241
Margin loans payable		20,998	21,824
Trade and other payables and deposits received	14(a)	82,617	69,355
Perpetual loan	14(b)	15,000	15,000
Amounts due to related companies	19(b)	41,210	42,991
Tax payable		20,611	21,834
		713,776	666,245
Net current liabilities		(288,865)	(262,784)
Total assets less current liabilities		1,603,333	1,595,351
Non-current liabilities			
Bank borrowings	13	24,754	26,047
Provision for long service payments		3,441	2,774
Deferred tax liabilities		7,461	5,744
		35,656	34,565
Net assets		1,567,677	1,560,786
Capital and reserves			
Share capital	15	332,323	330,214
Reserves		1,235,354	1,230,572
Total equity		1,567,677	1,560,786

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2016

	Attributable to owners of the Company					
	Share capital	Translation reserve	Asset revaluation reserve	Retained profits	Share option reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2015 (Audited) and 1 August 2015	330,214	34,513	109,689	1,085,792	578	1,560,786
Profit for the period	—	—	—	15,539	—	15,539
Other comprehensive income: Exchange differences arising on translation of foreign operations	—	(10,179)	—	—	—	(10,179)
Total comprehensive income for the period	—	(10,179)	—	15,539	—	5,360
Issue of ordinary shares pursuant to exercise of options under share option scheme	2,109	—	—	—	(578)	1,531
At 31 January 2016 (Unaudited)	332,323	24,334	109,689	1,101,331	—	1,567,677
At 31 July 2014 (Audited) and 1 August 2014	324,685	36,209	109,689	1,034,647	854	1,506,084
Profit for the period	—	—	—	50,226	—	50,226
Other comprehensive income: Exchange differences arising on translation of foreign operations	—	(3,221)	—	—	—	(3,221)
Total comprehensive income for the period	—	(3,221)	—	50,226	—	47,005
At 31 January 2015 (Unaudited)	324,685	32,988	109,689	1,084,873	854	1,553,089

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2016

	Six months ended	
	31 January	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from operating activities	9,532	16,625
Net cash used in investing activities	(3,045)	(49,363)
Net cash generated from financing activities	37,509	57,995
Net increase in cash and cash equivalents	43,996	25,257
Cash and cash equivalents at the beginning of the period	72,143	57,233
Effect of foreign exchange rate changes	(5,482)	(2,003)
Cash and cash equivalents at the end of the period	110,657	80,487
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	110,054	73,860
Non-pledged time deposits with original maturity of less than 3 months when acquired	603	6,627
	110,657	80,487

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 January 2016

(1) *Basis of Preparation*

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”) and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

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

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

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$288,865,000 as at 31 January 2016.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

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The financial information relating to the year ended 31 July 2015 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(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 2015.

New or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁴ No mandatory effective date yet determined.

Other than HKFRS 15, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

(3) *Segment Information*

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely i) garment and related accessories business, ii) property investment and letting business, and iii) trading of securities, of which the former two are also reportable segments. The operating segments are managed separately as each business offers different products and services and requires different business strategies.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(3) Segment Information (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue from external customers	142,097	193,104	26,124	25,185	—	—	168,221	218,289
Other income from external customers	22,881	26,797	780	589	(3,069)	(831)	20,592	26,555
Group's total revenue and other income	164,978	219,901	26,904	25,774	(3,069)	(831)	188,813	244,844
Reportable segment (loss)/profit	(23,239)	(14,787)	68,660	90,210	(3,069)	(831)	42,352	74,592
Unallocated corporate income							219	173
Unallocated corporate expenses							(19,367)	(17,508)
Finance costs							(5,947)	(5,516)
Profit before tax							17,257	51,741

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

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(4) **Other Income**

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Royalty income	22,673	26,635
Bank interest income	219	173
Interest income on amount due from an associate	289	275
Net loss on financial assets at fair value through profit and loss	(3,069)	(831)
Others	699	476
	20,811	26,728

(5) **Finance Costs**

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on:		
Bank borrowings		
— wholly repayable within five years	4,658	4,107
— not wholly repayable within five years	309	342
Amount due to a related company	980	1,067
	5,947	5,516

(6) **Profit Before Tax**

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

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	7,728	8,271
Amortisation of land lease prepayments (included in administrative expenses)	169	176
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK\$4,711,000 (2015: HK\$1,210,000))	71,527	84,897

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(7) **Income Tax Expense**

	Six months ended 31 January	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	1,718	1,515
Income tax expense	1,718	1,515

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2016 (2015: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the period.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. No PRC enterprise income tax has been provided for the six months ended 31 January 2016 and 31 January 2015 as the Group did not have assessment profit in the PRC.

(8) **Dividend**

No dividend was paid, declared or proposed during the six months ended 31 January 2016. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2015: Nil).

(9) **Earnings Per Share**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 31 January	
	2016 (Unaudited)	2015 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share (HK\$'000)	15,539	50,226
Number of shares		
Weighted average number of ordinary shares (2015: Number of ordinary shares) for the purpose of basic earnings per share	947,142,608	935,743,695
Effect of dilutive potential ordinary shares:		
Share options	73,276	945,538
Weighted average number of ordinary shares for the purpose of diluted earnings per share	947,215,884	936,689,233

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(10) Property, Plant and Equipment

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
At the beginning of the period/year	154,667	162,442
Additions	2,702	9,780
Depreciation provided for the period/year	(7,728)	(16,300)
Disposals/write-off	—	(470)
Exchange realignment	(5,068)	(785)
At the end of the period/year	144,573	154,667

(11) Investment Properties

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
At the beginning of the period/year	1,595,050	1,452,922
Additions	—	44,844
Increase in fair value recognised in profit or loss	41,631	97,493
Exchange realignment	(1,484)	(209)
At the end of the period/year	1,635,197	1,595,050

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.

The fair values of the Group's investment properties as at 31 January 2016 and 31 July 2015 have been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected to the Group.

As at 31 January 2016, certain investment properties of approximately HK\$1,572,500,000 (31 July 2015: HK\$1,488,300,000) of the Group were pledged to banks to secure the bank loans granted to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(12) Trade and Other Receivables, Deposits and Prepayments

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Trade receivables	18,740	17,652
Less: Allowance for doubtful debts	(8,674)	(8,562)
	10,066	9,090
Other receivables	67,095	64,908
Less: Allowance for doubtful debts	(19,460)	(20,613)
	47,635	44,295
Deposits and prepayments	34,091	43,298
	91,792	96,683
Less: Rental and utility deposits shown under non-current assets	(12,889)	(11,131)
	78,903	85,552

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- (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 does not hold any collateral over these balances.

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

- (ii) The following is an aging analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting periods:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	7,499	8,540
91 to 180 days	1,541	332
181 to 365 days	1,026	218
	10,066	9,090

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(13) Bank Borrowings

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Bank loans, secured	540,329	506,594
Trust receipt loans, secured	17,765	14,694
	558,094	521,288
Carrying amount repayable:		
Within one year	533,340	495,241
Beyond one year, but not exceeding two years	2,630	2,603
Beyond two years, but not exceeding five years	8,227	8,141
Beyond five years	13,897	15,303
	558,094	521,288
Less: Amounts shown under current liabilities	(533,340)	(495,241)
Amounts shown under non-current liabilities	24,754	26,047

During the current reporting period and the last reporting year ended 31 July 2015, in respect of a bank loan with carrying amounts of approximately HK\$433,686,000 as at 31 January 2016 and HK\$423,088,000 as at 31 July 2015, respectively ("**Bank Loan**"), the Group complied with the terms of the Bank Loan except possibly for certain terms, which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exceptions above, the Directors had informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker since last year.

Up to the date of approval for issuance of the consolidated financial statements for the current reporting period, the banker confirmed their expectation as in last year that in the absence of any unforeseen circumstances, they expected the corresponding banking facilities shall continue to be made available to the Group up to 31 March 2017. However, since the Bank Loan technically falls due within one year in accordance with the terms of the Bank Loan, the Bank Loan has been classified as current liability as at 31 January 2016.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(14) Trade and Other Payables and Deposits Received and Perpetual Loan

(a) Trade and other payables and deposits received

The following is an aging analysis of trade payables as at the end of the reporting period, based on the date of receipt of goods, and the details of balances of advance from customers, deposits received, other payables and accruals:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Trade payables:		
0 to 90 days	20,932	10,966
91 to 180 days	3,408	1,163
181 to 365 days	1,744	1,998
Over 365 days	1,818	928
	27,902	15,055
Advance from customers	6,520	7,171
Deposits received	17,107	12,681
Other payables and accruals	31,088	34,448
	82,617	69,355

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The credit period for purchase of goods is between 30 and 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Perpetual loan

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party ("**Investor**"). Pursuant to the agreement, the Investor agreed to lend HK\$15,000,000 to the Group and the loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposed of one of its investment properties, which is located at the Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong. Upon disposal of the said investment property, 50% on disposal gain or loss will be shared with the Investor and will be added to or subtracted from the principal amount of the loan to be repaid. The loan is designated and measured as financial liability at fair value through profit or loss with any gains or losses arising on remeasurement recognised in profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(15) Share Capital

	<u>Number of shares</u>	<u>HK\$'000</u>
Issued and fully paid:		
At 1 August 2014	935,743,695	324,685
Issue of ordinary shares pursuant to exercise of options under share option scheme	10,000,000	5,529
At 31 July 2015	945,743,695	330,214
Issue of ordinary shares pursuant to exercise of options under share option scheme	1,800,000	2,109
At 31 January 2016	947,543,695	332,323

Note: In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Companies Ordinance, on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

(16) Fair Value Measurements of Financial Instruments

Financial assets and financial liabilities carried at fair values

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting period. The fair value of unlisted equity securities were based on the value quoted based on underlying investment value by the brokers at the end of the reporting period. The fair value of the unlisted debt securities was determined by brokers, using discounted cash flow of estimated future cash flows arising from fixed incomes of debts and using quoted bid prices in an active market at the end of the reporting period. The fair value of the Group's financial liability at fair value through profit and loss, being the perpetual loan, is disclosed in Note 14(b).

There were no transfers between the three levels during both period/year.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(16) Fair Value Measurements of Financial Instruments (Continued)

Financial assets and financial liabilities carried at fair values (Continued)

Fair value hierarchy as at 31 January 2016 and 31 July 2015

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 January 2016 (Unaudited)				
Listed investments				
— Equity securities listed in Hong Kong	10,389	—	—	10,389
— Equity securities listed outside Hong Kong	6,628	—	—	6,628
— Debt securities listed in Hong Kong	29,784	—	—	29,784
— Debt securities listed outside Hong Kong	2,361	—	—	2,361
— Perpetual securities listed in Hong Kong	11,868	—	—	11,868
— Perpetual securities listed outside Hong Kong	7,150	—	—	7,150
Unlisted investments				
— Equity securities	—	7,355	—	7,355
— Debt securities	—	55,032	—	55,032
— Perpetual securities	—	1,616	—	1,616
Financial liabilities at fair value through profit and loss				
— Perpetual loan	—	—	(15,000)	(15,000)
	68,180	64,003	(15,000)	117,183
As at 31 July 2015 (Audited)				
Listed investments				
— Equity securities listed in Hong Kong	11,278	—	—	11,278
— Equity securities listed outside Hong Kong	9,604	—	—	9,604
— Debt securities listed in Hong Kong	29,368	—	—	29,368
— Debt securities listed outside Hong Kong	6,631	—	—	6,631
— Perpetual securities listed in Hong Kong	9,420	—	—	9,420
— Perpetual securities listed outside Hong Kong	10,772	—	—	10,772
Unlisted investments				
— Equity securities	—	27,714	—	27,714
— Debt securities	—	35,129	—	35,129
— Perpetual securities	—	1,624	—	1,624
Financial liabilities at fair value through profit and loss				
— Perpetual loan	—	—	(15,000)	(15,000)
	77,073	64,467	(15,000)	126,540

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(17) Operating Lease Arrangements

(a) As lessor

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

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Within one year	30,721	47,427
In the second to fifth years, inclusive	12,326	14,951
	43,047	62,378

(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 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Within one year	67,984	62,651
In the second to fifth years, inclusive	51,406	50,571
	119,390	113,222

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 at this stage, the relevant contingent rent has not been estimated and included in the analysis above in which only the minimum lease commitments are included.

(18) Commitments

In addition to the operating lease commitments disclosed in Note 17 above, the Group had the following capital commitments at the end of the reporting period:

	31 January 2016 (Unaudited) HK\$'000	31 July 2015 (Audited) HK\$'000
Contracted but not provided for:		
— Land lease prepayments in the PRC	4,078	4,320
— Acquisition and construction of property, plant and equipment in the PRC	2,124	2,250
	6,202	6,570

In addition, the Group is committed to further contribute HK\$3,586,000 (31 July 2015: HK\$4,834,000) to the available-for-sale financial asset as at 31 January 2016.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(19) Related Party Transactions

(a) Transactions with related parties

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

	Notes	Six months ended 31 January	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Rental expense and building management fee:			
— Lai Sun Textiles Company Limited	(i)	1,502	1,502
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(ii)	517	447
— Honor Lamp Investments Limited	(iii)	338	338
— Guangzhou Besto Real Estate Development Company Limited	(iv)	522	407
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(v)	980	1,067
Company secretarial fee:			
— Lai Sun Development Company Limited	(vi)	528	399
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(vii)	408	446
Rental expense and building management fee:			
— Big Honor Asia Limited	(viii)	1,057	1,047
Interest income:			
— Mass Energy Limited	(ix)	289	275

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2016

(19) 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 also its beneficial shareholders and directors. The rental expense and building management fee were charged by this related company pursuant to the terms of the respective lease agreements.*
- (ii) *Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The rental expenses and building management fees were charged by this related company pursuant to the terms of the respective lease agreements.*
- (iii) *Honor Lamp Investments Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The rental expenses were charged by this related company pursuant to the terms of the respective lease agreements.*
- (iv) *Pursuant to the respective lease agreements, the rental expenses paid or payable by the Group to Guangzhou Besto Real Estate Development Company Limited (“**Guangzhou Besto**”) were continuing connected transactions which were exempted from reporting and disclosure requirements under Rule 14A.76(1) of the Listing Rules.*
- (v) *Guangzhou Besto is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The interest expense was charged by this related company pursuant to the terms of the respective loan agreements.*
- (vi) *Lai Sun Development Company Limited is a company of which certain executive directors of the Company are also its directors. The company secretarial fee was charged by Lai Sun Development Company Limited.*
- (vii) *The royalty income was received from a related company of which an executive director of the Company is also its director.*
- (viii) *Pursuant to the respective lease agreements, the rental income and management fee received or receivable by the Group from Big Honor Asia Limited were continuing connected transactions which were fully exempted from reporting and disclosure requirements under Rule 14A.76(1) of the Listing Rules.*
- (ix) *The interest income was received from an associate which was charged based on an interest rate of 5% per annum.*

The Directors consider that the above transactions are conducted in the ordinary and usual course of the Group's businesses.

(b) Outstanding balances with related parties

Except for the amount due to Guangzhou Besto of approximately HK\$41,203,000 (31 July 2015: HK\$42,636,000) as at 31 January 2016 which are unsecured, interest bearing at 5.35% per annum and repayable on demand, the remaining balances of the Group were derived from normal business activities and are unsecured, interest-free and repayable on demand. The Company's amount due to a related company is unsecured, interest-free and repayable on demand.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, the revenue of the Group was HK\$168,221,000 (2015: HK\$218,289,000), representing a decline of 23%. Gross profit of the Group decreased by 28% to HK\$96,406,000 (2015: HK\$133,123,000).

The business conditions of the “Garment and Related Accessories Business” segment of the Group were glacial for the six months ended 31 January 2016. The lacklustre economic environments in Hong Kong and the Mainland of China (“**Mainland**”), coupled with the abnormal warm weather during the Christmas and New Year period, clobbered the spending of customers, especially on the high ended merchandise. The revenue shed by 26% to HK\$142,097,000 and the segment loss was HK\$23,239,000.

The “Property Investment and Letting Business” segment generated a rental income of HK\$26,124,000 for the six months ended 31 January 2016 (2015: HK\$25,185,000). In the flagging property market, the fair value gains on investment properties as at 31 January 2016 dropped by 37% to HK\$41,631,000 (2015: HK\$65,645,000).

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Combining the results of the two business segments above with the share of profit of an associate of HK\$2,664,000 (2015: HK\$2,148,000) and the exchange loss arising on translation of foreign operations of HK\$10,179,000 (2015: HK\$3,221,000), the total comprehensive income attributable to the owners of the Company was HK\$5,360,000 for the six months ended 31 January 2016 (2015: HK\$47,005,000).

Operations in Hong Kong and Macau

The woes of the “Garment and Related Accessories Business” segment were lingering in the six months ended 31 January 2016. The loss of Hong Kong and overseas consumers to the nearby regions e.g. Japan, South Korea and Taiwan caused by the relatively “expensive” Hong Kong currency was detrimental to the general retail market in Hong Kong and Macau. The garment sector was further worsened by the wired warm weather during the Christmas and New Year period, despite the cold snap near the end of January 2016 provided a brief respite. To temper the above negative factors, the Group had negotiated with the landlords of its shops for rental concession but the result was not fruitful. The Group would continue to improve its merchandise mix and restructure the shop portfolio for enhancing the sales network productivity. The Group operated 22 shops for Crocodile line (2015: 19) and 7 shops for Lacoste line (2015: 6) as at 31 January 2016.

For the period under review, the “Property Investment and Letting Business” segment generated rental revenue of HK\$26,124,000 (2015: HK\$25,185,000) and the fair value gains on investment properties were HK\$41,631,000 as at 31 January 2016 (2015: HK\$65,645,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operations in the Mainland

The “Garment and Related Accessories Business” segment was floundering around in the difficult ambience of the Mainland. The economy of the Mainland was deteriorating at an unexpected pace. The relentless fall in the stock market and the worry of capital outflow withered the market sentiment. The fast-growing popularity of online sales platforms had buffeted the Group’s brick-and-mortar operating model. To relieve the pressure on the performance, the Group would orchestrate its overall sales channel and implement stringent control on operating and administrative expenditures. As at 31 January 2016, there were a total of 63 shops in the Mainland (2015: 102), including self-operated shops of 20 (2015: 30) and those operated by the Group’s franchisees of 43 (2015: 72).

Benefitted from the prestige image “Crocodile” in the apparel industry, the royalty fees from licensees remained to be the major source of other income. For the six months ended 31 January 2016, the royalty income was HK\$22,673,000 (2015: HK\$26,635,000).

Prospects

The global economy is facing an unprecedented volatility with focus on 3Cs, namely “Commodities, Currency and China (the Mainland)”.

The plunges in prices of commodities stoke up the fear of recession in many parts of the world. Sharing the concerns, the central banks of Japan and Eurozone have rolled out additional easing policies after market rout. In contrast, the Federal Reserve of the United States has so far just adjusted the pace that it will gradually raise interest rates twice instead of four times this year even though the Federal Fund rate futures have priced in barely one hike this year.

The above divergence in monetary policies among the large advanced economies threw the worldwide money flow into turmoil and resulted in awful fluctuations in currencies.

The recent poor trade data of the Mainland suggests weakening of the underlying momentum in trade growth, which reflects prolonged sluggishness in both export and fixed asset investment in the world’s second largest economy.

Being an externally oriented economy and closely-linked with the Mainland, Hong Kong is vulnerable to the performances of overseas merchandise trade and the Mainland; besides further aggravated by the self-inflicted internal social chaos. Under the above foreboding business conditions, the operations of the Group’s “Garment and Related Accessories Business” and “Property Investment and Letting Business” segments in Hong Kong and the Mainland are confronting hefty headwind.

Facing the forthcoming challenges, the Group will continue to enhance the value of “Crocodile” brand and restructure the sales network and supply chain. The Group remains vigilant at all times of financial management and considers various means of fortifying its capital base.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

On the other hand, attention is drawn to the Company's announcement dated 29 January 2016 made pursuant to Rule 3.7 of The Code on Takeovers and Mergers ("**Takeovers Code**"), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance ("**January Announcement**"); and the Company's announcements made pursuant to Rule 3.7 of the Takeovers Code dated 29 February 2016 and 29 March 2016. As disclosed therein, among others, further announcement(s) will be made by the Company regarding the Possible Transaction (as defined in the January Announcement) on a monthly basis and, as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

Contingent Liabilities

As at 31 January 2016, the Group had no material contingent liabilities.

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

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

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The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial asset at fair value through profit or loss, available-for-sale financial asset, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the six months ended 31 January 2016.

The Group mainly earns revenue and incurs costs in Hong Kong dollars, Renminbi and United States dollars. The Group considers that 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\$110,657,000 as at 31 January 2016 (31 July 2015: HK\$72,143,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK\$1,133,000 (2015: HK\$1,819,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current asset. The cash and cash equivalent denominated in Renminbi as at 31 January 2016 were equivalent to HK\$39,094,000 (31 July 2015: HK\$39,857,000) 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 authorised to conduct foreign exchange business.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

As at 31 January 2016, the total outstanding borrowings including margin loans of the Group amounted to HK\$579,092,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK\$17,765,000, secured bank mortgage loan of HK\$27,329,000, secured margin loans of HK\$20,998,000, secured long-term bank loan of HK\$267,000,000 and secured short-term bank revolving loans of HK\$246,000,000. Short-term bank loans were repayable within a period not exceeding one year. The above secured bank mortgage loan was repayable by instalments with its current portion of HK\$2,575,000 repayable within one year and long-term portion of HK\$24,754,000 repayable in the second to twelfth 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 2016.

As at 31 January 2016, the Group had mortgaged certain of its investment properties with carrying values of HK\$1,572,500,000 and created floating charges on its certain asset to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio as at 31 January 2016 was 36.9%, expressed as a percentage of total bank borrowings and margin loans payable to total net asset. In view of the possible increase in interest rates in Hong Kong, the Group will actively consider any fund-raising means in order to keep its gearing at a reasonable level for controlling its interest expenses while further developing its business.

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As at 31 January 2016, the Group had the capital commitments, contracted but not provided for, in respect of the land lease prepayments in the Mainland of HK\$4,078,000; acquisition and construction of property, plant and equipment in the Mainland of HK\$2,124,000 and acquisition of available-for-sale financial asset of HK\$3,586,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals during the six months ended 31 January 2016.

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 410 as at 31 January 2016 (2015: 461). 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 share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2016 save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

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

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company’s operations and 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.

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

None of the existing non-executive Directors (“**NEDs**”, including the independent non-executive Directors, “**INEDs**”) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company, 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 of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. 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.

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**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 in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2016.

Share Option Schemes

On 15 December 2015, the Shareholders approved the adoption of a new share option scheme ("**2015 Scheme**") and the termination of the share option scheme which was adopted by the Company on 22 December 2006 ("**2006 Scheme**") to the effect that no more share options will be granted under the 2006 Scheme. As at 31 January 2016 and the date of this Report, no share option is valid and outstanding under the 2006 Scheme.

The 2015 Scheme which became effective on 18 December 2015 remains in force for a period of 10 years commencing on its adoption date. The maximum number of the Company's shares ("**Shares**") issuable pursuant to the 2015 Scheme is 94,754,369 Shares, being 10% of the total issued Shares on the date of approval of the 2015 Scheme. The details of the 2015 Scheme are set out in the circular of the Company dated 13 November 2015.

No share options have been granted under the 2015 Scheme since its adoption on 15 December 2015 and there are no outstanding share options as at 31 January 2016 and the date of this Report.

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Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2016 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**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 provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO ("**Register of Directors and Chief Executive**"); or (c) as notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as otherwise known by the Directors:

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests (Continued)

(1) Interests in the Company

Long positions in the Shares and underlying Shares						
Name of Directors	Capacity	Number of Shares		Share options	Total interests	Approximate percentage of total interests to total issued Shares <i>(Note 1)</i>
		Personal interests	Corporate interests	Personal interests		
Lam Kin Ming ("Dr. KM Lam")	Beneficial owner and owner of controlled corporation	5,209,000 <i>(Note 2)</i>	472,200,000 <i>(Note 3)</i>	Nil	477,409,000	50.38%
Lam Wai Shan, Vanessa	Beneficial owner	6,227,500 <i>(Note 4)</i>	Nil	Nil	6,227,500	0.66%
Wan Edward Yee Hwa	Beneficial owner	2,500,000	Nil	Nil	2,500,000	0.26%

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Notes:

- The total number of issued Shares as at 31 January 2016 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
- Dr. KM Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) bought 50,000 Shares on 25 August 2015 and 200,000 Shares on 11 January 2016, and exercised in full the share option granted to him on 20 July 2015 to subscribe for 900,000 Shares at HK\$0.85 per Share on 11 September 2015.
- Rich Promise Limited ("RPL") beneficially owned 472,200,000 Shares, representing approximately 49.83% of the total issued Shares. Dr. KM Lam was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.

Pursuant to an announcement made by the Company on 29 January 2016, RPL and Dr. KM Lam entered into a heads of agreement on 25 January 2016 (as amended by a supplemental agreement dated 28 January 2016) with an independent third party regarding the possible disposal of the 477,409,000 Shares held by RPL and Dr. KM Lam ("**Possible Transaction**"). As at the date of this Report, no formal or legally binding agreement has been entered into in respect of the Possible Transaction, and the discussion is still in progress and the Possible Transaction may or may not proceed.
- Ms. Lam Wai Shan, Vanessa (an Executive Director and the Deputy Chief Executive Officer of the Company) exercised in full the share option granted to her on 20 July 2015 to subscribe for 900,000 Shares at HK\$0.85 per Share on 11 September 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests (Continued)

(2) Interests in Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL

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%

Save as disclosed above, as at 31 January 2016, none of the Directors and the chief executive of the Company and their respective close associates 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 under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

Substantial Shareholders' Interests

As at 31 January 2016, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporation or an individual (being an Executive Director and the Chief Executive Officer of the Company), who had 5% or more interests in the following long positions in the Shares as recorded in the register required to be kept under Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares

Name	Capacity	Nature of interests	Number of Shares held	Approximate percentage of total interests to total issued Shares <i>(Note 1)</i>
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 <i>(Note 2)</i>	49.83%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	477,409,000 <i>(Notes 2 and 3)</i>	50.38%

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Substantial Shareholders' Interests *(Continued)*

Notes:

1. The total number of issued Shares as at 31 January 2016 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
2. Dr. KM Lam was deemed to be interested in the 472,200,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL. Please also refer to "Directors' Interests" section above for further details.
3. Dr. KM Lam was personally interested in 5,209,000 Shares.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 January 2016, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 January 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's 2014-2015 Annual Report are set out as follows:

- (a) Dr. Lam Kin Ngok, Peter has been re-appointed as the Chairman of Hong Kong Tourism Board for a term of three years from 1 April 2016 to 31 March 2019.
- (b) Ms. Lam Wai Shan, Vanessa will cease to be the Chairman of the Board of Yan Chai Hospital on 31 March 2016 and will be appointed a member of its Advisory Board with effect from 1 April 2016.

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Review of Interim Report

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang. The Audit Committee has reviewed with the management the unaudited interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2016, the accounting principles and practices adopted by the Company, and the internal control and financial reporting matters.

Appreciation

On behalf of the Board, I would like to thank all members of the staff and management for their dedication and continuous support and look forward to sharing the prosperous future of Crocodile with them and all the Shareholders and customers.

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

Hong Kong, 29 March 2016

CROCODILE

