

CROCODILE

2018-2019

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Solicitors

Deacons

Reed Smith Richards Butler

Vincent T.K. Cheung, Yap & Co.

Principal Bankers

Bank of China (Hong Kong) Limited

China Construction Bank (Asia)

Corporation Limited

Chong Hing Bank Limited

DBS Bank (Hong Kong) Limited

Hang Seng Bank 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 of directors (“**Board**” and “**Directors**”, respectively) of Crocodile Garments Limited (“**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2019 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 2019

	Notes	Six months ended 31 January	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	123,886	131,258
Cost of sales		(40,879)	(45,714)
Gross profit		83,007	85,544
Fair value gains on investment properties	12	51,262	69,877
Other income	4	2,582	10,958
Selling and distribution expenses		(65,393)	(76,267)
Administrative expenses		(29,214)	(30,663)
Other gains and (losses)	5	4,321	8,933
Finance costs	6	(8,471)	(6,746)
Share of profit from an associate		3,202	4,178
Profit before tax	7	41,296	65,814
Income tax credit	8	314	452
Profit for the period attributable to owners of the Company		41,610	66,266
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		2,234	9,191
Total comprehensive income for the period attributable to owners of the Company		43,844	75,457
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	10		
— Basic		4.39	6.99
— Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 31 January 2019

	Notes	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	121,223	123,033
Investment properties	12	1,940,157	1,888,489
Land lease prepayments		12,174	12,127
Available-for-sale investment		31,111	33,000
Amount due from an associate		13,611	13,271
Interest in an associate		53,824	50,622
Rental and utility deposits		12,941	11,679
		2,185,041	2,132,221
Current assets			
Inventories		51,116	39,660
Trade and other receivables, deposits and prepayments	13	27,769	35,215
Financial assets at fair value through profit or loss		353,872	450,777
Amounts due from related companies	20(b)	—	88
Pledged bank deposits		15,533	7,169
Bank balances and cash		98,287	104,031
		546,577	636,940
Current liabilities			
Bank borrowings	14	463,838	551,471
Margin loans payable		67,812	50,526
Trade and other payables and deposits received	15(a)	81,753	74,855
Other current liability	15(b)	15,000	15,000
Amounts due to related companies	20(b)	244	2,266
Tax payable		20,436	20,087
		649,083	714,205
Net current liabilities		(102,506)	(77,265)
Total assets less current liabilities		2,082,535	2,054,956
Non-current liabilities			
Bank borrowings	14	243,343	250,048
Provision for long service payments		2,565	2,336
Deferred tax liabilities		2,667	2,981
		248,575	255,365
Net assets		1,833,960	1,799,591
Capital and reserves			
Share capital	16	332,323	332,323
Reserves		1,501,637	1,467,268
Total equity		1,833,960	1,799,591

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2019

	Attributable to owners of the Company					
	Share capital	Translation reserve	Asset revaluation reserve	Retained profits	Share option reserve	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2018 (Audited) and 1 August 2018	332,323	18,335	109,689	1,336,858	2,386	1,799,591
Profit for the period	—	—	—	41,610	—	41,610
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	2,234	—	—	—	2,234
Total comprehensive income for the period	—	2,234	—	41,610	—	43,844
Dividend paid to owners of the Company	—	—	—	(9,475)	—	(9,475)
At 31 January 2019 (Unaudited)	332,323	20,569	109,689	1,368,993	2,386	1,833,960
At 31 July 2017 (Audited) and 1 August 2017	332,323	21,137	109,689	1,174,365	1,401	1,638,915
Profit for the period	—	—	—	66,266	—	66,266
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	9,191	—	—	—	9,191
Total comprehensive income for the period	—	9,191	—	66,266	—	75,457
At 31 January 2018 (Unaudited)	332,323	30,328	109,689	1,240,631	1,401	1,714,372

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2019

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Operating activities		
Net cash from (used in) operating activities	92,780	(84,085)
Investing activities		
Interest received	566	166
Purchase of property, plant and equipment	(3,000)	(4,040)
(Placement) withdrawal of pledged bank deposits	(8,364)	745
Proceeds from disposal of investment property	—	43,855
Net cash (used in) from investing activities	(10,798)	40,726
Financing activities		
New bank loans raised	36,500	45,440
(Repayments to) advance from a related company	(1,993)	5,884
Repayments of bank loans	(131,101)	(43,857)
Increase (decrease) in trust receipt loans	263	(1,411)
Dividend paid	(9,475)	—
Advance from margin loans	17,286	3,430
Net cash (used in) from financing activities	(88,520)	9,486
Net decrease in cash and cash equivalents	(6,538)	(33,873)
Cash and cash equivalents at the beginning of the period	104,031	125,908
Effect of foreign exchange rate changes	794	4,125
Cash and cash equivalents at the end of the period represented by bank balances and cash	98,287	96,160
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	94,173	91,918
Non-pledged time deposits with original maturity of less than 3 months when acquired	4,114	4,242
	98,287	96,160

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 January 2019

(1) Basis of Preparation

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2019 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). 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, financial instruments and available-for-sale investment 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 has 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\$102,506,000 as at 31 January 2019.

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.

6

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 consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 July 2018 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 2018 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; included a reference to material uncertainty related to going concern 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.

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(2) *Principal Accounting Policies*

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2018.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK (International Financial Reporting Interpretations Committee) – Int 22	Foreign Currency Transactions and Advance Consideration

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(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. The operating segments are managed separately as each business line 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 2019

(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		Securities trading		Total	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue from external customers	95,418	102,905	28,468	28,353	—	—	123,886	131,258
Other income from external customers	1,354	10,340	662	452	—	—	2,016	10,792
Group's total revenue and other income	96,772	113,245	29,130	28,805	—	—	125,902	142,050
Reportable segment (loss) profit	(5,789)	(15,007)	77,923	102,270	(4,059)	5,257	68,075	92,520
Unallocated corporate income							566	166
Unallocated corporate expenses							(18,874)	(20,126)
Finance costs							(8,471)	(6,746)
Profit before tax							41,296	65,814

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 resources allocation and assessment of segment performance.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(4) Other Income

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Royalty income	358	9,477
Bank interest income	146	114
Interest income on amount due from an associate	340	319
Interest income in advance to independent third parties	420	52
Others	1,318	996
	2,582	10,958

(5) Other Gains and (Losses)

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net reversal of provision (provision) for doubtful debts on trade and other receivables	9,994	(444)
Write-off of trade and other receivables	(159)	(58)
Gain on disposal of investment property*	—	2,855
Impairment loss on available-for-sale investment	(1,889)	—
Net (loss) gain on financial assets at fair value through profit or loss	(4,059)	5,257
Exchange gain, net	87	681
Others	347	642
	4,321	8,933

* The gain was arisen from the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon, under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance as disclosed in the Company's announcement dated 19 January 2018.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(6) Finance Costs

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	8,471	6,242
Amount due to a related company	—	504
	8,471	6,746

(7) Profit Before Tax

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

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	5,970	6,595
Amortisation of land lease prepayments (included in administrative expenses)	159	164
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories of HK\$235,000 (2018: HK\$1,462,000))	40,542	45,351

10

(8) Income Tax Credit

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	(314)	(452)
Income tax credit	(314)	(452)

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(11) Property, Plant and Equipment

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
At the beginning of the period/year	123,033	128,280
Additions	3,000	9,750
Depreciation provided for the period/year	(5,970)	(13,494)
Impairment loss recognised in profit or loss for the period/year	—	(1,032)
Disposals/write-off	—	(8)
Exchange realignment	1,160	(463)
At the end of the period/year	121,223	123,033

(12) Investment Properties

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
At the beginning of the period/year	1,888,489	1,745,655
Disposal	—	(41,000)
Increase in fair value recognised in profit or loss	51,262	184,054
Exchange realignment	406	(220)
At the end of the period/year	1,940,157	1,888,489

12

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 2019 and 31 July 2018 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 2019, certain investment properties of approximately HK\$1,916,500,000 (31 July 2018: HK\$1,865,500,000) 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 2019

(13) Trade and Other Receivables, Deposits and Prepayments

	Notes	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Trade receivables	(i) & (ii)	16,596	13,415
Less: Allowance for doubtful debts		(9,993)	(9,684)
		6,603	3,731
Other receivables		56,870	74,318
Less: Allowance for doubtful debts		(44,926)	(54,453)
		11,944	19,865
Deposits and prepayments		22,163	23,298
		40,710	46,894
Less: Rental and utility deposits shown under non-current assets		(12,941)	(11,679)
		27,769	35,215

Notes:

- (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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(13) Trade and Other Receivables, Deposits and Prepayments (Continued)

Notes: (Continued)

- (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 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	6,275	3,379
91 to 180 days	128	81
181 to 365 days	200	271
	6,603	3,731

(14) Bank Borrowings

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Bank loans, secured	697,556	792,157
Trust receipt loans, secured	9,625	9,362
	707,181	801,519
Carrying amount repayable:		
Within one year	463,838	551,471
Beyond one year, but not exceeding two years	229,427	234,737
Beyond two years, but not exceeding five years	5,464	5,948
Beyond five years	8,452	9,363
	707,181	801,519
Less: Amounts shown under current liabilities	(463,838)	(551,471)
Amounts shown under non-current liabilities	243,343	250,048

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(15) Trade and Other Payables and Deposits Received and Other Current Liability

(a) Trade and other payables and deposits received

The following is an aging analysis of trade payables as at the end of the reporting periods, 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 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Trade payables:		
0 to 90 days	18,519	8,413
91 to 180 days	415	187
181 to 365 days	389	527
Over 365 days	1,085	2,292
	20,408	11,419
Advance from customers	5,307	5,217
Provision for onerous contracts	8,625	8,625
Deposits received	14,498	14,864
Payable for acquisition of available-for-sale investment	1,342	2,070
Other payables and accruals	31,573	32,660
	81,753	74,855

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) Other current liability

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party (the "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 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. No fair value change is recognised in respect of the liability for the current period since there has been no material change in fair value of the relevant investment property.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(16) Share Capital

	<u>Number of shares</u>	<u>HK\$'000</u>
Issued and fully paid:		
At 1 August 2017, 31 July 2018		
and 31 January 2019	947,543,695	332,323

(17) Equity-settled Share-based Payments

The Company has a share option scheme (“**Share Option Scheme**”) which was adopted on 15 December 2015 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any subsidiary company in the Group at a consideration of HK\$1 to take up options to subscribe for shares of the Company. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Directors shall be entitled, at any time and from time to time within ten years commencing on the Adoption Date (as defined in the Share Option Scheme) and subject to such conditions as the Directors may think fit, to grant options to subscribe at the Subscription Price (as defined in the Share Option Scheme) for such number of shares in the Company as the Directors may determine.

(a) The following share options were outstanding under the Share Option Scheme as at 31 January 2019:

16

Category of participants	Number of underlying shares comprised in share options			Date of grant of options (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price of options per share (HK\$)
	At 1 August 2018	Granted during the period	At 31 January 2019			
Directors	2,900,000	—	2,900,000	16/01/2017	16/01/2017 to 15/01/2020	0.994
	2,900,000	—	2,900,000	27/03/2018	27/03/2018 to 26/03/2021	0.842
	<u>5,800,000</u>	<u>—</u>	<u>5,800,000</u>			

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(17) Equity-settled Share-based Payments (Continued)

(b) Fair value of share options and assumptions

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Granted on 27 March 2018
Grant date share price	HK\$0.820
Exercise price	HK\$0.8420
Expected volatility	61.82%
Expected life	3 years
Expected dividend yield	0%
Risk free rate	1.646%

	Granted on 16 January 2017
Grant date share price	HK\$0.990
Exercise price	HK\$0.994
Expected volatility	74.26%
Expected life	3 years
Expected dividend yield	0%
Risk free rate	1.181%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations. Risk free rate was determined with reference to the yield to maturity of Hong Kong Exchange Fund Bills and Notes with tenor close to the expected life of the options.

The variables and assumptions used in computing the fair value of the share options are based on management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

At the date of approval of these condensed consolidated interim financial statements, the Company had a total of 5,800,000 underlying shares comprised in options outstanding under the Share Option Scheme, which represented approximately 0.61% of the Company's total issued shares as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(18) Fair Value Measurements of Financial Instruments

Financial assets and financial liabilities carried at fair value

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 periods. The fair value of unlisted investments was based on the value quoted by the brokers at the end of the reporting periods. The fair value of the Group's financial liability at fair value through profit or loss, being the other current liability, is disclosed in Note 15(b).

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

Fair value hierarchy as at 31 January 2019 and 31 July 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 January 2019 (Unaudited)				
Listed investments				
— Equity securities listed in Hong Kong	66,301	—	—	66,301
— Equity securities listed outside Hong Kong	19,660	—	—	19,660
— Debt securities listed in Hong Kong	24,249	—	—	24,249
— Debt securities listed outside Hong Kong	12,654	—	—	12,654
— Perpetual securities listed in Hong Kong	12,796	—	—	12,796
— Perpetual securities listed outside Hong Kong	34,068	—	—	34,068
Unlisted investments				
— Equity securities	—	8,388	—	8,388
— Debt securities	—	175,756	—	175,756
Available-for-sale investment				
— Unlisted investment in Hong Kong, at fair value	—	—	31,111	31,111
Financial liabilities at fair value through or loss				
— Other current liability	—	—	(15,000)	(15,000)
	169,728	184,144	16,111	369,983

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(18) Fair Value Measurements of Financial Instruments (Continued)**Financial assets and financial liabilities carried at fair value (Continued)**

Fair value hierarchy as at 31 January 2019 and 31 July 2018 (Continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 July 2018 (Audited)				
Listed investments				
— Equity securities listed in Hong Kong	2,468	—	—	2,468
— Equity securities listed outside Hong Kong	22,144	—	—	22,144
— Debt securities listed in Hong Kong	18,274	—	—	18,274
— Debt securities listed outside Hong Kong	40,249	—	—	40,249
— Perpetual securities listed in Hong Kong	12,789	—	—	12,789
— Perpetual securities listed outside Hong Kong	22,732	—	—	22,732
Unlisted investments				
— Equity securities	—	12,859	—	12,859
— Debt securities	—	319,262	—	319,262
Available-for-sale investment				
— Unlisted investment in Hong Kong, at fair value	—	—	33,000	33,000
Financial liabilities at fair value through profit or loss				
— Other current liability	—	—	(15,000)	(15,000)
	118,656	332,121	18,000	468,777

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 2019

(19) Operating Lease Arrangements

(a) As lessor

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

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Within one year	43,611	46,468
In the second to fifth years, inclusive	31,160	23,843
	74,771	70,311

(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 periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Within one year	50,965	47,525
In the second to fifth years, inclusive	63,955	42,408
	114,920	89,933

Included in the Group's commitments for future minimum lease payments are operating lease arrangements with related parties with an aggregate amount of approximately HK\$7,818,000 (31 July 2018: HK\$9,713,000).

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.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(20) 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	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental expense and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii), (iv) & (vii)	1,820	1,790
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vii)	486	343
— Honor Lamp Investments Limited	(i), (ii), (vi) & (vii)	398	398
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (vii)	201	189
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (vii)	—	504
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii), (iii) & (iv)	487	536
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(iv)	—	471
Rental expense and building management fee:			
— Big Honor Asia Limited	(i) & (ii)	1,064	1,064
Interest income:			
— Mass Energy Limited	(v)	340	319

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(20) Related Party Transactions (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) Dr. Lam Kin Ming has control over this company.
- (ii) Dr. Lam Kin Ming is one of the key management personnel members of this company.
- (iii) Dr. Lam Kin Ngok, Peter, a younger brother of Dr. Lam Kin Ming and one of the key management personnel members of the Company, has control over this company.
- (iv) Dr. Lam Kin Ngok, Peter was one of the key management personnel members of this company which was disposed of on 26 February 2018. After the disposal, it ceased to be a related party.
- (v) Mass Energy Limited is an associate of the Group.
- (vi) Ms. Lam Wai Shan, Vanessa, a daughter of Dr. Lam Kin Ming and one of the key management personnel members of the Company, has control over this company.
- (vii) Ms. Lam Wai Shan, Vanessa is one of the key management personnel members of this company.

22

(b) Outstanding balances with related parties

Amounts due from related parties

			Maximum amount outstanding during the period/year ended	
	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Related companies				
Lai Fung Holdings Limited*	—	11	11	11
Guangzhou Beautifirm Cosmetic Ltd.	—	77	—	77
	—	88		

* Dr. Lam Kin Ming and Mr. Lam Kin Hong, Matthew are the directors of Lai Fung Holdings Limited.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2019

(20) Related Party Transactions (Continued)**(b) Outstanding balances with related parties (Continued)**

Amounts due to related parties

	31 January 2019 (Unaudited) HK\$'000	31 July 2018 (Audited) HK\$'000
Related companies		
Big Honor Asia Limited	—	15
Lai Sun Development Company Limited	244	240
Guangzhou Besto Real Estate Development Company Limited	—	2,011
	244	2,266

(c) Compensation of key management personnel of the Group

	Six months ended 31 January	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Short-term employee benefits	6,944	6,712
Post-employment benefits	36	36
	6,980	6,748

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, the turnover of the Group decreased by 6% to HK\$123,886,000 (2018: HK\$131,258,000) and the gross profit trimmed by 3%, to HK\$83,007,000 (2018: HK\$85,544,000).

The performance of the “Garment and related accessories business” segment of the Group encountered a headwind during the six months ended 31 January 2019 with a fall of revenue by 7% to HK\$95,418,000 (2018: HK\$102,905,000). Mitigated by the refinement of sales network, tightened cost control measures and a net reversal of provision for doubtful debts on trade and other receivables, the loss was reduced to HK\$5,789,000 (2018: HK\$15,007,000) albeit declines in revenue and gross profit.

The “Property investment and letting business” segment continued to generate steady rental income of HK\$28,468,000 for the six months ended 31 January 2019 (2018: HK\$28,353,000). As the market sentiment has been cooling down, the revaluation of the investment properties held by the Group resulted in fair value gains of HK\$51,262,000 as at 31 January 2019 (2018: HK\$69,877,000).

Under the choppy and murky capital markets worldwide, the “Securities trading” segment suffered a major setback in the six months ended 31 January 2019 and recorded a loss of HK\$4,059,000 (2018: profit of HK\$5,257,000), as imputed to the material devaluation of the portfolio of financial assets at fair value through profit or loss held by the Group.

Aggregating the results of the above three business segments with the share of profit of an associate of HK\$3,202,000 (2018: HK\$4,178,000) and the exchange differences arising on translation of foreign operations of gain of HK\$2,234,000 (2018: HK\$9,191,000), the total comprehensive income attributable to the owners of the Company was HK\$43,844,000 for the six months ended 31 January 2019 (2018: HK\$75,457,000 which included a gain of HK\$2,855,000 on disposal of an investment property situated in Hong Kong, the details of which were disclosed in the Company’s announcement dated 19 January 2018).

“Garment and related accessories business” Segment

Hong Kong and Macau

The green shoots of the retail market in the six months ended 31 January 2019 withered gradually. The downturn of global economy weighed on the spending ability and willingness of Hong Kong and overseas customers, especially for those come from the Mainland of China (“Mainland”), the major source of visitors, as they were worse sapped by the inexorable devaluation of Renminbi and securities in the stock markets there. Furthermore, the absurd warm weather during the fall/winter season suppressed the sales of high-end merchandises.

Facing the challenges above, the Group pursues to enhance the functionalities of its merchandise for offering high value-for-money apparel to fit the more cautious spending behaviours of “Crocodile” clientele. To safeguard its gross margin, the Group keeps on restraining the inventory level to avoid any pressure on providing heavy discounts for stock clearance.

In addition, the Group has been strengthening its operational efficiency and cost controls. The Group repositioned the sales points by shutting down under-performing shops and seeking for new locations of reasonable rentals and with satisfactory pedestrian flows. As at 31 January 2019, the Group operated 18 (2018: 18) “Crocodile” shops and 6 (2018: 7) “Lacoste” shops. The Group’s back-office structure and workflow has been simplified to save the administrative expenses.

The Mainland

The Mainland’s economic growth decelerated in 2018 as a years-long campaign to reduce a mountain of debt and crackdown on shadow banking pushed up borrowing costs, dampened investment and hurt domestic demand. The trade war with the United States took a heavy toll on its trade sector and raised the risk of a sharper economic slowdown. Several key economic gauges released in January 2019 were hovering around record lows despite months of policy easing. In the face of such a faltering macro-environment, many consumers had no mood to spend.

The above tough operating atmosphere crimped the Group’s licensing business of the brand “Crocodile”. The royalty income was HK\$358,000 for the six months ended 31 January 2019 (2018: HK\$9,477,000). On the other hand, because of the Group’s determined and concerted effort in chasing the recovery of royalty income from the licensees, it led to a net reversal of provision for doubtful debts on trade and other receivables of HK\$9,994,000 for the six months ended 31 January 2019 as compared to provisions of HK\$26,612,000 and HK\$444,000 for the year ended 31 July 2018 and the six months ended 31 January 2018, respectively.

In respect of its own performance, the Group’s decision of restructuring the sale channels made several years ago was now proven to be effective on relieving the burden thereon. As at 31 January 2019, there were a total of 16 (2018: 14) shops in the Mainland, including self-operated shops of 6 (2018: 5) and those operated by the Group’s consignees and franchisees of 10 (2018: 9). The revenue from this aspect was HK\$5,899,000 for the six months ended 31 January 2019 (2018: HK\$5,700,000).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

“Garment and related accessories business” Segment (Continued)

Seasonality

As its track record shows, the sales and results of the “Garment and related accessories business” segment bear heavy correlation with seasonality. In general, more than 50% of this segment’s annual sales are derived from the first half of the financial year in which fall/winter collections of higher values and margins are rolled out against the backdrop of festive holidays, Christmas, New Year and Lunar New Year.

“Property investment and letting business” Segment

The Group’s investment property portfolio had remained intact since 31 July 2018 after the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance, Chapter 545 of the Laws of Hong Kong, as disclosed in the Company’s announcement dated 19 January 2018.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the six months ended 31 January 2019 of HK\$27,949,000 (2018: HK\$27,714,000) and HK\$519,000 (2018: HK\$639,000), respectively. Having been robust for quite some time, the Hong Kong property market signaled a downturn currently. As at 31 January 2019, the fair value gains on investment properties in Hong Kong were HK\$51,000,000 (2018: HK\$69,500,000) whereas in the Mainland were HK\$262,000 (2018: HK\$377,000).

26

“Securities trading” Segment

The global investment markets have gone into a tailspin in the six months ended 31 January 2019. The whipsaw trading manners, as investors responded to mixed news coverage on the trade talks between the Mainland and the United States, the stance of the Federal Reserve of the United States on coming interest rate hikes and balance sheet contraction, the worse-than-expected deceleration in economic momentum in the Mainland and the “Brexit” being stuck in limbo, massively intensified the fluctuations in the values of currencies, commodities and assets around the world.

As at 31 January 2019, the Group’s portfolio of financial assets at fair value through profit or loss suffered from plunges in quoted values and this segment booked a loss of HK\$4,059,000 for the six months then ended (2018: profit of HK\$5,257,000).

Prospects

Though the trade friction between the Mainland and the United States currently appears to be soothing, the emergence of new conflicts cannot be ruled out, given the long-term nature and complexity of the trade imbalances between the world’s two largest economies, among their other tug-of-wars in politics and technology.

Having been reliant on export for decades, the Mainland now faces an ever-growing list of headwinds on its economic growth; and tries to shift its economy to being driven by domestic consumption. However, the worry is that consumers will not have the means, or the enthusiasm, to spend. Already, retail sales growth has lost momentum significantly on swinging Sino-United States trade relationship. This round of economic decline is caused by, to a large degree, a downturn in individual and private sector confidence. Unfortunately, it appears the Mainland does not have many tools left to spur the economy under such a slowdown.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects (Continued)

The euro-zone suffers its biggest deceleration in half a decade as evident by economic data. The situation could be deteriorated should the United States commence another trade battlefield on it and the social unrest in France and the Brexit loom large.

All these factors darken the global economic outlook and pose challenges for the Group's "Garment and related accessories business" segment when customers are becoming more cautious of their spending. To tide the lacklustre period ahead, the Group will persist to roll out high value-for-money products and excellent customer services under the prestige brand "Crocodile" to our patrons. In parallel, the overall operational efficiency will be additionally reinforced by revamping the shop portfolio and back-office structure.

Being a buffer against any macro-economic setbacks on the "Property investment and letting business" segment, the Group will optimise the tenancy combinations of its "investment properties", aiming at promising rental incomes as a support for their market values.

Mindful of the turbulent fund cross-currents around the world in the six months ended 31 January 2019, even the Federal Reserve of the United States will retard the normalisation progress, the Group continues to diversify the portfolio of financial assets at fair value through profit or loss with focus on securities of more defensive nature to temper any further disruptions on the "Securities trading" segment.

Contingent Liabilities

As at 31 January 2019, 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 utilise the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for 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 2019.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group considers the foreign exchange risk is not high 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\$98,287,000 as at 31 January 2019 (31 July 2018: HK\$104,031,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK\$15,533,000 (31 July 2018: HK\$7,169,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2019 were equivalent to HK\$45,007,000 (31 July 2018: HK\$35,666,000) 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 Assets and Capital Commitments (Continued)

As at 31 January 2019, the total outstanding borrowings including margin loans of the Group amounted to HK\$774,993,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK\$9,625,000, secured bank mortgage loans of HK\$19,456,000, secured margin loans of HK\$67,812,000, secured long-term bank loan of HK\$237,300,000 and secured short-term bank revolving loans of HK\$440,800,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loans above were repayable by instalments with its current portion of HK\$2,733,000 repayable within one year and long-term portion of HK\$16,723,000 repayable in the second to ninth years.

Interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2019.

As at 31 January 2019, the Group had mortgaged certain of its investment properties with carrying values of HK\$1,916,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 January 2019 was 42%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. In view of the uncertain worldwide economic environment and the possible rises in interest rates in Hong Kong, the Group will be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

28

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals in the six months ended 31 January 2019.

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 281 as at 31 January 2019 (2018: 296). 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 programme 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 2019 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 (“**Dr. KM Lam**”) 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 as a Director (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 at that meeting. 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.

29

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 set out in Rule 3.13 of the Listing Rules. 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. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its board meeting held on 28 January 2019 for improving transparency around the nomination process.

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 2019.

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. Also as at 15 December 2015, 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. Details of the 2015 Scheme are set out in the circular of the Company dated 13 November 2015.

As at 31 January 2019 and the date of this Report, the Company has a total of 5,800,000 underlying Shares comprised in options outstanding under the 2015 Scheme (representing approximately 0.61% of the total issued Shares as at those dates).

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Share Option Schemes (Continued)

The movements of the share options granted under the 2015 Scheme during the six months ended 31 January 2019 are as follows:

Number of underlying Shares comprised in share options							
Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	As at 1 August 2018	Granted during the period	Lapsed during the period	As at 31 January 2019	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note 2)</i>
Directors							
Lam Kin Ming	16/01/2017	900,000	—	—	900,000	16/01/2017 – 15/01/2020	0.994
	27/03/2018	900,000	—	—	900,000	27/03/2018 – 26/03/2021	0.842
Lam Wai Shan, Vanessa ("Ms. Lam")	16/01/2017	2,000,000	—	—	2,000,000	16/01/2017 – 15/01/2020	0.994
	27/03/2018	2,000,000	—	—	2,000,000	27/03/2018 – 26/03/2021	0.842
Total		5,800,000	—	—	5,800,000		

Notes:

1. The above share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the six months ended 31 January 2019. Further details of the 2015 Scheme are disclosed in Note 17 to the Condensed Consolidated Interim Financial Statements.

Directors' and Chief Executives' Interests

The following Directors and chief executive of the Company who held office on 31 January 2019 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, Chapter 571 of the Laws of Hong Kong (“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:

(1) Interests in the Company**Long positions in the Shares and underlying Shares**

Name of Directors	Capacity	Number of Shares		Share options	Total	Approximate percentage of total issued Shares <small>(Note 1)</small>
		Personal interests	Corporate interests	Personal interests		
Lam Kin Ming	Beneficial owner and owner of controlled corporation	15,897,000 <small>(Note 2)</small>	472,200,000 <small>(Note 3)</small>	1,800,000 <small>(Note 2)</small>	489,897,000	51.70%
Lam Wai Shan, Vanessa	Beneficial owner	5,532,500 <small>(Note 4)</small>	Nil	4,000,000 <small>(Note 4)</small>	9,532,500	1.01%
Wan Edward Yee Hwa	Beneficial owner	610,000	Nil	Nil	610,000	0.06%

Notes:

1. The total number of issued Shares as at 31 January 2019 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
2. Dr. KM Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) had purchased an aggregate of 2,979,000 Shares during the six months ended 31 January 2019.

Details of the share options granted to Dr. KM Lam under the 2015 Scheme are shown in section headed “Share Option Schemes” of this Report.

3. 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.
4. Ms. Lam (an Executive Director and the Deputy Chief Executive Officer of the Company) had disposed of 494,000 Shares during the six months ended 31 January 2019.

Details of the share options granted to Ms. Lam under the 2015 Scheme are shown in section headed “Share Option Schemes” of this Report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' and Chief Executives' 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	Percentage of total issued shares
Lam Kin Ming	Beneficial owner	1	Nil	1	100%

Save as disclosed above, as at 31 January 2019, none of the Directors and the chief executive of the Company and their respective close associates had, or was deemed to have, any interest in the long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or recorded in the Register of Directors and Chief Executive pursuant to Section 352 of the SFO; or notified to the Company and the Stock Exchange under the Securities Code or otherwise known by the Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2019, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one 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 and underlying Shares as recorded in the register required to be kept by the Company pursuant to 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 and underlying Shares

Name	Capacity	Nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares
<i>(Note 1)</i>				
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 <i>(Note 2)</i>	49.83%
34 Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	489,897,000 <i>(Notes 2)</i>	51.70%
Other Persons				
Wykeham Capital Asia Value Fund (" WCAVF ")	Beneficial owner	Corporate	56,933,000 <i>(Note 3)</i>	6.01%
Wykeham Capital Limited	Investment manager	Corporate	56,933,000 <i>(Note 3)</i>	6.01%
Thomas Howel Gruffudd Rhys (" Mr. Thomas ")	Owner of controlled corporations	Corporate	56,933,000 <i>(Note 3)</i>	6.01%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' and Other Persons' Interests (Continued)

Notes:

1. The total number of issued Shares as at 31 January 2019 (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' and Chief Executives' Interests" section above for further details.

Dr. KM Lam was personally interested in 15,897,000 Shares and was granted options by the Company to subscribe for a total of 1,800,000 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report).

3. Based on the disclosure of interests notices received by the Company, as at 31 January 2019, Mr. Thomas was deemed to be interested in the 56,933,000 Shares owned by WCAVF by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF).

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 2019, 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

35

During the six months ended 31 January 2019, 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 2017–2018 Annual Report for the year ended 31 July 2018 are set out as follows:

- (1) Dr. Lam Kin Ngok, Peter (a) has been appointed as a member of the board of West Kowloon Cultural District Foundation Limited (a wholly-owned subsidiary of West Kowloon Cultural District Authority) for a term from 30 January 2019 to 15 November 2020; (b) will cease to act as the chairman of The Hong Kong Tourism Board on 1 April 2019 following the expiry of his term of appointment; and (c) has been appointed as the chairman of The Hong Kong Trade Development Council for a term of two years from 1 June 2019 to 31 May 2021.
- (2) Mr. Lam Kin Hong, Matthew has been appointed as a member of the Consumer Council with effect from 1 January 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

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 the interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2019, the accounting principles and practices adopted by the Company 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, Executive Director and
Chief Executive Officer*

Hong Kong, 29 March 2019

