CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2014

RESULTS

The board of directors ("**Directors**" and "**Board**", respectively) of Crocodile Garments Limited ("**Company**") announces the unaudited consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 January 2014 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 2014

		Six months ended 31 January	
		2014	2013
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**274,523**	267,997
Cost of sales		**(110,527)**	(107,019)
Gross profit		**163,996**	160,978
Fair value gains on investment properties		**80,491**	234,146
Other income	*4*	**32,186**	30,992
Selling and distribution expenses		**(172,783)**	(173,249)
Administrative expenses		**(30,606)**	(30,926)
Other operating expenses, net		**(1,019)**	(1,292)
Finance costs	*5*	**(5,137)**	(1,958)
Share of profit from an associate		**159**	165
Profit before income tax	*6*	**67,287**	218,856
Income tax expense	*7*	**(1,155)**	(2,791)
Profit for the period attributable to owners of the Company		**66,132**	216,065
Other comprehensive income:			
Item that will not be subsequently reclassified to profit or loss:			
Gain arising on transfer of property, plant and equipment to investment properties at fair value		**–**	599
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**3,482**	3,754
Total comprehensive income for the period attributable to owners of the Company		**69,614**	220,418
Earnings per share	*9*		
— Basic (HK cents)		**7.07**	23.09
— Diluted (HK cents)		**7.07**	23.09

Condensed Consolidated Statement of Financial Position
As at 31 January 2014

	Notes	31 January 2014 (Unaudited) HK$'000	31 July 2013 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**85,575**	90,340
Investment properties		**1,389,020**	1,294,484
Construction in progress		**39,349**	29,421
Land lease prepayments		**55,871**	56,429
Interest in an associate		**28,763**	28,342
Rental and utility deposits		**24,175**	22,780
Deposits for acquisition and construction of property, plant and equipment and investment properties		**3,265**	19,761
Deposits for land lease prepayments		**17,693**	17,416
Available-for-sale financial asset		**24,493**	22,934
Deferred tax assets		**–**	219
		1,668,204	1,582,126
Current assets			
Inventories		**182,736**	161,534
Trade and other receivables, deposits and prepayments	*10*	**95,027**	97,179
Amounts due from related companies		**–**	178
Financial assets at fair value through profit and loss		**113,048**	118,183
Pledged bank deposits		**6,615**	4,344
Cash and cash equivalents		**58,474**	57,569
		455,900	438,987
Current liabilities			
Borrowings		**162,234**	132,099
Margin loan payable		**4,545**	12,009
Trade and other payables and deposits received	*11*	**94,927**	93,630
Amounts due to related companies		**41,252**	26,850
Tax payable		**23,850**	23,478
		326,808	288,066
Net current assets		**129,092**	150,921
Total assets less current liabilities		**1,797,296**	1,733,047
Non-current liabilities			
Borrowings		**308,852**	316,091
Provision for long service payments		**2,816**	2,732
Deferred tax liabilities		**992**	56
		312,660	318,879
Net assets		**1,484,636**	1,414,168
Capital and reserves			
Share capital		**233,936**	233,936
Reserves		**1,250,700**	1,180,232
Total equity		**1,484,636**	1,414,168

Notes to the Condensed Consolidated Interim Financial Statements

(1) BASIS OF PREPARATION

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

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.

(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 2013, except for adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) which are generally effective for the current accounting period of the Group.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS 1
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) ("**IFRIC**") – Interpretation ("**Int**") 20	Stripping Costs in the Production Phase of a Surface Mine

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment, the amendments to HKAS 32 Financial Instruments: Presentation and the amendments to HKAS 34 Interim Financial Reporting.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the financial statements of the Group.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the financial statements of the Group.

The amendments to HKAS 34 clarity that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("**CODM**") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group's reportable segments for performance assessment and resource allocation purposes, the Group has not included total assets and total liabilities information as part of segment information.

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods.

The Directors anticipate that the application of the amendments to HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors reviewed and assessed the application of these five standards in the current interim period and concluded that they have had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. In particular, the Directors have assessed the impact on HKFRS 10 which changes the definition of control over an investee, and concluded that no material effect on the condensed consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit and loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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

(3) SEGMENT INFORMATION

Segment revenues and results

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

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**251,920**	255,353	**22,603**	12,644	**-**	-	**274,523**	267,997
Other revenue from external customers	**26,647**	27,127	**536**	792	**4,936**	2,617	**32,119**	30,536
Group's total revenue	**278,567**	282,480	**23,139**	13,436	**4,936**	2,617	**306,642**	298,533
Reportable segment (loss) profit	**(33,580)**	(26,605)	**101,037**	244,350	**4,936**	2,617	**72,393**	220,362
Unallocated corporate income							**67**	456
Unallocated corporate expenses							**(36)**	(4)
Finance costs							**(5,137)**	(1,958)
Profit before income tax							**67,287**	218,856

(4) OTHER INCOME

	Six months ended 31 January	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Royalty income	**26,112**	26,250
Bank interest income	**67**	456
Interest income from an associate	**262**	249
Net gain on financial assets at fair value through profit and loss	**4,936**	2,617
Others	**809**	1,420
	32,186	30,992

(5) FINANCE COSTS

	Six months ended 31 January **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
Interest on borrowings		
– wholly repayable within five years	**4,777**	1,883
– not wholly repayable within five years	**360**	75
	5,137	1,958

(6) PROFIT BEFORE INCOME TAX

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

	Six months ended 31 January **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	**9,085**	8,562
Amortisation of land lease prepayments (included in administrative expense)	**800**	212
Provision for slow-moving inventories (included in cost of sale)	**4,037**	2,981

(7) INCOME TAX EXPENSE

	Six months ended 31 January **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
Current tax		
– PRC Enterprise Income Tax	–	2,022
Deferred tax	**1,155**	769
Income tax expense	**1,155**	2,791

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2014 (2013: 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 PRC subsidiaries is 25% from 1 January 2008 onwards. No PRC enterprise income tax has been provided for the six months ended 31 January 2014 as the Group did not have assessable profit in the PRC.

(8) DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 31 January 2014. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2013: Nil).

(9) EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 January 2014 is based on the consolidated profit attributable to owners of the Company of approximately HK$66,132,000 (2013 (unaudited): HK$216,065,000) and the number of ordinary shares in issue of 935,743,695 (2013 (unaudited): 935,743,695).

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share for the six months ended 31 January 2014 and 2013, as the Company had no dilutive potential ordinary shares in issue during the six months ended 31 January 2014 and 2013.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options for the six month ended 31 January 2014 as the exercise price of those options is higher than the average market price of the Company's shares.

(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2014 (Unaudited) ***HK$'000***	31 July 2013 (Audited) *HK$'000*
Trade receivables	**21,915**	21,320
Less: Allowance for bad and doubtful debts	**(1,759)**	(2,329)
Trade receivables, net	**20,156**	18,991
Other receivables	**50,374**	52,466
Less: Allowance for bad and doubtful debts	**(6,548)**	(6,344)
Other receivables, net	**43,826**	46,122
Deposits and prepayments	**55,220**	54,846
Total	**119,202**	119,959
Less: Rental and utility deposits shown under non-current assets	**(24,175)**	(22,780)
Current portion	**95,027**	97,179

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

	31 January 2014 (Unaudited) ***HK$'000***	31 July 2013 (Audited) *HK$'000*
Trade receivables:		
0 to 90 days	**14,854**	12,580
91 to 180 days	**3,485**	4,406
181 to 365 days	**1,817**	2,005
	20,156	18,991

(11) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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 are as follows:

	31 January 2014 (Unaudited) ***HK$'000***	31 July 2013 (Audited) *HK$'000*
Trade payables:		
0 to 90 days	**36,231**	34,847
91 to 180 days	**1,955**	266
181 to 365 days	**392**	814
Over 365 days	**371**	391
	38,949	36,318
Advance from customers	**9,919**	8,682
Deposits received	**12,410**	10,781
Other payables and accruals	**33,649**	37,849
	94,927	93,630

The trade payables are normally settled between 30 and 90 days. The Group has financial risk management polices in place to ensure that all payables are settled within the credit time frame.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2014 (2013: Nil) to fortify the financial position of the Group under the erratic operation environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The turnover for the period under review increased by 2.4% to HK$274,523,000 (2013: HK$267,997,000), and the gross profit of the Group was HK$163,996,000 (2013: HK$160,978,000), an increase of 2%.

The performance of the "Garment and Related Accessories Business" segment was worse than expected in the six months ended 31 January 2014. The changes in buying focus and power of customers made the sales of high-end merchandises unsatisfactory. On the other hand, in order to tackle the stock clearance measures and deep sales discount offered by competitors, the Group inevitably needed to lower the profit margin of its overall merchandises. Moreover, the ever high rental and related expenses of shops dwindled the cost-saving efforts taken by the Group. To alleviate the above negative effects, the Group will pursue to bolster its product range and quality, underpinned by the prestigious brand "Crocodile".

The "Property Investment and Letting Business" segment continued to generate stable rental income of HK$22,603,000 for the six months ended 31 January 2014 (2013: HK$12,644,000), representing an increment of 78.8%, attributable to the rental revision upon renewal of leases. Under the governmental policy of cooling down the property market in Hong Kong, the fair value gains on investment properties as at 31 January 2014 amounted to HK$80,491,000 (2013: HK$234,146,000).

Aggregating the results of the two business segments above with the share of profit of an associated company of HK$159,000 (2013: HK$165,000) and the exchange differences arising from the translation of foreign operations of HK$3,482,000 (2013: HK$3,754,000), the total comprehensive income for the six months ended 31 January 2014 attributable to the owners of the Company was HK$69,614,000 (2013: HK$220,418,000).

Operations in Hong Kong and Macau

The changes in consumption behaviors of customers, especially the Mainland of China ("**Mainland**") tourists, coupled with the high rental expenses of shops, led the Group to fine tune its shop portfolio of the "Garment and Related Accessories Business" segment by taking even more cautious stance in targeting appropriate shopping premises. It definitely has prolonged the whole sales network restructuring process. The revenue increased by 8.7% in the six months ended 31 January 2014. The Group operated 23 shops for the Crocodile line (2013: 26) and 10 shops for the Lacoste line (2013: 8) as at 31 January 2014.

The results of the "Property Investment and Letting Business" segment were promising. The rental revenue increased to HK$22,603,000 (2013: HK$12,644,000) in the period under review upon renewals of leases. The fair value gains on investment properties amounted to HK$80,491,000 as at 31 January 2014.

Operations in the Mainland

The slowdown in the growth of GDP and the Mainland Government's measures to tame the liquidity has weakened the spending power of the general public. The excess investments in building shopping malls in recent years made their competition severe. Costs of promotional activities initiated by these shopping malls to attract retail traffic, including irrationally extensive sales discounts, were shared by the shops of the Group therein and became a heavy operating burden of the "Garment and Related Accessories Business" segment. To mitigate the tough business conditions, the Group has been improving its sales channel management, and adopted a more flexible mechanism in merchandising to minimise the risk of stock obsolescence.

As at 31 January 2014, there were a total of 173 shops in the Mainland (2013: 249), including self-operated shops of 67 (2013: 97) and those operated by the Group's franchisees of 106 (2013: 152).

The royalty income from licensees for the six months ended 31 January 2014 was HK$26,112,000 and continued to be the Group's major component of other income.

Prospects

The United States has been tapering its quantitative easing and there are signs of pickup in economic growth in the Eurozone. Consequently, the global capital retreated to those developed markets and shook the emerging markets in the beginning of 2014. The inflow of fund to the United States has empowered the United States Government to sustain its low interest rate policy. Under the existing pegging arrangement, Hong Kong will follow to have a low interest rate environment by which its property market has been benefited, and in turn the Group's "Property Investment and Letting Business" segment.

On the other hand, certain of the emerging markets have dramatically raised their interest rates to protect their local currencies. The volatility of financial markets will be intensified and the flow of fund becomes more and more haphazard. It will magnify the risk exposure of the Group's financial assets on hand.

The performance of the Group's "Garment and Related Accessories Business" segment will depend on the economic landscapes of the Mainland and Hong Kong. With low unemployment rate and the increasing number of tourists, the present economic outlook of Hong Kong is positive. However, it is inevitably vulnerable to the social unrest, especially the recent actions against Mainland tourists and the coming political uncertainties in the second half of 2014.

Being the major economic driver of the region, the reforms being undertaken by the Mainland are undoubtedly noteworthy. The shifting of the momentum of GDP growth from investments and exports to domestic demand, the changes in spending pattern across tiers of cities brought about by urbanisation, to name but a few factors that the Group will heed in reorganising its sales channels and merchandise mix to seize any development opportunities in the long run. In the short term, being mindful of the recent signs of decelerating economic growth in the Mainland, the Group will take a vigilant approach in executing its business plan.

The Group will pursue its long-term strategy of "Crocodile" brand building to tackle the challenges ahead. In addition, the Group has enhanced its shop operating efficiency and supply chain flexibility. Prudent financial management is the core corporate policy in order to secure the Group's adaptability and vibrancy in the highly competitive business ambience.

Contingent Liabilities

As at 31 January 2014, 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 rates and foreign exchange exposure. Except for financial assets 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 2014.

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

Cash and cash equivalents held by the Group amounted to HK$58,474,000 as at 31 January 2014 (31 July 2013: HK$57,569,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$6,615,000 (31 July 2013: HK$4,344,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalents denominated in Renminbi as at 31 January 2014 were equivalent to HK$13,432,000 (31 July 2013: HK$22,288,000) 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.

As at 31 January 2014, the total outstanding borrowings including margin loans of the Group amounted to HK$475,631,000. The total outstanding borrowings comprised unsecured short-term bank trust receipt loans of HK$16,932,000, secured short-term bank trust receipt loans of HK$10,830,000, secured bank mortgage loan of HK$32,324,000, secured margin loans of HK$4,545,000, secured long-term bank loan of HK$279,000,000, secured short-term bank loan of HK$12,000,000 and secured short-term bank revolving loans of HK$120,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loan above was repayable by instalments with its current portion of HK$2,472,000 repayable within one year and long-term portion of HK$29,852,000 repayable in the second to fourteenth 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 2014.

As at 31 January 2014, the Group had mortgaged certain of its investment properties with carrying values of HK$1,321,700,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio as at 31 January 2014 was 32%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets.

As at 31 January 2014, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,423,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,304,000; expenditure on shop decorations in Hong Kong of HK$139,000 and acquisition of available-for-sale financial asset of HK$6,706,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals in the six months ended 31 January 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the six months ended 31 January 2014, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") nor did the Company or any of its subsidiaries purchase or sell any of such shares.

CORPORATE GOVERNANCE

The Company has complied with all the 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 throughout the six months ended 31 January 2014 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**")) of the Company 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 an additional Director (including a NED) will hold office only until the next annual general meeting of the Company 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. 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.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three members, namely Messrs. Leung Shu Yin, William (Chairman), Yeung Sui Sang and Chow Bing Chiu, all being INEDs. Such Committee has reviewed with the management the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2014.

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

Hong Kong, 28 March 2014

As at the date of this announcement, the board of directors of the Company comprises five Executive Directors, namely Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Wan Yee Hwa, Edward; one Non-executive Director, namely Ms. Lam Suk Ying, Diana; and three Independent Non-executive Directors, namely Messrs. Yeung Sui Sang, Chow Bing Chiu and Leung Shu Yin, William.