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CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2011

RESULTS

The board of directors (the "Board") of Crocodile Garments Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 July 2011 together with the comparative figures for the previous year as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
REVENUE	3	**514,520**	457,608
Cost of sales		**(177,256)**	(167,721)
Gross profit		**337,264**	289,887
Fair value gains on investment properties		**76,453**	146,500
Other income	4	**47,532**	44,424
Selling and distribution expenses		**(290,547)**	(279,979)
Administrative expenses		**(66,124)**	(50,215)
Other operating expenses, net		**(792)**	(1,193)
Finance costs	5	**(599)**	(379)
Share of profit of an associate		**1,443**	6,887
PROFIT BEFORE INCOME TAX	6	**104,630**	155,932
Income tax (expense) / credit	7	**(19,451)**	7,552
PROFIT FOR THE YEAR		**85,179**	163,484
OTHER COMPREHENSIVE INCOME			
Exchange differences arising on translation of foreign operations		**8,448**	2,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**93,627**	166,199
EARNINGS PER SHARE	9		
- Basic (HK cents)		**13.71**	26.49
- Diluted (HK cents)		**13.71**	N/A

Consolidated Statement of Financial Position

As at 31 July 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment		**43,961**	21,492
Investment properties		**791,000**	700,000
Construction in progress		**35,586**	20,234
Land lease prepayments		**15,463**	15,018
Interest in an associate		**17,762**	15,718
Rental and utility deposits		**25,082**	20,887
Deposit for acquisition and construction of property, plant and equipment		**10,873**	2,070
Deposits for land lease prepayments		**34,537**	32,825
		974,264	828,244
Current assets			
Inventories		**73,376**	73,970
Trade and other receivables, deposits and prepayments	10	**80,610**	76,481
Amounts due from related companies		**149**	12
Cash and cash equivalents		**80,045**	96,985
		234,180	247,448
Current liabilities			
Borrowings		**15,946**	34,616
Trade and other payables and deposits received	11	**80,432**	67,406
Amounts due to related companies		**352**	585
Tax payable		**19,948**	15,556
		116,678	118,163
Net current assets		**117,502**	129,285
Total assets less current liabilities		**1,091,766**	957,529
Non-current liabilities			
Borrowings		**24,434**	-
Provision for long service payments		**2,854**	3,324
Deferred tax liabilities		**69,550**	57,460
		96,838	60,784
Net assets		**994,928**	896,745
Capital and reserves			
Share capital		**155,957**	154,282
Reserves		**838,971**	742,463
Total equity		**994,928**	896,745

Notes:

(1) BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the 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 investment properties which have been measured at fair value.

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

(2) APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010, as appropriate
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for first-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKAS 32 (Amendments)	Classification of Right Issues
Hong Kong – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretation Committee ("HK (IFRIC)") – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

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(b) Potential impact arising on HKFRSs not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRS issued in 2010[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[5]
HKFRS 11	Joint Arrangements[5]
HKFRS 12	Disclosure of Interests in Other Entities[5]
HKFRS 13	Fair Value Measurement[5]
HKAS 1 (Revised)	Presentation of Financial Statements[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised)	Employee Benefits[5]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKAS 27 (Revised)	Separate Financial Statements[5]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[5]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2011
[3] Effective for annual periods beginning on or after 1 January 2012
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the financial statements for the annual period beginning 1 August 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the financial assets and financial liabilities of the Group and the Company. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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

The amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors anticipate that the application of the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

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

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

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

(3) SEGMENT REPORTING

(a) Reportable segments

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**492,444**	455,289	**22,076**	2,319	**514,520**	457,608
Other revenue from external customers	**46,359**	42,624	**601**	1,423	**46,960**	44,047
Group's revenue	**538,803**	497,913	**22,677**	3,742	**561,480**	501,655
Reportable segment profit	**11,243**	4,643	**93,458**	151,305	**104,701**	155,948
Unallocated corporate income					**572**	377
Unallocated corporate expenses					**(44)**	(14)
Finance costs					**(599)**	(379)
Profit before income tax					**104,630**	155,932

(b) Segment assets and liabilities

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS						
Segment assets	**310,835**	258,034	**817,564**	720,673	**1,128,399**	978,707
Unallocated corporate assets					**80,045**	96,985
Total consolidated assets					**1,208,444**	1,075,692
LIABILITIES						
Segment liabilities	**74,159**	64,735	**9,479**	6,580	**83,638**	71,315
Unallocated corporate liabilities					**129,878**	107,632
Total consolidated liabilities					**213,516**	178,947

(c) Other segment information

	Garment and related accessories business		Property investment and letting business		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets						
Additions to non-current assets	**45,451**	23,531	**18,671**	2,576	**64,122**	26,107
Additions to deposit for acquisition and construction of property, plant and equipment	**8,695**	2,070	**-**	-	**8,695**	2,070
Interest in an associate	**-**	-	**17,762**	15,718	**17,762**	15,718
Depreciation and amortisation	**12,117**	14,335	**1,142**	70	**13,259**	14,405
Write-back of provision for slow-moving inventories	**(2,016)**	(4,015)	**-**	-	**(2,016)**	(4,015)
Write-off (write-back) of provision for bad and doubtful debts	**102**	(590)	**-**	-	**102**	(590)
Bad debts write-off (write-back)	**94**	(142)	**-**	-	**94**	(142)
Loss on disposal/write-off of property, plant and equipment	**769**	1,294	**-**	-	**769**	1,294
Reversal of long outstanding trade payables	**(831)**	(353)	**-**	-	**(831)**	(353)
Other receivables write-off	**1,253**	-	**-**	-	**1,253**	-
Fair value gains on investment properties	**-**	-	**(76,453)**	(146,500)	**(76,453)**	(146,500)
Share of profit of an associate	**-**	-	**(1,443)**	(6,887)	**(1,443)**	(6,887)
Interest income from an associate	**-**	-	**(601)**	-	**(601)**	-
Amounts regularly provided to the chief operation decision maker but not included in measure of segment profit or loss or segment assets:						
Bank interest income	**(572)**	(377)	**-**	-	**(572)**	(377)
Interest expense	**439**	379	**160**	-	**599**	379
Income tax expense / (credit)	**8,105**	4,907	**11,346**	(12,459)	**19,451**	(7,552)

(d) Geographical information

The following table provides an analysis of the Group's revenue from external customers and information about its non-current assets by geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**381,465**	319,603	**851,537**	750,873
Mainland China	**180,015**	182,052	**122,727**	77,371
	561,480	501,655	**974,264**	828,244

(e) Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue during the two years ended 31 July 2011 and 2010.

(4) OTHER INCOME

	2011 HK$'000	2010 HK$'000
Other income		
Royalty income	**44,115**	40,409
Bank interest income	**572**	377
Interest income from an associate	**601**	-
Sale of miscellaneous materials	**-**	271
Income from a related company for contributing an investment property as security	**-**	1,420
Others	**2,244**	1,947
	47,532	44,424

(5) FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings		
- wholly repayable within five year	**510**	379
- not wholly repayable within five years	**89**	-
	599	379

(6) PROFIT BEFORE INCOME TAX

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

	2011 HK$'000	2010 HK$'000
Depreciation of property, plant and equipment	**12,930**	14,089
Amortisation of land lease prepayments (included in administrative expenses)	**329**	316
Write-back of provision for slow-moving inventories (included in cost of sales)	**(2,016)**	(4,015)

(7) INCOME TAX EXPENSES / (CREDIT)

No current Hong Kong Profits Tax has been provided as the Group has unused tax losses available to offset against assessable profits for the year ended 31 July 2011 (2010: nil).

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

	2011 HK$'000	2010 HK$'000
Current tax		
– PRC Enterprise Income Tax	**7,361**	4,907
Deferred tax	**12,090**	(12,459)
Income tax expense / (credit)	**19,451**	(7,552)

(8) DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2011, nor has any dividend been proposed by the Company since the end of the reporting period (2010: nil).

(9) EARNINGS PER SHARE

(a) Basic earnings per share
The calculation of basic earnings per share for the year ended 31 July 2011 is based on the profit attributable to owners of the Company of approximately HK$85,179,000 (2010: HK$163,484,000) and the weighted average number of ordinary shares of 621,127,407 (2010: 617,127,130), calculated as follows:

Weighted average number of ordinary shares

	2011	2010
Issued ordinary shares at 1 August	**617,127,130**	617,127,130
Effect of share options exercised	**4,000,277**	-
Weighted average number of ordinary shares for the year ended 31 July	**621,127,407**	617,127,130

(b) Diluted earnings per share
The calculation of diluted earnings per share for the year ended 31 July 2011 is based on the profit attributable to owners of the Company of approximately HK$85,179,000, and the weighted average number of ordinary shares (diluted) is calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011
Weighted average number of ordinary shares for the year ended 31 July	**621,127,407**
Effect of share deemed issue of shares under the Company's share option scheme	**349,194**
Weighted average number of ordinary shares (diluted) for the year ended 31 July	**621,476,601**

No diluted earnings per share for the year ended 31 July 2010 have been presented as no diluting events existed during that year.

(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**14,617**	30,715
Less: Allowance for bad and doubtful debts	**(1,641)**	(15,352)
	12,976	15,363
Other receivables	**36,185**	21,193
Deposits and prepayments	**31,449**	39,925
	80,610	76,481

(a) 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 maximum credit limit.

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

(b) 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.

	2011	2010
	HK$'000	*HK$'000*
Trade receivables		
0 to 90 days	**9,571**	14,011
91 to 180 days	**2,681**	697
181 to 365 days	**724**	655
	12,976	15,363

(c) The movements in the allowance for bad and doubtful debts for trade receivables during the year, including both specific and collective loss components, are as follows:

	2011	2010
	HK$'000	*HK$'000*
At the beginning of the year	**15,352**	15,938
Impairment loss provided / (reversed)	**102**	(590)
Write-off as uncollectable	**(13,884)**	-
Exchange realignment	**71**	4
At the end of the year	**1,641**	15,352

Included in impairment loss are individually impaired trade receivables with an aggregate balance of approximately HK$1,641,000 (2010:HK$15,352,000). The impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

(d) An aging analysis of trade receivables that are neither individually nor collectively considered to be impaired as at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**3,909**	4,437
Past due		
Within 60 days	**5,662**	9,574
61 days to 150 days	**2,681**	697
Over 150 days	**724**	655
	9,067	10,926
	12,976	15,363

Trade receivables that were neither past due nor impaired related to a wide range of customers that have no recent history of default payment.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral over all trade receivables.

(11) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**16,544**	11,090
91 to 180 days	**2,717**	798
181 to 365 days	**1,589**	115
Over 365 days	**1,148**	1,998
	21,998	14,001
Advance from customers	**16,862**	15,665
Deposits received	**7,127**	5,059
Other payables and accruals	**34,445**	32,681
	80,432	67,406

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 31 July 2011 (2010: Nil). No interim dividend was paid or declared in respect of the year ended 31 July 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group recorded a growth in revenue of 12% to HK$514,520,000 for the year ended 31 July 2011 (2010: HK$457,608,000). Gross profit increased by 16% to HK$337,264,000 (2010: HK$289,887,000).

For the "Garment and Related Accessories Business" segment, the Group has continued to focus on accentuating the brand image and enriching its merchandise range in order to cope with the increasing market demand for acclaimed and trendy apparel. In addition, the Group has deployed considerable resources in training its frontline sales personnel to assure quality service to customers.

The "Property Investment and Letting Business" segment contributed greatly to the overall performance of the Group for the year ended 31 July 2011. Besides rental income of HK$22,076,000 (2010: HK$2,319,000), fair value gains on investment properties was HK$76,453,000 (2010: HK$146,500,000).

As a result of the above and together with the share of profit of an associated company of HK$1,443,000 (2010: HK$6,887,000), the Group recorded the profit attributable to shareholders of HK$93,627,000 for the year ended 31 July 2011 (2010: HK$166,199,000).

Operations in Hong Kong and Macau

Along with the improvement in the market sentiment and influx of tourists, the Group enhanced its sales network through shop re-positioning and relocation in districts with high pedestrian flows, and staged the effective promotional campaigns. The "Garment and Related Accessories Business" segment in Hong Kong and Macau recorded a double-digit growth during the year. As at 31 July 2011, the Group operated 26 shops / outlets for Crocodile line (2010: 28) and 8 shops / outlets for Lacoste line (2010: 7).

Regarding the "Property Investment and Letting Business" segment, the rental revenue reached HK$22,076,000 in the year ended 31 July 2011 (2010: HK$ HK$2,319,000). The relatively low rental income in the last year was attributed to the fact that the tenancy periods did not cover the whole of the last year and commenced only after February 2010 following the grant of the occupation permit of the Crocodile Center in late September 2009. Benefitting from the blooming property market, the Group recognized fair value gains on investment properties of HK$76,453,000 as at 31 July 2011, which mainly consisted of the surplus from revaluation of the Crocodile Center.

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

High inflation rate and fierce market competition have been the major hurdles to the Group. The Group has borne heavier burden of operating costs in the highly inflationary atmosphere whereas the fierce market competition has limited its pricing power. To tackle the above dual impacts, the Group expedited the process of consolidating its sales network. The total sales decreased by 5% in the year under review partly because of closures of shops with unsatisfactory performances. The Group also further tightened its control on costs and expenses in order to weather the prevailing difficult business environment.

As at 31 July 2011, there were a total of 282 sales outlets in the Mainland (2010: 323), including self-operated retail outlets of 86 (2010: 79) and those operated by the Group's franchisees of 196 (2010: 244).

Royalty income derived from licensees continued to be a stable income source of the Group and increased by 9% in the year ended 31 July 2011.

Prospects

The global market is currently at a downside risk caused by the slowdown of economy in the United States and the European credit crisis. Being an open economic entity, Hong Kong will inevitably be vulnerable to the deteriorating worldwide business atmosphere.

In the Mainland, the current liquidity crunch, but with the inflation rate still standing in a high level, will worsen the operation conditions.

Facing these tremendous macro-economic uncertainties ahead, the Group intends to maximize the cost efficiency of its regional retail network, improve merchandising capability and preserve financial flexibility.

Being the 60th anniversary of Crocodile footprint in the apparel business, the forthcoming year 2011/12 will be another milestone for the Group in its achievement and development in those decades. Following its excellent tradition and cherishing the ever-lasting support from its customers in this remarkable time, the Group strives to deliver prestige products and quality service to its esteemed clients as a return for their long-term loyalty.

Contingent Liabilities

As at 31 July 2011, the Group had no material contingent liabilities.

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

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

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2011.

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

Cash and cash equivalents held by the Group amounted to HK$80,045,000 as at 31 July 2011 (2010: HK$96,985,000) and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 July 2011 amounted to HK$56,070,000 (2010: HK$73,707,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 July 2011, the total outstanding borrowings of the Group amounted to HK$40,380,000. The total outstanding borrowings comprised unsecured trust receipt loans of HK$15,033,000, secured long-term bank mortgage loan of HK$9,347,000 and secured long-term bank revolving loan of HK$16,000,000. The secured long-term bank mortgage loan was repayable by instalments with its current portion of HK$913,000 repayable within one year and long-term portion of HK$8,434,000 repayable in the second to tenth years. Interest on bank borrowings is charged at floating rates. All bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2011.

As at 31 July 2011, the Group had mortgaged its investment properties with carrying values of HK$791,000,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2011 was 4.1%, expressed as a percentage of total bank borrowings to total net assets.

As at 31 July 2011, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,181,000; acquisition and construction of property, plant and equipment in the Mainland of HK$4,473,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals for the year ended 31 July 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2011, the Company did not redeem any of its shares listed and traded on The Stock Exchange of Hong Kong Limited (the "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 in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 July 2011 save for the deviations from code provisions A.2.1 and A.4.1.

Code Provision A.2.1

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

In view of the present composition of the Board, the in-depth knowledge of the Chairman and the Chief Executive Officer of the operations of the Company and of the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of the Chairman and the Chief Executive Officer.

Code Provision A.4.1

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

None of the existing non-executive directors (including the independent non-executive directors) of the Company is appointed for a specific term. However, all directors of the Company (the "Directors") are subject to the retirement provisions of the articles of association of the Company which provide that the Directors for the time being shall retire from office by rotation once every three years since their last election and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as an additional Director (including a non-executive Director) will hold office only until the next annual general meeting ("AGM") and will then be eligible for re-election. Further, each of the Directors appointed to fill a casual vacancy will be subject to election by the shareholders at the first general meeting after his/her appointment in line with the relevant code provision of the CG Code. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and, therefore, does not intend to take any remedial steps in this regard.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprises three independent non-executive Directors, namely Messrs. Leung Shu Yin, William, Yeung Sui Sang and Chow Bing Chiu. Such committee has reviewed the annual results (including the consolidated financial statements) of the Company for the year ended 31 July 2011.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 July 2011 as set out in this preliminary announcement have been agreed by the Group's independent auditor, SHINEWING (HK) CPA Limited ("ShineWing"), to the amounts set out in the audited consolidated financial statements for the year. The work performed by ShineWing in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ShineWing on the preliminary announcement.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Monday, 19 December 2011. Notice of such AGM together with the Company's Annual Report for 2010-2011 will be despatched to shareholders in mid November 2011.

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

Hong Kong, 27 October 2011

As at the date of this announcement, the Board comprises six 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, Mr. Wan Yee Hwa, Edward and Mr. Tong Ka Wing, Carl; 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.