CROCODILE

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2010

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 2010 together with comparative figures for the previous year as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000*
REVENUE	3	**457,608**	432,080
Cost of sales		**(167,721)**	(179,735)
Gross profit		**289,887**	252,345
Fair value gain on investment property		**146,500**	212,372
Other income and gains	4	**44,424**	57,051
Selling and distribution costs		**(279,979)**	(274,070)
Administrative expenses		**(50,215)**	(54,818)
Other operating expenses, net		**(1,193)**	(5,488)
Finance costs	5	**(379)**	(473)
Share of profit of an associate		**6,887**	-
PROFIT BEFORE INCOME TAX	6	**155,932**	186,919
Income tax credit /(expense)	7	**7,552**	(43,841)
PROFIT FOR THE YEAR		**163,484**	143,078
OTHER COMPREHENSIVE INCOME:			
Exchange differences arising on translation of foreign operations		**2,715**	(1,165)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**166,199**	141,913
EARNINGS PER SHARE			
- basic and diluted (HK cents)	8	**26.49**	23.18

Consolidated Statement of Financial Position
At 31 July 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**21,492**	24,672
Investment properties		**700,000**	562,000
Construction in progress		**20,234**	6,145
Long-term deposits		**2,070**	8,473
Land lease prepayments		**15,018**	15,072
Interest in an associate		**15,718**	-
Rental and utility deposits		**20,887**	18,575
Deposits for land lease prepayments		**32,825**	32,255
		828,244	667,192
Current assets			
Inventories		**73,970**	85,797
Trade receivables, deposits and prepayments	9	**76,481**	62,165
Amounts due from related companies		**12**	-
Cash and cash equivalents		**96,985**	95,482
		247,448	243,444
Current liabilities			
Short-term borrowings		**34,616**	36,090
Trade and other payables and deposits received	10	**67,406**	58,474
Amounts due to related companies		**585**	1,912
Tax payable		**15,556**	10,410
		118,163	106,886
Net current assets		**129,285**	136,558
Total assets less current liabilities		**957,529**	803,750
Non-current liabilities			
Provision for long service payments		**3,324**	3,285
Deferred tax liabilities		**57,460**	69,919
Net assets		**896,745**	730,546
EQUITY			
Issued capital		**154,282**	154,282
Reserves		**294,768**	292,053
Retained profits		**447,695**	284,211
Total equity		**896,745**	730,546

Notes:

(1) BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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) ADOPTION OF NEW AND REVISED STANDARDS

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

The Group has adopted the following new/revised HKFRSs issued by HKICPA that are effective for the current accounting period.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Interpretation 18	Transfers of Assets from Customers

The adoption of the above new/revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods, except for following changes:

HKAS 1 (Revised) "Presentation of Financial Statements"
The revised standard affects certain disclosures of financial statements. Under the revised standard, the Income Statement, the Balance Sheet and the Cash Flow Statement are renamed as the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows respectively. All income and expenses arising from transactions with non-owners are presented under the Statement of Comprehensive Income; while the owners' changes in equity are presented under the Statement of Changes in Equity.

HKFRS 8 "Operating Segments"
HKFRS 8 replaces HKAS 14 "Segment Reporting", and requires operating segment to be identified on the basis of internal reports of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision-maker. Corresponding amounts have been provided on a basis consistent with the revised segment information as detailed in Note 3.

HKFRS 7 (Amendment) "Improving Disclosures about Financial Instruments"
The amendments to HKFRS 7 expand the disclosure relating to fair value measurements for financial instruments that are measured at fair value and liquidity risk of financial liabilities including issued financial guarantee contracts. A three-level fair value hierarchy has been introduced to categorise the fair value measurements according to the degree they are based on observable market data. The Group has not provided comparative information for the expanded disclosed in accordance with the transactional provision.

HKFRS 3 (Revised) "Business Combinations"
HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill, the reported results in the period that an acquisition occurs and future reported results. The adoption of the revised standard has had no impact on the current year as there has been no business combination transaction as defined in revised HKFRS 3.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements"
HKAS 27 (Revised) applies prospectively for accounting periods beginning on or after 1 July 2009, requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions are recognized within equity and no longer give rise to goodwill, nor gain from bargain purchase. Furthermore, the revised standard specifies that accounting when control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The revised standard has had no impact on the current year as there has been no transaction with non-controlling interest or transaction whereby an interest in an entity is retained after the loss of control of that entity. The adoption of revised HKAS27 has had no impact on the current year's financial statements.

(b) Potential impact arising on HKFRSs not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective, but potentially relevant to the Group's operations.

HKFRSs (Amendments)	Improvements to HKFRSs 2009 [1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010 [2]
Amendments to HKAS 32	Classification of Rights Issues [3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [4]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets [6]
HKFRS 9	Financial Instruments [7]

[1] Effective for annual periods beginning on or after 1 January 2010
[2] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2011
[7] Effective for annual periods beginning on or after 1 January 2013

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendment, effective from 1 January 2010, removes the requirement for leasee to classify leasehold land as operating leases and present as prepaid lease payments in the statement of financial position. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

(3) SEGMENT REPORTING

(a) Reportable segments

	Garment and related accessories trading business		Property investment and letting business		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**455,289**	432,080	**2,319**	-	**457,608**	432,080
Other revenue from external customers	**42,624**	47,682	**1,423**	8,523	**44,047**	56,205
Total	**497,913**	479,762	**3,742**	8,523	**501,655**	488,285
Reportable segment profit/(loss)	**5,020**	(31,834)	**151,305**	219,240	**156,325**	187,406
Interest revenue	**377**	846	**-**	-	**377**	846
Interest expense	**(379)**	(473)	**-**	-	**(379)**	(473)
Depreciation and amortisation	**(14,335)**	(15,772)	**(70)**	(1)	**(14,405)**	(15,773)
Fair value gain on investment property	**-**	-	**146,500**	212,372	**146,500**	212,372
Share of profit of an associate	**-**	-	**6,887**	-	**6,887**	-
Income tax credit /(expenses)	**(4,907)**	(8,938)	**12,459**	(34,903)	**7,552**	(43,841)
Reportable segment assets	**258,034**	252,814	**720,673**	562,340	**978,707**	815,154
Total assets include:						
Investment in an associate	**-**	-	**15,718**	-	**15,718**	-
Additions to non-current assets	**4,768**	1,744	**156,284**	212,671	**161,052**	214,415
Reportable segment liabilities	**(80,291)**	(73,958)	**(64,040)**	(70,042)	**(144,331)**	(144,000)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2010 *HK$'000*	2009 *HK$'000*
Profit before income tax		
Reportable segment profit	**156,325**	187,406
Unallocated corporate expenses	**(14)**	(14)
Finance costs	**(379)**	(473)
Consolidated profit before income tax	**155,932**	186,919

	2010 *HK$'000*	2009 *HK$'000*
Assets		
Reportable segment assets	**978,707**	815,154
Unallocated corporate assets	**96,985**	95,482
Consolidated total assets	**1,075,692**	910,636

	2010 *HK$'000*	2009 *HK$'000*
Liabilities		
Reportable segment liabilities	**(144,331)**	(144,000)
Unallocated corporate liabilities	**(34,616)**	(36,090)
Consolidated total liabilities	**(178,947)**	(180,090)

(c) **Geographical information**

	Revenue from external customer		Specified non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**319,603**	286,002	**750,873**	595,564
Mainland China	**182,052**	202,283	**77,371**	71,628
	501,655	488,285	**828,244**	667,192

(d) None of the Group's customers contributed 10% or more of the Group's revenue during the two years ended 31 July 2009 and 2010.

(4) OTHER INCOME AND GAINS

	2010	2009
	HK$'000	*HK$'000*
Other income		
Royalty income	**40,409**	42,766
Interest income	**377**	846
Sale of miscellaneous materials	**271**	531
Income from a related company for contributing an investment property as security	**1,420**	8,520
Others	**1,947**	3,141
	44,424	55,804
Gains		
Gain on disposal of property, plant and equipment classified as assets held for sale	**-**	1,247
	44,424	57,051

(5) FINANCE COSTS

The amount represented interest on bank loans and bank overdrafts, all of which were repayable within one year.

(6) PROFIT BEFORE INCOME TAX

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

	2010	2009
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**14,089**	15,455
Amortisation of land lease prepayments (included in administrative expense)	**316**	318
Write-back of provision for slow-moving inventories, net	**(4,015)**	(2,572)

(7) TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong for the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2010	2009
	HK$'000	*HK$'000*
Current – PRC	**4,907**	8,938
Deferred tax - HK	**(12,459)**	34,903
Income tax (credit)/expense	**(7,552)**	43,841

(8) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of the Group for the year of HK$163,484,000 (2009: HK$143,078,000) and the number of 617,127,130 ordinary shares in issue throughout the two years.

Basic and diluted earnings per share are equal for the years ended 31 July 2010 and 2009 as the share options outstanding during these two years had an anti-dilutive effect on the basic earnings per share for the years.

(9) TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**29,447**	32,500
Less: Allowance for bad and doubtful debts	**(15,352)**	(15,938)
	14,095	16,562
Deposits and prepayments	**62,386**	45,603
	76,481	62,165

(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 a maximum credit limit.

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

(b) All of the trade receivables (net of allowance for bad and doubtful debts) are expected to be recovered within one year.

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

	2010	2009
	HK$'000	*HK$'000*
Trade receivables:		
Current to 90 days	**12,743**	13,353
91 to 180 days	**697**	2,525
181 to 365 days	**655**	675
Over 365 days	**-**	9
	14,095	16,562

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

	2010	2009
	HK$'000	*HK$'000*
At beginning of year	**15,938**	15,353
Impairment loss (reversed)/recognised	**(590)**	622
Exchange realignments	**4**	(37)
At end of year	**15,352**	15,938

At 31 July 2010, the Group's trade receivables of HK$15,352,000 (2009: HK$15,938,000) were individually determined to be impaired. The individually 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.

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

	2010 *HK$'000*	2009 *HK$'000*
Neither past due nor impaired	**3,169**	4,311
Past due:		
Within 90 days	**9,574**	9,042
91 days to 180 days	**697**	2,525
181 days to 365 days	**655**	675
Over 365 days	**-**	9
	10,926	12,251
	14,095	16,562

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

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 these balances.

(10) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2010 *HK$'000*	2009 *HK$'000*
Trade payables:		
Current to 90 days	**13,674**	9,650
91 to 180 days	**798**	1,722
181 to 365 days	**115**	1,249
Over 365 days	**1,998**	1,582
	16,585	14,203
Deposits received	**20,100**	18,197
Other payables and accruals	**30,721**	26,074
	67,406	58,474

The trade payables are non-interest-bearing and are normally settled between 30 and 60 days.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2010 (2009: Nil). No interim dividend was declared by the Company for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the year under review, the Group recorded an operating profit of HK$2,924,000 before taking into account the surplus from revaluation of an investment property (the "Crocodile Center") and the share of profit of an associated company (2009: operating loss of HK$24,980,000).

Turnover was HK$457,608,000 (2009: HK$432,080,000), representing an increase of 5.9%. Gross profit of the Group increased by 14.9% to HK$289,887,000 (2009: HK$252,345,000). The increase in turnover coupled with the overall improvement in gross profit and the tight control on operating expenses have contributed to the significant improvement in operating result for the year under review. The Group's effort on promoting the brand names and enhancing its marketing strategies has also brought positive results for the performance of the "Garment and Related Accessories Trading Business" segment of the Group. The completion of the Crocodile Center and the buoyancy of the office market in the East Kowloon resulted in a significant increase in the market value of the Crocodile Center and at the same time bring in steady revenue by way of rental.

Income from the "Property Investment and Letting Business" segment was a major contributor to the overall performance of the year under review. A surplus of HK$146,500,000 (2009: HK$212,372,000) on revaluation of the Crocodile Center was recorded.

As a result of the above, the Group recorded a profit attributable to shareholders of HK$163,484,000 for the year ended 31 July 2010 (2009: HK$143,078,000).

Operations in Hong Kong and Macau

The Group operates 28 shops / outlets for Crocodile line (2009: 29) and 7 shops / outlets for Lacoste line (2009: 6) in Hong Kong and Macau as at 31 July 2010. The operation in Hong Kong and Macau recorded a double-digit growth during the year, with an increase of 13.4% in turnover as compared to last year. The increase in the number of tourists from the Mainland of China, the strengthening of our shop re-positioning strategy and marketing strategies have all contributed to the significant improvement during the year.

The leasing of the Crocodile Center has been quite satisfactory. However, due to the fact that the occupation permit was only granted in late September 2009 and tenants have gradually moved in only after the Chinese New Year, negative contribution had been recorded for the Crocodile Center during the year under review.

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

The unexpected bad weather, our consolidation of sales outlets in some cities, together with the furious competition in the Mainland resulted in a decrease in turnover by 8.9% during the year. Notwithstanding the drop in turnover, the Group has contained the impact by exercising stringent cost control measures and effective promotional policy, thereby successfully mitigating the negative impact. As a result, the gross profit derived from retail and franchisees in the Mainland fell by 1% when compared to last year.

The number of retail outlets run by the Group was 79 as at 31 July 2010 (2009: 81).

Other income, mainly representing royalty income derived from licensees, continued to provide a stable income stream to the Group.

As at 31 July 2010, there were a total of 323 sales outlets in the Mainland (2009: 361), including self-operated retail outlets and those operated by the Group's franchisees.

Prospects

With the coming back of consumers' confidence and strong tourism, consumer spending is anticipated to increase in the coming year. However, the boom of the property market has resulted in increase in rentals, which coupled with the significant increase in the cost of raw materials, may have negative impact on the overall performance of our garment business. Therefore, the Group expects the business environment will still be challenging in the coming year.

The management also notes that the property prices and shop rentals have stood high for years which resulted in high operating costs and eroded the net profit of the Group. The Group intends to take opportunities that may arise to acquire retail shops at affordable prices.

The Crocodile Center is expected to bring in steady rental income in the coming years and to hedge a portion of the heavy rental expenses of the Group. A small portion of the Crocodile Center has been retained for the Group's self-use purpose.

Contingent Liabilities

As at 31 July 2010, 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 2010.

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 sales 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$96,985,000 as at 31 July 2010 (2009: HK$95,482,000) and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalent denominated in Renminbi as at 31 July 2010 amounted to HK$73,707,000 (2009: HK$74,343,000) 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 2010, the total outstanding borrowings of the Group amounted to approximately HK$34,616,000 (2009: HK$36,090,000) which were repayable within a period not exceeding one year. The total outstanding borrowings comprised unsecured short-term bank loan of approximately HK$22,000,000 (2009: HK$17,000,000) and unsecured trust receipt loans of approximately HK$12,616,000 (2009: HK$19,090,000). 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 in the year ended 31 July 2010.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2010 was 3.9% (2009: 4.9%) expressed as a percentage of total bank borrowings to total net assets.

As at 31 July 2010, the Group had capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of approximately HK$3,974,000; acquisition of property, plant and equipment in the Mainland of approximately HK$15,491,000 and expenditure on shop decorations in Hong Kong and Mainland of approximately HK$37,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals for the year ended 31 July 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2010, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the 2009-2010 Annual Report save for deviations from code provisions A.2.1 and A.4.1 summarised below:

Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and 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 and 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 it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of Chairman and 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 of the Company was appointed for a specific term. However, all directors of the Company are subject to the retirement provisions in 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 at each annual general meeting and a retiring director shall be eligible for re-election.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2010 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 17 December 2010. Notice of the Annual General Meeting and the Company's Annual Report for 2009-2010 will be despatched to shareholders in due course.

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

Hong Kong, 4 November 2010

As at the date of this announcement, the executive directors of the Company are Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Cheng Suet Fei, Sophia; the non-executive directors are Ms. Lam Suk Ying, Diana and Mr. Tong Ka Wing, Carl; and the independent non-executive directors are Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.