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

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2009

## RESULTS

The Board of Directors 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 2009 together with comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT
*For the year ended 31 July 2009*

| | *Notes* | **2009** *HK$'000* | 2008 *HK$'000* |
|---|---|---|---|
| **REVENUE** | 3 | **432,080** | 450,007 |
| Cost of sales | | **(179,735)** | (175,515) |
| Gross profit | | **252,345** | 274,492 |
| Fair value gain on investment property | | **212,372** | 10,000 |
| Gain on disposal of investment property | | **-** | 30,000 |
| Other income and gains | 4 | **57,051** | 49,612 |
| Selling and distribution costs | | **(274,070)** | (284,095) |
| Administrative expenses | | **(54,818)** | (57,389) |
| Other operating expenses, net | 5 | **(5,488)** | (10,194) |
| Finance costs | 6 | **(473)** | (1,656) |
| **PROFIT BEFORE TAX** | 5 | **186,919** | 10,770 |
| Tax (charge)/credit | 7 | **(43,841)** | 10,446 |
| **PROFIT FOR THE YEAR** | | **143,078** | 21,216 |
| **DIVIDEND** | | | |
| Proposed final dividend | | **-** | 18,514 |
| **EARNINGS PER SHARE** | | | |
| - basic (HK cents) | 8 | **23.18** | 3.44 |

**CONSOLIDATED BALANCE SHEET**
*At 31 July 2009*

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **24,672** | 31,489 |
| Investment properties | | **562,000** | 349,628 |
| Construction in progress | | **6,145** | 3,326 |
| Land lease prepayments | | **15,072** | 15,524 |
| Long-term deposits | | **8,473** | - |
| Rental and utility deposits | | **18,575** | 20,271 |
| Deposits for land lease prepayments | | **32,255** | 32,539 |
| | | **667,192** | 452,777 |
| **Currrent assets** | | | |
| Inventories | | **85,797** | 81,344 |
| Trade receivables, deposits and prepayments | 9 | **62,165** | 71,917 |
| Amounts due from related companies | | **-** | 845 |
| Cash and cash equivalents | | **95,482** | 149,371 |
| | | **243,444** | 303,477 |
| Assets classified as held for sale | | **-** | 4,857 |
| | | **243,444** | 308,334 |
| **Current liabilities** | | | |
| Short-term borrowings | | **36,090** | 44,664 |
| Trade and other payables | 10 | **58,474** | 70,339 |
| Amounts due to related companies | | **1,912** | 200 |
| Tax payable | | **10,410** | 3,285 |
| | | **106,886** | 118,488 |
| **Net current assets** | | **136,558** | 189,846 |
| **Total assets less current liabilities** | | **803,750** | 642,623 |
| **Non-current liabilities** | | | |
| Provision for long service payments | | **3,285** | 1,192 |
| Deferred tax liabilities | | **69,919** | 35,016 |
| | | **73,204** | 36,208 |
| **Net assets** | | **730,546** | 606,415 |
| **EQUITY** | | | |
| Issued capital | | **154,282** | 154,282 |
| Reserves | | **292,053** | 292,486 |
| Retained profits | | **284,211** | 159,647 |
| **Total equity** | | **730,546** | 606,415 |

*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 certain 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**

In the current year, the Group has applied, for the first time, the following amendments and new interpretations issued by HKICPA that are effective for the current accounting period of the Group and the Company.

| | |
|---|---|
| Amendments to HKAS 39 and HKFRS 7 | Reclassification of financial assets |
| HK(IFRIC) – Interpretation 9 and HKAS 39 (Amendments) | Embedded derivatives |
| HK(IFRIC) – Interpretation 12 | Service concession arrangements |
| HK(IFRIC) – Interpretation 13 | Customer Loyalty Programmes |
| HK(IFRIC) – Interpretation 14 | HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction |
| HK(IFRIC) – Interpretation 18 | Transfers of assets from customers |

The adoption of the above amendment and new interpretations had no material effect on the results and financial position of the Group for the current or prior accounting periods and no prior period adjustment has been recognised.

The Group has not yet applied the following new or revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs [1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 [2] |
| HKAS 32 & HKAS 1 (Amendments) | Puttable financial instruments and obligations arising on liquidation [5] |
| HKAS 32 (Amendments) | Classification of right issues[7] |
| HKAS 39 (Amendment) | Eligible hedged items [4] |
| HKFRS 1 and HKAS 27 (Amendments) | Cost of an investment in a subsidiary, jointly controlled entity or associate [5] |
| HKFRS 1 (Amendments) | Amendments to HKFRS 1 – First-time adoption of Hong Kong Financial Reporting Standards – additional exemptions for first-time adopters [3] |
| HKFRS 2 (Amendments) | Share-based payment – Vesting conditions and cancellations [5] |
| HKFRS 2 (Amendments) | Share-based payment – Group cash-settled share-based payment transactions [3] |
| HKFRS 7 (Amendments) | Improving disclosures about financial instruments [5] |
| HKAS 1 (Revised) | Presentation of financial statements [2] |
| HKAS 23 (Revised) | Borrowing costs [5] |
| HKAS 27 (Revised) | Consolidated and separate financial statements [4] |
| HKFRS 1 (Revised) | First-time adoption of Hong Kong Financial Reporting Standards[4] |
| HKFRS 3 (Revised) | Business combinations [4] |
| HKFRS 8 | Operating segments [5] |
| HK(IFRIC) – Interpretation 15 | Agreements for the construction of real estate [5] |
| HK(IFRIC) – Interpretation 16 | Hedges of a net investment in a foreign operation [6] |
| HK(IFRIC) – Interpretation 17 | Distributions of non-cash assets to owners [4] |

*1* *Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009*
*2* *Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate*
*3* *Effective for annual periods beginning on or after 1 January 2010*
*4* *Effective for annual periods beginning on or after 1 July 2009*
*5* *Effective for annual periods beginning on or after 1 January 2009*
*6* *Effective for annual periods beginning on or after 1 October 2008*
*7* *Effective for annual periods beginning on or after 1 February 2010*

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations and the Directors of the Company so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

## (3) SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

### Business segments

| | Garment and related accessories | | Property investment | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | |
| Sales to/income from external customers | **432,080** | 447,416 | **-** | 2,591 | **432,080** | 450,007 |
| Other revenue | **47,682** | 40,571 | **8,523** | 8,520 | **56,205** | 49,091 |
| Total | **479,762** | 487,987 | **8,523** | 11,111 | **488,285** | 499,098 |
| **Segment results** | **(32,680)** | (35,432) | **219,240** | 47,354 | **186,560** | 11,922 |
| Unallocated corporate income and expenses | | | | | **(14)** | (17) |
| | | | | | **186,546** | 11,905 |
| Interest income | | | | | **846** | 521 |
| Finance costs | | | | | **(473)** | (1,656) |
| Profit before tax | | | | | **186,919** | 10,770 |
| Tax (charge)/credit | | | | | **(43,841)** | 10,446 |
| Profit for the year | | | | | **143,078** | 21,216 |
| **Assets and liabilities:** | | | | | | |
| Segment assets | **252,814** | 260,852 | **562,340** | 350,888 | **815,154** | 611,740 |
| Unallocated assets | | | | | **95,482** | 149,371 |
| Total assets | | | | | **910,636** | 761,111 |
| Segment liabilities | **63,549** | 70,957 | **122** | 774 | **63,671** | 71,731 |
| Unallocated liabilities | | | | | **116,419** | 82,965 |
| Total liabilities | | | | | **180,090** | 154,696 |
| **Other segment information:** | | | | | | |
| Depreciation of property, plant and equipment | **15,454** | 13,982 | **1** | 178 | **15,455** | 14,160 |
| Amortisation of land lease prepayments | **318** | 290 | **-** | - | **318** | 290 |
| Provision for bad and doubtful debts | **558** | 171 | **64** | - | **622** | 171 |
| (Write-back of provision)/provision for slow-moving inventories, net | **(2,572)** | 4,450 | **-** | - | **(2,572)** | 4,450 |
| Capital expenditure | **16,380** | 29,513 | **-** | - | **16,380** | 29,513 |
| Loss on disposal/write-off of property, plant and equipment | **4,798** | 4,136 | **-** | 397 | **4,798** | 4,533 |
| Gain on disposal of assets held for sale | **(1,247)** | - | **-** | - | **(1,247)** | - |
| (Write-back of provision)/provision for royalty receivables | **(2,185)** | 3,743 | **-** | - | **(2,185)** | 3,743 |
| Provision for/(write-back of) long outstanding trade payables | **291** | (1,788) | **-** | - | **291** | (1,788) |
| Bad debts written off | **112** | 267 | **-** | - | **112** | 267 |
| Gain on disposal of investment property | **-** | - | **-** | (30,000) | **-** | (30,000) |
| Fair value gain on investment property | **-** | - | **(212,372)** | (10,000) | **(212,372)** | (10,000) |

**Geographical segments**

| | Hong Kong | | Mainland China | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Segment revenue:** | | | | | | |
| Sales to/income from external customers | **276,656** | 286,164 | **155,424** | 163,843 | **432,080** | 450,007 |
| Other revenue | **9,346** | 9,914 | **46,859** | 39,177 | **56,205** | 49,091 |
| Total | **286,002** | 296,078 | **202,283** | 203,020 | **488,285** | 499,098 |
| **Other segment information:** | | | | | | |
| Total assets | **701,362** | 556,086 | **209,274** | 205,025 | **910,636** | 761,111 |
| Capital expenditure | **9,317** | 22,097 | **7,063** | 7,416 | **16,380** | 29,513 |

## (4) OTHER INCOME AND GAINS

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Other income** | | |
| Royalty income | **42,766** | 35,018 |
| Interest income | **846** | 521 |
| Sale of miscellaneous materials | **531** | 780 |
| Income from a related company for contributing an investment property as security | **8,520** | 8,520 |
| Others | **3,141** | 4,603 |
| | **55,804** | 49,442 |
| **Gains** | | |
| Gain on disposal of assets held for sale | **1,247** | - |
| Foreign exchange differences, net | **-** | 170 |
| | **57,051** | 49,612 |

## (5) PROFIT BEFORE TAX

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation of property, plant and equipment | **15,455** | 14,160 |
| (Write-back of provision)/provision for slow-moving inventories, net (included in cost of sales) | **(2,572)** | 4,450 |
| Other operating expenses, net: | | |
| Severance payments | **1,381** | 3,268 |
| Provision for bad and doubtful debts, net | **622** | 171 |
| Bad debts written off | **112** | 267 |
| Loss on disposal/write-off of property, plant and equipment | **4,798** | 4,533 |
| (Write-back of provision)/provision for royalty receivables | **(2,185)** | 3,743 |
| Provision for/(write-back of) long outstanding trade payables | **291** | (1,788) |
| Exchange loss, net | **403** | - |
| Others | **66** | - |
| | **5,488** | **10,194** |

## (6) FINANCE COSTS

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

## (7) TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong for the year (2008: HK$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.

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current - elsewhere | **8,938** | 6,283 |
| Deferred | **34,903** | (5,108) |
| Over-provision in prior years | **-** | (9,499) |
| Effect on change in tax rate | **-** | (2,122) |
| Tax charge/(credit) | **43,841** | (10,446) |

## (8) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of the Group for the year of HK$143,078,000 (2008: HK$21,216,000) and the number of 617,127,130 ordinary shares in issue throughout the two years.

No diluted earnings per share amount for the years ended 31 July 2009 and 2008 has been presented 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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **32,500** | 34,710 |
| Less: Allowance for bad and doubtful debts | **(15,938)** | (15,353) |
| | **16,562** | 19,357 |
| Deposits and prepayments | **45,603** | 52,560 |
| | **62,165** | 71,917 |

(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 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.

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

(iii) An aging analysis of the trade receivables as at the balance sheet date, net of provisions, based on the overdue date are as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables: | | |
| Current to 90 days | **13,353** | 14,534 |
| 91 to 180 days | **2,525** | 3,132 |
| 181 to 365 days | **675** | 1,418 |
| Over 365 days | **9** | 273 |
| | **16,562** | 19,357 |

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At beginning of year | **15,353** | 15,083 |
| Impairment loss recognised | **622** | 171 |
| Exchange realignments | **(37)** | 99 |
| At end of year | **15,938** | 15,353 |

At 31 July 2009, the Group's trade receivables of HK$15,938,000 (2008: HK$15,353,000) 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.

(v) An aging analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Neither past due nor impaired | **4,311** | 5,521 |
| Past due | | |
| Within 90 days | **9,042** | 9,013 |
| 91 days - 180 days | **2,525** | 3,132 |
| 181 days - 365 days | **675** | 1,418 |
| Over 365 days | **9** | 273 |
| | **12,251** | 13,836 |
| | **16,562** | 19,357 |

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was 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 significant changes 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**

An aging analysis of the trade payables as at the balance sheet date, based on the date of receipt of the goods and services purchased, and the balances of deposits received and accruals and other payables are as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables: | | |
| Current to 90 days | **9,650** | 17,492 |
| 91 to 180 days | **1,722** | 972 |
| 181 to 365 days | **1,249** | 1,382 |
| Over 365 days | **1,582** | 1,141 |
| | **14,203** | 20,987 |
| Deposits received | **18,197** | 23,648 |
| Other payables and accruals | **26,074** | 25,704 |
| | **58,474** | 70,339 |

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

## FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 July 2009 (2008: Final Dividend HK 3 cents per ordinary share). No interim dividend was declared by the Company for the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

During the year under review, turnover was HK$432,080,000 (2008: HK$450,007,000), representing a 4.0% decrease. Gross profit of the Group decreased by 8.1% to HK$252,345,000 (2008: HK$274,492,000).

The outbreak of the financial turmoil in the third quarter of 2008 has continued to depress the global economy. Though the financial market has been stable since March 2009, benefiting from the various governmental stimulus measures, consumer sentiment remains sluggish. The "Garment and Related Accessories" segment has further suffered from the high-standing rental expenses. In view of the sluggish consumer markets, during the year under review, the Group has adopted a series of more efficient advertising and promotional campaigns and also deployed much effort on human resources to maintain quality customer service in order to mitigate the adverse effect of the above business environment. Before taking into account the surplus from revaluation of and profit arising from the disposal of an investment property, the Group recorded an operational loss of HK$24,980,000 (2008: operational loss of HK$27,574,000).

Income from the "Property Investment" segment was the major contributor to the overall performance of the year under review. A surplus of HK$212,372,000 (2008: HK$10,000,000) on revaluation of an investment property was recorded during the year.

As a result of the above, the Group recorded a profit attributable to shareholders of HK$143,078,000 for the year ended 31 July 2009 (2008: HK$21,216,000).

**Operations in Hong Kong and Macau**

The Group operates 29 outlets for Crocodile line (2008: 26) and 6 outlets for Lacoste line (2008: 5) in Hong Kong and Macau as at 31 July 2009. The performance of these outlets recorded a decrease of 2.4% in turnover as compared to last year.

Affected by the slump in the retail market and high rental expenses, the Group has directed its efforts toward improving the retail network through shop re-positioning and relocation to maintain its competitiveness.

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

The consumer market in the Mainland was inevitably hit by the global economic slowdown. Although the Group has restructured its own retail network in major cities in the Mainland, sales decreased by 5.1% when compared to the last year. On the other hand, as a result of exercising stringent cost control, operating expenses in the Mainland reduced which had mitigated the negative effect of the above drop in sales.

The number of retail outlets run by the Group was 81 as at 31 July 2009 (2008: 82).

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

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

**Prospects**

Even though many of the current major economic reviews indicated that the worst of the economic situation has passed, consumer spending is anticipated to remain sluggish for some time. Therefore, the Group expects that the outlook for this line of business will still be challenging and difficult in coming years.

The management also notes that the property prices and shop rentals have stood high in the past which resulted in high operating costs and eroded the net profit of the Group. The Group intends to preserve cash to take the opportunities that may arise to acquire retail shops at affordable prices, and also to meet any forthcoming difficult environments. Accordingly, the Group is seeking every means to achieve such purpose, including considering the possibility of not paying dividend in the coming two to three years.

The occupation permit in respect of the Group's major investment property at 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the "KT Property") in joint venture with Lai Sun Garment (International) Limited ("LSG") was granted in September 2009. On completion of the redevelopment, the Group will own the office space and certain carparks. As long as the leasing market does not deteriorate further, this portion of the new commercial complex is expected to generate rental income to hedge a portion of the heavy rental expenses of the Group. The Company will retain a portion of the KT Property for the Group's self-use purposes.

**Contingent Liabilities**

As at 31 July 2009, the Group had the following contingent liabilities:

On 28 February 2006, the Company, LSG and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the "Development Agreement") in connection with the redevelopment of the KT Property. Further details of the redevelopment are included in the Company's circular dated 29 April 2006. In accordance with the Development Agreement, if construction finance is required by Unipress for financing the development and construction cost of the KT Property, the Group has agreed to provide or procure such security over or in relation to the KT Property as may reasonably be required by the relevant lending institution(s) and LSG is expected to provide a corporate guarantee as security for such finance.

On 8 February 2007, the Company's wholly-owned subsidiary, Crocodile KT Investment Limited ("Crocodile KT") entered into an agreement with a bank for a HK$361,000,000 term loan facility for financing the development and construction cost of the KT Property. The term loan drawn would be secured by a first legal charge over the KT Property and a first floating charge over all the undertaking, property and assets of Crocodile KT.

Pursuant to a deed of undertaking, guarantee and indemnity entered into amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, Crocodile KT is only required to be a party to the term loan arrangement, and Unipress and LSG should be responsible for the funding obligations in respect thereof. Accordingly, in substance Unipress and LSG are the borrowers of the term loan and the term loan would not be recognized in the financial statements of the Group.

As at 31 July 2009, the total amount of bank term loan drawn in respect of the above facility was HK$232,000,000 (2008: HK$82,000,000).

Apart from the foregoing, at 31 July 2009, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with contractors and consultants in aggregate principal sums of approximately HK$327,321,000 (2008: HK$326,760,000). The Group has also simultaneously entered into respective deeds of undertaking with Unipress and these contractors pursuant to which Unipress/LSG unconditionally and irrevocably undertakes to these contractors, as primary obligor/guarantor, to perform all obligations of the Group and to pay to the contractors all amounts due from time to time on the part of the Group under and in accordance with the terms of these construction and consultancy contracts. Accordingly, the obligation of these contracts would not be reflected in the financial statements of the Group.

**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 2009.

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$95,482,000 as at 31 July 2009 and were mainly denominated in Hong Kong dollars and Renminbi. The cash and cash equivalents denominated in Renminbi as at 31 July 2009 amounted to 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 2009, the total outstanding borrowings of the Group amounted to approximately 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$17,000,000 and unsecured trust receipt loans of approximately HK$19,090,000. Interest on bank borrowings is charged at floating rates. Except for unsecured trust receipt loans equivalent to HK$333,000 which is denominated in US dollars, all other 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 2009.

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

As at 31 July 2009, the Group had capital commitments, contracted, but not provided for, in respect of the land lease payments in the Mainland of approximately HK$3,905,000; acquisition of property, plant and equipment in the Mainland of approximately HK$12,100,000; expenditure on shop decorations in Hong Kong of approximately HK$679,000 and acquisition of equity interest of HK$1,720,000.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2009, 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 Annual Report save for the deviations from code provisions A.2.1, A.4.1 and E.1.2 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 Mr. 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.

*Code Provision E.1.2*

Under code provision E.1.2, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve any transaction that is subject to independent shareholders' approval.

An independent board committee was formed in February 2009 to advise the independent shareholders in respect of the proposal for the privatisation of the Company by Rich Promise Limited (the "Offeror") by way of a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance. A court meeting of all holders of the ordinary shares of the Company other than those of such shares beneficially owned by the Offeror and Mr. Lam Kin Ming was held on 24 March 2009 to consider the above proposal. Due to other business commitments, the chairman of the independent board committee was not present at that court meeting. However, other members of the independent board committee attended the court meeting to answer questions.

**REVIEW OF ANNUAL RESULTS**

The annual results of the Company for the year ended 31 July 2009 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 Monday, 21 December 2009. Notice of the Annual General Meeting and the Company's Annual Report for 2008-2009 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 2009

*As at the date of this announcement, the executive directors of the Company are Mr. 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.*