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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Crocodile Garments Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

**MAJOR TRANSACTION
DISPOSAL OF PROPERTY**

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

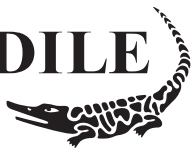
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Crocodile Garments Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration in the sum of HK\$130,000,000 payable by the Purchaser under the Provisional Agreement
“Dackart”	Dackart Trading Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Disposal”	the sale of the Property to the Purchaser pursuant to the Provisional Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Latest Practicable Date”	8 May 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange

DEFINITIONS

“Property”	all those 9 equal undivided 380th parts or shares of and in Section B, Section C and the Remaining Portion of Kowloon Inland Lot No. 6520, Shop 24 on Ground Floor and Mezzanine Floor, Shop 33B on G/F (G/F of No. 83B Nathan Road) and Mezzanine Floor (Shop No. 33B on Mezzanine Floor) and Basement (or Garage), Tsimshatsui Mansion, Nos. 83-97 Nathan Road and Nos. 36-50 Lock Road, Tsimshatsui, Kowloon
“Purchaser”	Ocean Kingdom Limited, a company incorporated in Hong Kong, or its nominees
“Provisional Agreement”	the provisional sale and purchase agreement dated 18 April 2008 and entered into between Dackart and the Purchaser for the sale and purchase of the Property
“Rich Promise”	Rich Promise Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Lam Kin Ming
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares”	shares of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD

CROCODILE



Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

Executive Directors:

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

Ms. Cheng Suet Fei, Sophia

Registered office:

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon

Hong Kong

Non-executive Directors:

Ms. Lam Suk Ying, Diana

Mr. Tong Ka Wing, Carl

Independent non-executive Directors:

Mr. Wan Yee Hwa, Edward

Mr. Yeung Sui Sang

Mr. Chow Bing Chiu

13 May 2008

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF PROPERTY

INTRODUCTION

By an announcement dated 22 April 2008, the Board announced that on 18 April 2008, Dackart, a wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser, an independent third party, for the sale of the Property at the consideration of HK\$130,000,000.

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The purpose of this circular is to provide you with further information in relation to the Disposal and such other information as required pursuant to the Listing Rules.

LETTER FROM THE BOARD

THE PROVISIONAL AGREEMENT

Date:

18 April 2008

Parties:

Vendor: Dackart, a wholly-owned subsidiary of the Company

Purchaser: Ocean Kingdom Limited, a company incorporated in Hong Kong, or its nominees.

Information on the Property

The Property comprises non-residential units situated at Tsimshatsui, Kowloon.

Consideration

The Consideration of the Disposal is HK\$130,000,000 which is payable in cash in the following manner:

- (i) HK\$3,690,000, being the initial deposit, has been paid by the Purchaser to Dackart's solicitors as stakeholders upon signing of the Provisional Agreement;
- (ii) HK\$9,310,000, being the further deposit, has been paid by the Purchaser to Dackart's solicitors as stakeholders and the formal sale and purchase agreement in respect of the Property has been signed on 7 May 2008;
- (iii) HK\$117,000,000, being the balance of the Consideration, shall be paid by the Purchaser to Dackart upon Completion.

The Consideration was agreed between the parties based on arm's length negotiations. The net loss before and after tax attributable to the Property for the year ended 31 July 2006, which were prepared in accordance with HKFRS and accounting principles generally accepted in Hong Kong, were approximately HK\$3,794,000 and HK\$215,000 respectively and the net profit before and after tax attributable to the Property for the year ended 31 July 2007, which were prepared in accordance with HKFRS and accounting principles generally accepted in Hong Kong were approximately HK\$7,229,000 and HK\$4,826,000 respectively.

LETTER FROM THE BOARD

The Property is valued at HK\$125,000,000 by Savills Valuation and Professional Services Limited as at 15 April 2008. Details of a valuation report on the Property prepared by Savills Valuation and Professional Services Limited are set out in this circular on pages 7 to 10.

Completion

Pursuant to the terms of the Provisional Agreement and subject to the approval of the Company, Completion of the Disposal shall take place at or before 5:00 p.m. on 15 July 2008.

REASON FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Consideration for the Disposal has substantially reflected the long term investment potential of the Property and the Disposal therefore provides an opportunity for the Group to realise its investment in the Property.

The Directors also consider that the terms of the Provisional Agreement are on normal commercial terms and are fair and reasonable and the entering into of the Provisional Agreement is in the interests of the Company and the Shareholders as a whole. The Directors are not aware of any arrangement or matter regarding the Disposal that were material and which have not been disclosed in this circular.

INTENDED USE OF PROCEEDS AND FINANCIAL EFFECTS OF THE DISPOSAL

The book value of the Property was HK\$90,000,000 as at 31 July 2007. The difference between the Consideration of HK\$130,000,000 and the said book value of HK\$90,000,000 gives rise to an unaudited gain of approximately HK\$40,000,000 (before expenses and tax) which will be recorded in the accounting year ending 31 July 2008. The Disposal is expected to generate net cash proceeds, which will be applied as general working capital of the Group.

INFORMATION ON THE PARTIES

The Company is the holding company of the Group which is principally engaged in the manufacture and sale of garments and property investments.

The principal activity of the Purchaser is land investment and development.

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, (i) the counterparty and the ultimate beneficial owner of the counterparty are third parties independent of the Company and connected persons of the Company and (ii) there was no previous transaction(s) between the Company and the Purchaser (and also its beneficial owner) which may require aggregation under Rule 14.22 of the Listing Rules.

LETTER FROM THE BOARD

WRITTEN SHAREHOLDER'S APPROVAL

The Provisional Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules as certain applicable percentage ratios exceed 25% but are less than 75%. Pursuant to Rule 14.44 of the Listing Rules, in the event that (i) a written approval has been obtained from a Shareholder who holds more than 50% of the issued share capital of the Company; and (ii) no Shareholder is required to abstain from voting at the general meeting of the Company to approve the Disposal, a written approval can be accepted in lieu of holding a general meeting of the Company for Shareholders to approve the Disposal.

Rich Promise, which currently holds 314,800,000 shares representing 51.01% of the issued share capital of the Company, has given a written approval in respect of the Disposal as stated above. As no Shareholder will be required to abstain from voting if the Company were to convene a general meeting to approve the Disposal, the above written approval is accepted in lieu of holding a general meeting of the Company to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Crocodile Garments Limited
Lam Kin Ming
Chairman and Chief Executive Officer

Following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with its valuation of the Property to be disposed of by the Group as at 15 April 2008.



The Directors
Crocodile Garments Limited
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA Licence: C-023750
savills.com

13 May 2008

Dear Sirs,

RE: THE WHOLE OF BASEMENT, SHOP NO. 24 ON GROUND AND MEZZANINE FLOORS AND SHOP NO. 33B ON GROUND AND MEZZANINE FLOORS (NOW KNOWN AS GROUND AND MEZZANINE FLOORS OF 83B NATHAN ROAD), TSIMSHATSUI MANSION, 83-97 NATHAN ROAD, 36-50 LOCK ROAD, TSIM SHA TSUI, KOWLOON (THE “PROPERTY”)

In accordance with your instructions for us to value the Property held by Crocodile Garments Limited (referred to as the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) for investment, we confirm that we have caused land searches at the Land Registry and made relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 15 April 2008 for public circular purposes.

Our valuation is our opinion of the market value of the Property concerned which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and in compliance with the requirements of Chapter 5 of the Listing Rules published by the Stock Exchange of Hong Kong Limited.

We have valued the Property with reference to sales evidence as available on the market and where appropriate on the basis of capitalization of the net rental income shown on schedules provided to us. We have allowed for outgoings and made provisions for reversionary income potential.

We have not been provided with any title document relating to the Property but we have caused searches to be made at the Land Registry. We have not, however, inspected the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies obtained by us.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have inspected the exterior of the Property and where possible, we have also inspected the interior of the premises. However, no structural survey has been made to the Property but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Property is free of rot, infestation or any other structural defect. No test was carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We enclose herewith our valuation certificate.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited
Charles C K Chan
MSc FRICS FHKIS MCI Arb RPS (GP)
Managing Director

Note: Mr. Charles C K Chan, chartered estate surveyor, MSc, FRICS, FHKIS, MCI Arb, RPS(GP), has been a qualified valuer since June 1987 and has about 23 years experience in the valuation of properties in Hong Kong

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 15 April 2008
The Whole of Basement, Shop No. 24 on Ground and Mezzanine Floors and Shop No. 33B on Ground and Mezzanine Floors (Now known as Ground and Mezzanine Floors of 83B Nathan Road), Tsimshatsui Mansion, 83-97 Nathan Road, 36-50 Lock Road, Tsim Sha Tsui, Kowloon	The Property comprises the whole Basement and two shop units on the Ground Floor of a composite building completed in 1961. The total saleable area of the Property is approximately 1,180.42 sq m (12,706 sq ft).	Portion of the Property is subject to a tenancy for a term of five years from 15 November 2007 at a monthly rent of HK\$190,000 for the first to the third years and HK\$220,000 for the fourth to the fifth years exclusive of rates, Government rent and management and air-conditioning fees. The remaining portion of the Property is subject to a tenancy for a term of three years from 1 December 2007 at a monthly rent of HK\$161,000 exclusive of rates, Government rent and management and air-conditioning fees.	HK\$125,000,000
9/380th shares of and in Sections B, C and The Remaining Portion of Kowloon Inland Lot No. 6520.	Kowloon Inland Lot No. 6520 is held under Conditions of Renewal No. 5289 for a term of 150 years from 24 June 1889. The annual Government rent payable for Kowloon Inland Lot No. 6520 is HK\$624.		

Notes:

- (1) The registered owner of the Property is Dackart Trading Company Limited in which the Company has a 100% interest.
- (2) The Property is subject to a Debenture in favour of Bank of China (Hong Kong) Limited.
- (3) The Property lies within an area zoned "Commercial (6)" under Tsim Sha Tsui Outline Zoning Plan.
- (4) The Property is subject to an Order No. DBZ/U25/0016/01 by the Building Authority under S.26 of the Buildings Ordinance (Re: for exterior of the building).

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Summary of the results, assets and liabilities of the Group for the three financial years ended 31 July 2007, 2006 and 2005 extracted from the relevant annual reports of the Company is set out below.

	Year ended 31 July		
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue	<u>441,155</u>	<u>385,809</u>	<u>396,862</u>
Operating profit	16,139	3,957	32,671
Fair value gains on investment properties	7,000	146,593	36,300
Gains on disposal of investment properties	<u>—</u>	<u>—</u>	<u>77,009</u>
Profit before tax	23,139	150,550	145,980
Tax	<u>(1,580)</u>	<u>(40,531)</u>	<u>(18,775)</u>
Profit attributable to equity holders of the Company	<u>21,559</u>	<u>110,019</u>	<u>127,205</u>
	As at 31 July		
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Total assets	<u>725,511</u>	<u>728,564</u>	<u>575,954</u>
Total liabilities	153,173	176,945	134,458
Equity attributable to equity holders of the Company	<u>572,338</u>	<u>551,619</u>	<u>441,496</u>
	<u>725,511</u>	<u>728,564</u>	<u>575,954</u>

2. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 31 JANUARY 2008

Condensed Consolidated Income Statement

For the six months ended 31 January 2008

	<i>Notes</i>	Six months ended	
		2008	2007
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	3	230,739	218,690
Cost of sales		<u>(90,158)</u>	<u>(85,949)</u>
Gross profit		140,581	132,741
Other income	4	24,270	20,289
Selling and distribution costs		(138,139)	(124,213)
Administrative expenses		(26,600)	(24,028)
Other operating expenses, net	5	(2,999)	(1,489)
Fair value gains on investment properties		10,000	2,000
Finance costs		<u>(961)</u>	<u>(893)</u>
PROFIT BEFORE TAX	5	6,152	4,407
Tax	6	<u>(3,887)</u>	<u>(2,267)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>2,265</u>	<u>2,140</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
— basic (<i>HK cents</i>)	7	<u>0.37</u>	<u>0.35</u>

Condensed Consolidated Balance Sheet*As at 31 January 2008*

	<i>Notes</i>	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		41,340	27,944
Investment properties		449,628	439,628
Land lease payments		14,583	14,443
Rental and utility deposits		20,043	19,231
Deposits for prepaid land lease payments		30,256	29,685
		<u>555,850</u>	<u>530,931</u>
Current assets			
Inventories	8	96,798	82,546
Trade receivables, deposits and prepayments	9	58,238	52,648
Amount due from a related company	16(b)	710	710
Cash and cash equivalents		67,258	58,676
		<u>223,004</u>	<u>194,580</u>
Current liabilities			
Short-term borrowings		69,117	30,197
Trade and other payables	10	77,720	61,367
Amounts due to related companies	16(b)	256	76
Current tax payable		9,498	9,498
		<u>156,591</u>	<u>101,138</u>
Net current assets		<u>66,413</u>	<u>93,442</u>
Total assets less current liabilities		<u>622,263</u>	<u>624,373</u>
Non-current liabilities			
Provision for long service payments		989	1,989
Deferred tax liabilities	11	50,936	50,046
		<u>51,925</u>	<u>52,035</u>
Net assets		<u>570,338</u>	<u>572,338</u>
Equity			
Equity attributable to equity holders of the Company			
Issued capital	12	154,282	154,282
Reserves		333,275	331,369
Retained profits		82,781	86,687
Total equity		<u>570,338</u>	<u>572,338</u>

Condensed Consolidated Statement of Changes in Equity*For the six months ended 31 January 2008*

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 August 2006 (audited)	154,282	164,921	—	283	172,110	60,023	551,619
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	6,924	—	—	6,924
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	—	—	—	(7,800)	—	(7,800)
Transfer to income statement on disposal of property	—	—	—	—	(5,105)	5,105	—
Total income and expenses recognised directly in equity	—	—	—	6,924	(12,905)	5,105	(876)
Net profit for the year	—	—	—	—	—	21,559	21,559
Total recognised income and expenses for the year	—	—	—	6,924	(12,905)	26,664	20,683
Recognition of equity- settled share-based payment	—	—	36	—	—	—	36
At 31 July 2007 (audited) and 1 August 2007	154,282	164,921	36	7,207	159,205	86,687	572,338
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	1,449	—	—	1,449
Dividends paid — 2007 final	—	—	—	—	—	(6,171)	(6,171)
Total income and expenses recognised directly in equity	—	—	—	1,449	—	(6,171)	(4,722)
Net profit for the period	—	—	—	—	—	2,265	2,265
Total recognised income and expenses for the period	—	—	—	1,449	—	(3,906)	(2,457)
Recognition of equity- settled share-based payment	—	—	457	—	—	—	457
At 31 January 2008 (unaudited)	154,282	164,921	493	8,656	159,205	82,781	570,338

Condensed Consolidated Cash Flow Statement*For the six months ended 31 January 2008*

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(10,352)	(14,858)
Net cash outflow from investing activities	(20,890)	(12,921)
Net cash inflow from financing activities	39,290	11,506
Net increase/(decrease) in cash and cash equivalents	8,048	(16,273)
Cash and cash equivalents at beginning of period	58,306	78,713
Effect of foreign exchange rate changes, net	904	1,294
Cash and cash equivalents at end of period	67,258	63,734
Analysis of Balances of Cash and Cash Equivalents		
Cash and bank balances	67,258	63,285
Non-pledged time deposits with original maturity of less than three months when acquired	—	2,040
Bank overdrafts	—	(1,591)
	67,258	63,734

Notes to Condensed Consolidated Interim Financial Statements

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. Principal Accounting Policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain investment properties which have been measured at fair value. The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2007, except for adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations (“Int”)) which are generally effective for annual periods beginning on or after 1 August 2007:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of these new HKFRSs has no material effect on the Group’s results and financial position for the current or prior accounting periods reflected in these financial statements.

The Group has not early adopted the following new HKFRSs which have been issued but not yet effective:

HKFRS 8	Operating Segments ¹
HKAS 23 (Revised)	Borrowing Cost ¹
HK(IFRIC) — Int 12	Service Concession Arrangements ²
HK(IFRIC) — Int 13	Customer Loyalty Programmes ³
HK(IFRIC) — Int 14	The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 January 2008.

³ Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new HKFRSs will have no material impacts on the financial statements 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.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories; and
- (b) the property investment segment invests in land and buildings for their rental income potential.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Business segments

For the six months ended 31 January 2008 (unaudited)

	Garment and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	229,121	1,618	230,739
Other revenue	19,782	4,260	24,042
Total	<u>248,903</u>	<u>5,878</u>	<u>254,781</u>
Segment results	<u>(8,050)</u>	<u>14,941</u>	6,891
Unallocated corporate income and expenses			(6)
			6,885
Interest income			228
Finance costs			(961)
Profit before tax			6,152
Tax			(3,887)
Profit for the period attributable to equity holders of the Company			<u>2,265</u>

	Garment and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets and liabilities:			
Segment assets	259,164	452,432	711,596
Unallocated assets			67,258
Total assets			<u>778,854</u>
Segment liabilities	77,168	1,796	78,964
Unallocated liabilities			129,552
Total liabilities			<u>208,516</u>
Other segment information:			
Depreciation	7,243	89	7,332
Amortisation of land lease payments	136	—	136
Provision for bad and doubtful debts	228	—	228
Provision for slow-moving inventories, net	2,242	—	2,242
Capital expenditure	21,119	—	21,119
Loss on disposal/write-offs of items of property, plant and equipment, net	740	—	740
Fair value gains on investment properties	—	(10,000)	(10,000)
	<u> </u>	<u> </u>	<u> </u>

For the six months ended 31 January 2007 (unaudited)

	Garment and related accessories <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	216,912	1,778	218,690
Other revenue	15,713	4,260	19,973
Total	<u>232,625</u>	<u>6,038</u>	<u>238,663</u>
Segment results	<u>(2,244)</u>	<u>7,236</u>	4,992
Unallocated corporate income and expenses			(8)
			4,984
Interest income			316
Finance costs			(893)
Profit before tax			4,407
Tax			(2,267)
Profit for the period attributable to equity holders of the Company			<u>2,140</u>
Other segment information:			
Depreciation	7,552	89	7,641
Provision for slow-moving inventories, net	39	—	39
Capital expenditure	7,297	—	7,297
Fair value gains on investment properties	—	(2,000)	(2,000)
	<u> </u>	<u> </u>	<u> </u>

*Geographical segments**For the six months ended 31 January 2008 (unaudited)*

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	144,756	85,983	230,739
Other revenue	6,296	17,746	24,042
Total	<u>151,052</u>	<u>103,729</u>	<u>254,781</u>
Other segment information:			
Segment assets	564,632	146,964	711,596
Unallocated assets			67,258
Total assets			<u>778,854</u>
Capital expenditure	<u>19,197</u>	<u>1,922</u>	<u>21,119</u>

For the six months ended 31 January 2007 (unaudited)

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:			
Sales to/income from external customers	140,691	77,999	218,690
Other revenue	4,375	15,598	19,973
Total	<u>145,066</u>	<u>93,597</u>	<u>238,663</u>
Other segment information:			
Capital expenditure	<u>2,983</u>	<u>4,314</u>	<u>7,297</u>

4. Other Income

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Royalty income	16,345	13,701
Interest income	228	316
Sale of miscellaneous materials	461	258
Income from a related company for contributing an investment property as security	4,260	4,260
Others	2,976	1,754
	<u>24,270</u>	<u>20,289</u>

5. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	7,332	7,641
Amortisation of land lease payments	136	—
Provision for slow-moving inventories, net	2,242	39
Other operating expenses/(income):		
Severance payments	2,029	1,667
Provision for bad and doubtful debts, net	228	—
Loss on disposal/write-offs of items of property, plant and equipment, net	740	—
Foreign exchange differences, net	2	(178)
	<u>2,999</u>	<u>1,489</u>

6. Tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the period (2007 (unaudited): Nil). The current and prior periods' tax charge represented deferred tax.

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.

	Six months ended	
	31 January	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Elsewhere	2,997	1,938
Deferred — <i>(note 11)</i>	890	329
	<u>3,887</u>	<u>2,267</u>

7. Earnings Per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK\$2,265,000 (2007 (unaudited): HK\$2,140,000) and the number of 617,127,130 (2007 (unaudited): 617,127,130) ordinary shares in issue throughout the period.

No diluted earnings per share amount for the period ended 31 January 2008 has been presented as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period. No dilutive earnings per share amount for the period ended 31 January 2007 had been calculated as no diluting events existed for that period.

8. Inventories

	31 January	31 July
	2008	2007
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	7,282	9,649
Work in progress	812	1,374
Finished goods	88,704	71,523
	<u>96,798</u>	<u>82,546</u>

9. Trade Receivables, Deposits and Prepayments

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.

An aging analysis of trade receivables as at the balance sheet date, net of provisions, based on the overdue date, and the balances of deposits and prepayments are as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Trade receivables:		
Current to 90 days	13,556	12,138
91 to 180 days	3,334	3,363
181 to 365 days	2,663	873
	<u>19,553</u>	<u>16,374</u>
Deposits and prepayments	38,685	36,274
	<u>58,238</u>	<u>52,648</u>

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:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Trade payables:		
Current to 90 days	30,581	20,199
91 to 180 days	1,814	1,643
181 to 365 days	634	1,141
Over 365 days	2,600	2,869
	<u>35,629</u>	<u>25,852</u>
Deposit received	18,567	14,085
Accruals and other payables	23,524	21,430
	<u>77,720</u>	<u>61,367</u>

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

11. Deferred Tax Liabilities

The movements in deferred tax liabilities and assets during the period are as follows:

	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	Accelerated capital allowances <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net deferred tax assets/ (liabilities) at 1 August 2006 (audited)	850	(433)	(42,121)	(41,704)
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	—	(7,800)	(7,800)
Deferred tax charged during the year	<u>(31)</u>	<u>(127)</u>	<u>(384)</u>	<u>(542)</u>
Net deferred tax assets/ (liabilities) at 31 July 2007 (audited) and 1 August 2007	819	(560)	(50,305)	(50,046)
Deferred tax credited/ (charged) during the period (<i>note 6</i>)	<u>(36)</u>	<u>30</u>	<u>(884)</u>	<u>(890)</u>
Net deferred tax assets/ (liabilities) at 31 January 2008 (unaudited)	<u><u>783</u></u>	<u><u>(530)</u></u>	<u><u>(51,189)</u></u>	<u><u>(50,936)</u></u>

The Group has tax losses arising in Hong Kong of HK\$208,792,000 (31 July 2007 (audited): HK\$183,171,000). During the period, the Group did not have tax losses arising on the Mainland of China (31 July 2007 (audited): Nil). Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised, to the extent that, in the opinion of the Company's directors, it is uncertain that future taxable profits would arise to offset against these losses.

At 31 January 2008, there was no significant unrecognised deferred tax liability (31 July 2007 (audited): Nil) for taxes that would be payable on the unremitted earnings of certain subsidiaries of the Group as the Group has no liability to additional tax should such amounts be remitted.

12. Share Capital

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Authorised		
800,000,000 ordinary shares of HK\$0.25 each	200,000	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK\$0.25 each	154,282	154,282

13. Operating Lease Arrangements

(a) As lessor

The Group leases certain of their investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with their tenants falling due as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Within one year	4,051	1,687
In the second to fifth years, inclusive	12,740	4,186
	<u>16,791</u>	<u>5,873</u>

(b) As lessee

The Group leases their office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Within one year	92,612	92,880
In the second to fifth years, inclusive	111,013	124,477
	<u>203,625</u>	<u>217,357</u>

The operating lease rentals of certain retail shops are based on the higher of a fixed rental and a contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales of these retail shops could not be accurately determined, the relevant contingent rent has not been included above and only the minimum lease commitment has been included in the above table.

14. Commitments

In addition to the operating lease commitments detailed in note 13(b) above, the Group had the following capital commitments at the balance sheet date:

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Contracted, but not provided for:		
Land lease payments on Mainland China	4,904	5,936
Expenditure on shops decorations in Hong Kong	136	2,351
	<u>5,040</u>	<u>8,287</u>

15. Contingent Liabilities

As at 31 July 2007, the Company was required to provide a guarantee to a bank for facilities granted to a subsidiary and the facilities were not utilized at that date. During the period under review, the Group re-arranged its facilities with the aforesaid bank and the Company was no longer required to provide any guarantees since then.

On 28 February 2006, the Company, Lai Sun Garment (International) Limited (“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 an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (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 will 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 will not be recognized in the financial statements of the Group.

At 31 January 2008, the total amount of bank term loan drawn in respect of the above facility was HK\$41,000,000 (31 July 2007 (audited): HK\$28,000,000).

Apart from the foregoing, at the balance sheet date, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sum of approximately HK\$326,440,000 (31 July 2007 (audited): HK\$53,502,000). The Group has also simultaneously entered into the respective deeds of undertakings 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 consultant contracts. Accordingly, the obligation of these contracts will not be reflected in the financial statements of the Group.

16. Related Party Transactions

(a) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended	
		2008	2007
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	1,259	1,227
Related companies	(ii)	1,617	1,355
Income from a related company for contributing an investment property as security	(iii)	4,260	4,260

Notes:

- (i) Lai Sun Textiles Company Limited is a company beneficially owned by certain directors of the Company. The rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.
- (ii) The rental expenses and building management fee were paid to these related companies, of which certain directors of the Company are also the directors of these related companies, based on terms stated in the respective lease agreements.
- (iii) In consideration of the Group contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress shall make a quarterly payment of HK\$2,130,000 to the Group during the period from the delivery of vacant possession of the KT Property to the completion of construction.

The directors of the Company consider that the above transactions have been conducted in the ordinary and usual course of the Group's business.

(b) Outstanding balances with related parties

	31 January 2008 (Unaudited) HK\$'000	31 July 2007 (Audited) HK\$'000
Amount due from a related company	<u>710</u>	<u>710</u>
Amounts due to related companies	<u>256</u>	<u>76</u>

The balances were derived from normal business activities and are unsecured, interest-free and repayable on terms similar to those granted to major customers or by major suppliers of the Group. The carrying values of these amounts approximate to their fair values.

3. INDEBTEDNESS**Borrowings**

As at 31 March 2008, being the latest practicable date for the purpose of this indebtedness statement, the total outstanding borrowings of the Group amounted to approximately HK\$61,036,000 which were repayable within a period not exceeding one year. The total outstanding borrowings comprised secured short-term bank loans of approximately HK\$22,150,000, unsecured short-term bank loans of approximately HK\$17,000,000 and unsecured trust receipt loans of approximately HK\$21,886,000.

As at 31 March 2008, the above secured short-term bank loans were secured by the Property with market value of HK\$125,000,000 based on an independent professional valuation on 15 April 2008.

Contingent liabilities

As at 31 March 2008, the Group had the following contingent liabilities:

On 28 February 2006, the Company, Lai Sun Garment (International) Limited (“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 an investment property situated at 79 Hoi Yuen Road, Kwun Tong, Kowloon (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 will 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 will not be recognized in the financial statements of the Group.

At 31 March 2008, the total amount of bank term loan drawn in respect of the above facility was HK\$48,000,000.

Apart from the foregoing, at 31 March 2008, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sum of approximately HK\$326,440,000. The Group has also simultaneously entered into respective deeds of undertakings 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 will not be reflected in the financial statements of the Group.

Commitments

At 31 March 2008, the Group had the capital commitments, contracted, but not provided for, in respect of the land lease payments on the Mainland of China of approximately HK\$4,997,000 and expenditure on shops decoration in Hong Kong of approximately HK\$675,000.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities, and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, authorised or otherwise created but unissued term loans or other borrowings, indebtedness in nature of borrowings, liabilities under acceptances (other than trade bills) or acceptance credits, debentures,

mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at 31 March 2008.

4. WORKING CAPITAL

The Directors, after due and careful consideration and taking into account the available banking facilities and internal resources of the Group, are of the opinion that upon Completion, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

Up to 31 March 2008, the Directors confirm that there are no material adverse changes in the financial or trading position of the Group since 31 July 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECT

In view of the substantial increment in rental and staff costs and the volatility of the stock market, the outlook for retail sector will continue to be challenging in Hong Kong and Macau. To cope with the above business environment, the Group has been undertaking positive measures, including product perfecting, sale network restructuring and strict cost control.

The Group, which has a well-established sales channel via its self-operated and franchised outlets on the Mainland of China, is well positioned to benefit from the Mainland of China's growing fashion sector as a result of the remarkable increase in the consumer spending in the retail market.

The redevelopment project of the Group's investment property in Kwun Tong, Hong Kong is planned for completion by the end of 2009. This investment property will be built into a new commercial complex and is expected to generate stable rental income to the Group in the future.

At 31 March 2008, the Group had total assets of approximately HK\$777,164,000 and a net assets value of HK\$576,606,000. Its debt-to-equity ratio was approximately 10.6%, expressed as a percentage of total borrowings to total net assets. The cash and bank balances of the Group were approximately HK\$75,177,000. The Directors anticipate that the Group will continue to keep a healthy financial position with a reasonable level of debts during the current financial year to support its business operation.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) ; (ii) were required to be entered in the register (the "Register") kept by the Company pursuant to Section 352 of the SFO; or (iii) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

(a) The Company

Name of Director	Personal Interests	Long positions in the Shares			Capacity	Total	Percentage
		Family Interests	Corporate Interests	Other Interests			
Lam Kin Ming	Nil	Nil	314,800,000 <i>(Note 1)</i>	617,000 <i>(Note 2)</i>	Beneficial owner	315,417,000	51.11%
Lam Wai Shan, Vanessa	Nil	Nil	Nil	6,170,000 <i>(Note 2)</i>	Beneficial owner	6,170,000	1.00%

Notes:

1. Rich Promise Limited ("RPL") beneficially owned 314,800,000 Shares. Mr. Lam Kin Ming was deemed to be interested in 314,800,000 Shares by virtue of his 100% interest in RPL.

2. There are options granted under a share option scheme adopted by the Company on 22 December 2006 which will remain in force for a period of 10 years. Details of the options granted to the above Directors are set out below:

Name	Date of Grant (dd/mm/yyyy)	Number of Options	Option Period	Subscription Price
Lam Kin Ming	13/07/2007	617,000	13/07/2007 — 12/07/2011	HK\$0.68 per Share
Lam Wai Shan, Vanessa	13/07/2007	6,170,000	13/07/2007 — 12/07/2011	HK\$0.68 per Share

(b) Associated Corporation

Rich Promise Limited (“RPL”)

Name of Director	Long positions in the shares of RPL				Capacity	Total	Percentage
	Personal Interests	Family Interests	Corporate Interests				
Lam Kin Ming	1	Nil	Nil	Beneficial owner	1	100%	

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

3. SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, based on the register of interests kept by the Company under Section 336 of the SFO, the following persons (one of whom is a Director and the chief executive of the Company) had, or were deemed to have, an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Long positions in the Shares			Percentage
	Capacity	Nature of Interests	Number of Shares	
RPL	Beneficial owner	Corporate	314,800,000	51.01%
Lam Kin Ming	Beneficial owner	Corporate and other	315,417,000 <i>(Notes 1 and 2)</i>	51.11%

Notes:

1. Mr. Lam Kin Ming was deemed to be interested in 314,800,000 Shares by virtue of his 100% interest in RPL.
2. Mr. Lam Kin Ming was granted options to subscribe for 617,000 Shares on 13 July 2007.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any party who, as at the Latest Practicable Date, had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any subsidiary of the Company which does not expire or is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

None of the Directors had any interest, direct or indirect, in any assets which have since 31 July 2007, being the date to which the latest published audited accounts of the Company were made up, up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by, or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed in Appendix II of this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which is significant in relation to the business of the Group.

7. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Directors were considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules:

Mr. Lam Kin Ming and Mr. Lam Kin Ngok, Peter hold directorships and/or interests respectively in certain private companies which are engaged in related businesses of the garment industry.

Mr. Lam Kin Ming, Ms. Lam Wai Shan, Vanessa, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew hold interests and/or directorships in certain private companies ("Private Companies"), Lai Sun Garment (International) Limited and/or Lai Sun Development Company Limited engaged in the business of property investment in Hong Kong.

In view of the different locations and different uses of the properties owned by the Private Companies, Lai Sun Garment (International) Limited and Lai Sun Development Company Limited to those of the Group, the Directors do not consider the personal interests held by the abovementioned Directors to compete in practice with those of the Group.

As none of the above Directors can control the Board which comprises ten directors, the Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of the aforesaid private companies.

Save as disclosed above, and as at the Latest Practicable Date, none of the Directors or their respective associates was interested in, apart from the Group's businesses, any business which competes or is likely to compete, either directly or indirectly, with businesses of the Group.

8. QUALIFICATION AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Savillis Valuation and Professional Services Limited (“Savills”)	Professional property valuer

Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or references to its name in the form and context in which it appears.

Savills does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Since 31 July 2007 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, Savills does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claims which is in the opinion of the Directors of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) The agreement dated 22 June 2006 and entered into between Zhongshan Crocodile Garments Limited (中山鱷魚恤服飾有限公司), a subsidiary of the Company, as purchaser and Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) as vendor in respect of a piece of industrial-use land known as “Ping Pu” located at Wu Shi Village, Sanxiang Town, Zhongshan City, Guangdong Province, the People’s Republic of China.

- (b) The Provisional Agreement.
- (c) The formal sale and purchase agreement in respect of the Property.

11. PROCEDURES TO DEMAND A POLL

Pursuant to Article 74 of the Articles of Association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members of the Company present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a member or members of the Company present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (iv) by a member or members of the Company present in person (or in the case of a member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which the aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representatives shall be deemed to be the same as a demand by a member.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company up to and including 27 May 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed “Material Contracts” in paragraph 10 of this Appendix III;

- (c) the annual reports of the Company for the two years ended 31 July 2007;
- (d) the letter and valuation certificate prepared by Savills, the text of which is set out on pages 7 to 10 of this circular; and
- (e) the written consent from Savills referred to in paragraph 8 of this Appendix III.

13. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yeung Kam Hoi. He is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a member of The Hong Kong Securities Institute.
- (b) The qualified accountant of the Company is Mr. Ko Ming Kin. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales.
- (c) The registered office of the Company is at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (d) The share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.