CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2008

RESULTS

The board of directors (the "Board") of Crocodile Garments Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 January 2008 together with the comparative figures as follows:

Condensed Consolidated Income Statement
For the six months ended 31 January 2008

		Six months ended 31 January	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	3	**230,739**	218,690
Cost of sales		**(90,158)**	(85,949)
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		**(961)**	(893)
PROFIT BEFORE TAX	5	**6,152**	4,407
Tax	6	**(3,887)**	(2,267)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**2,265**	2,140
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY - basic (HK cents)	7	**0.37**	0.35

Condensed Consolidated Balance Sheet

As at 31 January 2008

	Notes	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
		555,850	530,931
Current assets			
Inventories		**96,798**	82,546
Trade receivables, deposits and prepayments	8	**58,238**	52,648
Amount due from a related company		**710**	710
Cash and cash equivalents		**67,258**	58,676
		223,004	194,580
Current liabilities			
Short-term borrowings		**69,117**	30,197
Trade and other payables	9	**77,720**	61,367
Amounts due to related companies		**256**	76
Current tax payable		**9,498**	9,498
		156,591	101,138
Net current assets		**66,413**	93,442
Total assets less current liabilities		**622,263**	624,373
Non-current liabilities			
Provision for long service payments		**989**	1,989
Deferred tax liabilities		**50,936**	50,046
		51,925	52,035
Net assets		**570,338**	572,338
Equity			
Equity attributable to equity holders of the Company			
Issued capital		**154,282**	154,282
Reserves		**333,275**	331,369
Retained profits		**82,781**	86,687
Total equity		**570,338**	572,338

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.

Business segments

For the six months ended 31 January 2008 (unaudited)

	Garment and related accessories *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue:			
Sales to/income from external customers	229,121	1,618	230,739
Other revenue	19,782	4,260	24,042
Total	248,903	5,878	254,781
Segment results	(8,050)	14,941	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			2,265
Assets and liabilities:			
Segment assets	259,164	452,432	711,596
Unallocated assets			67,258
Total assets			778,854
Segment liabilities	77,168	1,796	78,964
Unallocated liabilities			129,552
Total liabilities			208,516
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)

For the six months ended 31 January 2007 (unaudited)

	Garment and related accessories *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000*
Segment revenue:			
Sales to/income from external customers	216,912	1,778	218,690
Other revenue	15,713	4,260	19,973
Total	232,625	6,038	238,663
Segment results	(2,244)	7,236	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			2,140
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)

Geographical segments

For the six months ended 31 January 2008 (unaudited)

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

For the six months ended 31 January 2007 (unaudited)

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

4. Other Income

	Six months ended 31 January 2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
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
	24,270	20,289

5. Profit Before Tax

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

	Six months ended 31 January 2008 (Unaudited) *HK$'000*	2007 (Unaudited) *HK$'000*
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)
	2,999	1,489

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)
	HK$'000	*HK$'000*
Current - Elsewhere	**2,997**	1,938
Deferred	**890**	329
	3,887	2,267

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. 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)	31 July 2007 (Audited)
	HK$'000	*HK$'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
	19,553	16,374
Deposits and prepayments	**38,685**	36,274
	58,238	52,648

9. 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)	31 July 2007 (Audited)
	HK$'000	*HK$'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
	35,629	25,852
Deposit received	**18,567**	14,085
Accruals and other payables	**23,524**	21,430
	77,720	61,367

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

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the period under review, turnover was HK$231 million (2007: HK$219 million), representing a 5.5% increase. Gross profit of the Group increased by 6.0%, to HK$141 million (2007: HK$133 million).

Despite the increase in turnover and gross profit, the escalating retail rental expenses had adversely affected the performance of the Group. During the period, as part of its continuous efforts to improve brand recognition for its own brand "Crocodile", the Group has spent considerably investment in a series of promotional campaigns. In addition, the Group has also deployed much effort on human resources in recognition that quality staff is crucial to its continual efforts to improve service level to customers.

As a result of the above, the Group recorded a profit attributable to shareholders of HK$2.3 million for the period under review (2007: HK$2.1 million).

Operations Review

Hong Kong and Macau

The Group operates 25 outlets for Crocodile line and 4 outlets for Lacoste line in Hong Kong and Macau. The performance of these outlets was stable with an increase of 3.0% in turnover in the first half-year compared to the same period last year.

The Crocodile line, by strengthening brand image and positioning through revamping together with the grand openings of the new flagship shops, has enhanced its brand personality in the target clientele as an acclaimed brand.

The Lacoste line, which offers casual and fashionable high-end products, benefited from the booming market sentiment and achieved double-digit increase in sales during the first half-year.

However, the on-going increase in rental expenses is a matter of key concern to the Group. In order to mitigate the negative impact on its performance, the Group has implemented stringent controls through shop optimization and relocation in order to maximize the cost efficiency of its retail network.

Mainland of China (the "Mainland")

To be in harmony with its nationwide franchising strategy, the Group restructured its own retail network in major cities on the Mainland during the period under review. Total sales increased by 10.2% in the first half-year compared to the same period last year.

The number of retail outlets run by the Group remained relatively stable at 94 (2007: 91). The increase in operating costs of these outlets, as reflected in the high inflation rate reported, offset the additional contribution generated from the growth in sales.

Other income, mainly representing royalty income derived from licensees, recorded a double-digit growth and continued to provide a stable income stream to the Group.

Currently, there are a total of 456 sales outlets on the Mainland, including self-operated retail outlets and those operated by our franchisees.

Prospects

In view of the substantial increment in rental and staff costs and the volatility of the stock market, the outlook for the 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 sale channel via its self-operated and franchised outlets on the Mainland, is well positioned to benefit from the Mainland's growing fashion sector as a result of the remarkable increase in consumer spending power 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 redeveloped into a new commercial complex and is expected to generate stable rental income to the Group in the future.

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 consultant contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sums 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 would not be reflected in the financial statements of the Group.

Liquidity, Financial Resources, 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 rate and foreign exchange exposure. The use of financial instrument is strictly controlled.

Cash and cash equivalents held by the Group amounted to HK$67,258,000 as at 31 January 2008 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 January 2008, total bank borrowings of the Group amounted to HK$69,117,000 which were due for renewal within one year. Of the total bank borrowings, HK$22,150,000 represented secured short-term bank loans, HK$17,000,000 represented unsecured short-term bank loans and HK$29,967,000 was unsecured trust receipt loans. Interest on bank borrowings is charged at floating rates. Except for unsecured trust receipt loans equivalent to HK$4,293,000 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 during the period under review.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 January 2008 was 12.1%, expressed as a percentage of total bank borrowings to total net assets.

In addition to the securities provided by the Group for the redevelopment of the KT Property, as at 31 January 2008, the Group had pledged investment properties with carrying values of HK$100,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK$5,040,000 as at 31 January 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 January 2008, 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 of the Listing Rules throughout the accounting period covered by the Interim Report save for deviations from code provisions A.2.1 and A.4.1 summarised below:

Code Provision A.2.1

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

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

REVIEW OF INTERIM RESULTS

The interim results of the Company for the six months ended 31 January 2008 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive directors of the Company, namely, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu.

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

Hong Kong, 10 April 2008

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.