


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

**ANNOUNCEMENT OF FINAL RESULTS
 FOR THE YEAR ENDED 31 JULY 2007**

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 2007 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 July 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
REVENUE	3	441,155	385,809
Cost of sales		<u>(170,441)</u>	<u>(153,012)</u>
Gross profit		270,714	232,797
Other income and gains	4	42,415	34,975
Selling and distribution costs		(243,048)	(205,215)
Administrative expenses		(50,640)	(53,545)
Other operating expenses, net	5	(1,568)	(1,480)
Fair value gains on investment properties		7,000	146,593
Finance costs	6	<u>(1,734)</u>	<u>(3,575)</u>
PROFIT BEFORE TAX	5	23,139	150,550
Tax	7	<u>(1,580)</u>	<u>(40,531)</u>
PROFIT FOR THE YEAR			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY		<u>21,559</u>	<u>110,019</u>
DIVIDEND			
Proposed final dividend	8	<u>6,171</u>	<u>—</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO EQUITY			
HOLDERS OF THE COMPANY			
- basic (HK cents)	9	<u>3.49</u>	<u>17.83</u>

CONSOLIDATED BALANCE SHEET

At 31 July 2007

		2007	2006
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets and liabilities			
Non-current assets			
Property, plant and equipment		27,944	31,208
Investment properties		439,628	444,628
Land lease payments		14,443	—
Rental and utility deposits		19,231	13,906
Deposits for prepaid land lease payments		<u>29,685</u>	<u>33,022</u>
		<u>530,931</u>	<u>522,764</u>
Current assets			
Inventories		82,546	84,332
Trade receivables, deposits and prepayments	10	52,648	39,131
Amount due from a related company		710	1,459
Cash and cash equivalents		<u>58,676</u>	<u>80,878</u>
		<u>194,580</u>	<u>205,800</u>
Current liabilities			
Short-term borrowings		30,197	38,094
Trade and other payables	11	61,367	78,256
Amounts due to related companies		76	290
Current tax payable		<u>9,498</u>	<u>14,755</u>
		<u>101,138</u>	<u>131,395</u>
Net current assets		<u>93,442</u>	<u>74,405</u>
Total assets less current liabilities		<u>624,373</u>	<u>597,169</u>

CONSOLIDATED BALANCE SHEET (Continued)

At 31 July 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Non-current liabilities			
Provision for long service payments		1,989	3,846
Deferred tax liabilities		<u>50,046</u>	<u>41,704</u>
		<u>52,035</u>	<u>45,550</u>
Net assets		<u>572,338</u>	<u>551,619</u>
Equity			
Equity attributable to equity holders of the Company			
Issued capital		154,282	154,282
Reserves		331,369	337,314
Retained profits		<u>86,687</u>	<u>60,023</u>
Total equity		<u>572,338</u>	<u>551,619</u>

Notes:

(1) BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Int”)) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) except otherwise indicated.

Notes (Continued):

(2) IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, the following HKFRSs which are relevant to the Group were in issue but not yet effective:

		Effective for annual periods beginning on or after
● HKAS 1 (Amendment)	Capital Disclosures	1 January 2007
● HKFRS 7	Financial Instruments: Disclosures	1 January 2007
● HKFRS 8	Operating Segments	1 January 2009
● HKAS 23 (Revised)	Borrowing Cost	1 January 2009
● HK (IFRIC) — Int 10	Interim Financial Reporting and Impairment	1 November 2006
● HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1 March 2007

The Directors of the Company have considered these HKFRSs and anticipate that they have no material impact on how the results of operations and financial position of the Group are prepared and presented.

(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	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to/income from external customers	437,649	379,222	3,506	6,587	441,155	385,809
Other revenue	33,269	29,106	8,524	1,619	41,793	30,725
Total	<u>470,918</u>	<u>408,328</u>	<u>12,030</u>	<u>8,206</u>	<u>482,948</u>	<u>416,534</u>
Segment results	<u>6,846</u>	<u>(2,656)</u>	<u>17,423</u>	<u>152,556</u>	<u>24,269</u>	149,900

Notes (Continued):

(3) SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Garment and related accessories		Property investment		Consolidated	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue (Continued)						
Unallocated corporate income and expenses					<u>(18)</u>	<u>(25)</u>
					24,251	149,875
Interest income					622	4,250
Finance costs					<u>(1,734)</u>	<u>(3,575)</u>
Profit before tax					23,139	150,550
Tax					<u>(1,580)</u>	<u>(40,531)</u>
Profit for the year attributable to equity holders of the Company					<u>21,559</u>	<u>110,019</u>
Assets and liabilities:						
Segment assets	225,132	200,457	441,703	447,229	666,835	647,686
Unallocated assets					<u>58,676</u>	<u>80,878</u>
Total assets					<u>725,511</u>	<u>728,564</u>
Segment liabilities	62,419	81,155	1,011	1,236	63,430	82,391
Unallocated liabilities					<u>89,743</u>	<u>94,554</u>
Total liabilities					<u>153,173</u>	<u>176,945</u>
Other segment information:						
Depreciation	14,413	14,469	179	179	14,592	14,648
Amortisation of land lease payment	82	—	—	—	82	—
(Write-back of provision)/provision for bad and doubtful debts	(521)	1	—	—	(521)	1
Write-back of provision for slow-moving inventories, net	(2,316)	(8,195)	—	—	(2,316)	(8,195)
Capital expenditure	25,459	18,782	7	137,035	25,466	155,817
Loss on disposal/write- offs of items of property, plant and equipment, net	66	14	16	—	82	14
Fair value gains on investment properties	<u>—</u>	<u>—</u>	<u>(7,000)</u>	<u>(146,593)</u>	<u>(7,000)</u>	<u>(146,593)</u>

Notes (Continued):

(3) SEGMENT INFORMATION (Continued)

Geographical segments

	Hong Kong		Mainland China		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to/income from external customers	283,036	244,866	158,119	140,943	441,155	385,809
Other revenue	<u>8,743</u>	<u>1,660</u>	<u>33,050</u>	<u>29,065</u>	<u>41,793</u>	<u>30,725</u>
Total	<u>291,779</u>	<u>246,526</u>	<u>191,169</u>	<u>170,008</u>	<u>482,948</u>	<u>416,534</u>
Other segment information:						
Segment assets	532,542	539,605	134,293	108,081	666,835	647,686
Unallocated assets					<u>58,676</u>	<u>80,878</u>
Total assets					<u>725,511</u>	<u>728,564</u>
Capital expenditure	<u>3,898</u>	<u>150,628</u>	<u>21,568</u>	<u>5,189</u>	<u>25,466</u>	<u>155,817</u>

(4) OTHER INCOME AND GAINS

	2007	2006
	HK\$'000	HK\$'000
Other income		
Royalty income	28,329	24,955
Interest income	622	4,250
Sale of miscellaneous materials	544	480
Income from a related company for contributing an investment property as security	8,520	1,459
Others	<u>4,400</u>	<u>3,440</u>
	<u>42,415</u>	<u>34,584</u>
Gains		
Foreign exchange differences, net	<u>—</u>	<u>391</u>
	<u>42,415</u>	<u>34,975</u>

Notes (Continued):

(5) PROFIT BEFORE TAX

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Depreciation	14,592	14,648
Write-back of provision for slow-moving inventories, net (included in cost of sales)	(2,316)	(8,195)
Other operating expenses/(income):		
Severance payments	1,936	1,465
(Write-back of provision)/provision for bad and doubtful debts, net	(521)	1
Loss on disposal/write-offs of items of property, plant and equipment, net	82	14
Exchange loss, net	<u>71</u>	<u>—</u>
	<u>1,568</u>	<u>1,480</u>

(6) FINANCE COSTS

The amount represented interest on bank loans and bank overdrafts, 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 (2006: 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.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current - Elsewhere	1,038	4,204
Deferred	<u>542</u>	<u>36,327</u>
	<u>1,580</u>	<u>40,531</u>

Notes (Continued):

(8) DIVIDEND

	2007	2006
	HK\$'000	HK\$'000
Final dividend proposed after the balance sheet date of HK1 cent per ordinary share (2006: Nil)	<u>6,171</u>	<u>—</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date and is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.

(9) 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 year of HK\$21,559,000 (2006: HK\$110,019,000) and the number of 617,127,130 (2006: 617,127,130) ordinary shares in issue throughout the year.

No diluted earnings per share amount for the year ended 31 July 2007 has been presented as the share options outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year. No dilutive earnings per share amount for the year ended 31 July 2006 had been calculated as no diluting events existed for that year.

(10) 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.

Notes (Continued):

(10) TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables:		
Current to 90 days	12,138	9,662
91 to 180 days	3,363	5,119
181 to 365 days	<u>873</u>	<u>12</u>
	16,374	14,793
Deposits and prepayments	<u>36,274</u>	<u>24,338</u>
	<u>52,648</u>	<u>39,131</u>

(11) TRADE AND OTHER PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade payables:		
Current to 90 days	20,199	26,688
91 to 180 days	1,643	3,276
181 to 365 days	1,141	643
Over 365 days	<u>2,869</u>	<u>4,609</u>
	25,852	35,216
Deposits received	14,085	16,105
Accruals and other payables	<u>21,430</u>	<u>26,935</u>
	<u>61,367</u>	<u>78,256</u>

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

FINAL DIVIDEND AND BOOK CLOSE DATES

The Directors of the Company have recommended the payment of a final dividend of HK1 cent per ordinary share for the year ended 31 July 2007 (2006: Nil) to shareholders registered as at 21 December 2007. If the recommendation is approved at the forthcoming Annual General Meeting of the Company, the dividend will be payable on 28 December 2007.

The Register of Members of the Company will be closed from 18 December 2007 to 21 December 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 17 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the year under review, the Group recorded a turnover of HK\$441 million (2006: HK\$386 million), representing an increase of approximately 14% from last year. The increase is mainly due to the increase in revenue from retail business, both in Hong Kong and in the mainland of China (the "Mainland").

Gross profit of the Group increased by approximately 16%, to HK\$271 million (2006: HK\$233 million), and profit before tax was HK\$23.1 million (2006: HK\$150.6 million). Excluding the fair value gains on investment properties, profit before tax showed a remarkable increase of 308% from HK\$4.0 million in 2006 to HK\$16.1 million in 2007.

Profit attributable to shareholders of the Group was HK\$22 million (2006: HK\$110 million), which included the aforesaid revaluation surplus of HK\$7 million (2006: HK\$146.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operations Review

Hong Kong and Macau

The Group operates 29 outlets in Hong Kong and Macau, out of which 23 are for the Crocodile line and 6 are for the Lacoste line. Turnover from retail operation in Hong Kong and Macau showed an increase of 17% from last year.

The promotional campaign for the Crocodile line continued with the engagement of spokesmodel and billboard advertising. This brand, which was elected one of the top 10 brands in Hong Kong, attracts mass- and mid-income customers and recorded double-digit increase in sales during the year.

Lacoste, a famous French brand that offers casual and fashionable high-end products, benefited from the global and local advertising campaign in different media including television. It also benefited from the boom in the high-end consumers market due to strong economic growth in the Mainland, and recorded significant double-digit increase in sales during the year.

The continual increase in rentals during the year had some negative impact on contributions from the retail operation in Hong Kong. During the year, management efforts focused on controlling costs and overheads to mitigate the impact from increase in rentals.

Mainland

During the year under review, the Group continued to restructure its retail network in major cities on the Mainland to complement its nationwide franchising strategy. Total sales increased by 12% from last year.

The number of self-operated outlets as at 31 July 2007 was 93 (2006: 95). Due to the high inflation rate recorded on the Mainland, the additional contribution from the increase in sales was partly offset by the increase in costs associated with the operation of these outlets.

Other income, mainly representing royalty income derived from licensees, increased by 14% as a result of granting new licence agreements and increase in fees from the existing licensees.

The Group has a total of 483 sales outlets on the Mainland (2006: 600), including self-operated retail outlets and those operated by franchisees.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

The continuing improvement in the economy of Hong Kong and Macau and a general rise in salaries of the working population in these two cities, as well as the boom in the Hong Kong stock market are expected to stimulate retail sales. The influx of visitors to Macau in recent months has had certain impact on the retail operation in Hong Kong, but at the same time, this gives rise to new opportunities in the expansion of our business to Macau. The management will closely monitor market changes and will adopt corresponding strategy to achieve optimum results.

On the Mainland, the retail market and consumer spending power continue to grow at a remarkable speed. The Group is well-positioned to benefit from the Mainland's growing consumers market. The Group is restructuring its self-operated outlets in order to achieve better economic results, and to strengthen efforts in winning new franchisees in the second- and third-tier cities on the Mainland.

The continuing resurgence of the Hong Kong property market, especially the redevelopment plan in Kwun Tong recently announced by the Hong Kong Government, underpins the Group's strategy of upgrading the quality of its property investment. The investment property in Kwun Tong is now under redevelopment and will be built into a completely new commercial complex, which is expected to contribute stable income to the Group in the future.

Contingent Liabilities

As at 31 July 2007 and 31 July 2006, the banking facilities granted to a subsidiary subject to a guarantee given to the banks by the Company were not utilised.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Contingent Liabilities (Continued)

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 undertaking, property and assets of Crocodile KT.

Pursuant to a deed of undertaking, guarantee and indemnity entered 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 recognised in the financial statements of the Group.

At 31 July 2007, the total amount of bank term loan drawn in respect of the above facility was 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 HK\$53,502,000 (2006: HK\$7,000,000). The Group has also simultaneously entered into the respective deeds of undertakings with Unipress and these contractors of 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, Financial Resources, Gearing, Charges on Assets and Capital Commitments

Cash and cash equivalents held by the Group amounted to HK\$58,676,000 as at 31 July 2007 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 July 2007, total bank borrowings of the Group amounted to HK\$30,197,000 which were due for renewal within one year. Of the total bank borrowings, HK\$17,900,000 represented secured short-term bank loans, HK\$5,000,000 represented unsecured short-term bank loan, HK\$6,927,000 was unsecured trust receipt loans and the balance was unsecured overdrafts. Interest on bank borrowings is charged at floating rates. Except for unsecured bank overdrafts equivalent to HK\$370,000 which is denominated in Renminbi, 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 year under review.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2007 was only 5%, expressed as a percentage of total bank borrowings to total net assets.

In addition to the securities provided by the Group for the Development as stated in the above paragraph on Contingent Liabilities, as at 31 July 2007, the Group had pledged investment properties with carrying values of HK\$90,000,000 to its bankers to secure banking facilities granted to the Group.

The Group had contracted capital commitments of HK\$8,287,000 as at 31 July 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2007, 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 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 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 ANNUAL RESULTS

The annual results of the Company for the year ended 31 July 2007 have been reviewed by the audit committee of the Company. The audit committee comprises the three independent non-executive Directors of the Company, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 21 December 2007. Notice of the Annual General Meeting and the Company's Annual Report for 2006-2007 will be despatched to shareholders in due course.

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

Hong Kong, 5 November 2007

As at the date of this announcement, the executive Directors of the Company are Mr. Lam Kin Ming (Chairman and Chief Executive Officer), Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew, Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer) 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.