

CROCODILE

2020-2021

Crocodile Garments Limited Interim Report | 鱷魚恤有限公司中期報告



CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Lam Wai Shan, Vanessa

(Chairman and Chief Executive Officer) ^(Note 1)

Lam Kin Ngok, Peter

Lam Kin Hong, Matthew

Wan Edward Yee Hwa

Non-executive Directors

Chow Bing Chiu ^(Note 2)

Lam Suk Ying, Diana

Independent Non-executive Directors

Leung Shu Yin, William *(Deputy Chairman)* ^(Note 3)

Fung Cheuk Nang, Clement ^(Note 4)

Yeung Sui Sang

Audit Committee

Leung Shu Yin, William *(Chairman)*

Fung Cheuk Nang, Clement ^(Note 4)

Yeung Sui Sang

Remuneration Committee

Leung Shu Yin, William *(Chairman)*

Chow Bing Chiu

Fung Cheuk Nang, Clement ^(Note 4)

Wan Edward Yee Hwa

Yeung Sui Sang

Authorised Representatives

Lam Wai Shan, Vanessa

Wan Edward Yee Hwa ^(Note 5)

Company Secretary

Ko Ming Kin

Notes:

1. *Dr. Lam Kin Ming (Chairman, Chief Executive Officer, Executive Director and Authorised Representative) deceased on 8 January 2021.*

Ms. Lam Wai Shan, Vanessa acted as the Deputy Chief Executive Officer up to 21 January 2021 and was appointed as the Chairman and Chief Executive Officer with effect from 22 January 2021.
2. *Mr. Chow Bing Chiu acts as the executor and trustee of the late Dr. Lam Kin Ming since 8 January 2021 and was re-designated from an Independent Non-Executive Director to a Non-executive Director and ceased to be a member of the Audit Committee with effect from 29 March 2021.*
3. *Mr. Leung Shu Yin, William was appointed as the Deputy Chairman with effect from 22 January 2021.*
4. *Mr. Fung Cheuk Nang, Clement was appointed as an Independent Non-Executive Director and a member of each of the Audit Committee and the Remuneration Committee with effect from 29 March 2021.*
5. *Mr. Wan Edward Yee Hwa was appointed as the Authorised Representative with effect from 22 January 2021.*

CORPORATE INFORMATION *(continued)*

Registered Office

11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Principal Place of Business

12th Floor, Wing Tai Centre
12 Hing Yip Street
Kwun Tong
Kowloon, Hong Kong

Listing Information

Place of Listing

The Main Board of The Stock Exchange of
Hong Kong Limited

Stock Code

122

Board Lot

1,000 shares

Website

www.crocodile.com.hk

Share Registrar and Transfer Office

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered PIE Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants

Solicitors

INCE & Co.
MinterEllison LLP
Reed Smith Richards Butler
Vincent T.K. Cheung, Yap & Co.

Principal Bankers

Bank of China (Hong Kong) Limited
China Construction Bank (Asia)
Corporation Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of Crocodile Garments Limited (“**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2021 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 January 2021

	Notes	Six months ended 31 January	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	59,455	91,959
Cost of sales		(17,917)	(29,120)
Gross profit		41,538	62,839
Fair value losses on investment properties	12	(3,965)	(129,721)
Other income	4	11,164	2,583
Selling and distribution expenses		(23,759)	(65,224)
Administrative expenses		(24,445)	(29,071)
Other gains (losses), net	5	16,902	(5,661)
Finance costs	6	(5,658)	(11,598)
Share of loss of an associate		(1,365)	(1,230)
Profit (loss) before tax	7	10,412	(177,083)
Income tax credit	8	—	406
Profit (loss) for the period attributable to owners of the Company		10,412	(176,677)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		6,802	(664)
Total comprehensive income (expense) for the period attributable to owners of the Company		17,214	(177,341)
		<i>HK cents</i>	<i>HK cents</i>
Earnings (losses) per share	10		
— Basic		1.10	(18.65)
— Diluted		1.10	(18.65)

Condensed Consolidated Statement of Financial Position

As at 31 January 2021

	Notes	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	70,160	68,293
Investment properties	12	1,725,512	1,727,756
Right-of-use assets		49,998	46,387
Financial asset at fair value through profit or loss ("FVTPL")		27,668	29,054
Amount due from an associate		8,532	8,323
Interest in an associate		49,726	51,091
Rental and utility deposits		8,276	10,421
		1,939,872	1,941,325
Current assets			
Inventories		36,413	49,116
Trade and other receivables, deposits and prepayments	13	28,586	25,906
Financial assets at FVTPL		174,558	179,549
Pledged bank deposits		35,998	24,108
Bank balances and cash		76,461	86,402
		352,016	365,081
Current liabilities			
Bank borrowings	14	407,817	406,243
Margin loans payable		7,832	13,097
Trade and other payables and deposits received	15	42,848	51,217
Amounts due to related companies	19(b)	841	472
Lease liabilities		30,548	35,355
Tax payable		21,357	19,755
		511,243	526,139
Net current liabilities		(159,227)	(161,058)
Total assets less current liabilities		1,780,645	1,780,267
Non-current liabilities			
Bank borrowings	14	210,513	214,992
Deposits received		10,529	10,821
Provision for long service payments		564	1,766
Lease liabilities		15,084	25,947
		236,690	253,526
Net assets		1,543,955	1,526,741
Capital and reserves			
Share capital	16	332,323	332,323
Reserves		1,211,632	1,194,418
Total equity		1,543,955	1,526,741

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Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2021

	Attributable to owners of the Company					
	Share capital	Translation reserve	Asset revaluation reserve	Retained profits	Share option reserve	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2020 (Audited) and 1 August 2020	332,323	14,836	109,689	1,068,908	985	1,526,741
Profit for the period	—	—	—	10,412	—	10,412
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	—	6,802	—	—	—	6,802
Total comprehensive income for the period	—	6,802	—	10,412	—	17,214
At 31 January 2021 (Unaudited)	332,323	21,638	109,689	1,079,320	985	1,543,955
At 31 July 2019 (Audited) and 1 August 2019	332,323	16,377	109,689	1,357,990	2,386	1,818,765
Loss for the period	—	—	—	(176,677)	—	(176,677)
Other comprehensive expense:						
Exchange differences arising on translation of foreign operations	—	(664)	—	—	—	(664)
Total comprehensive expense for the period	—	(664)	—	(176,677)	—	(177,341)
Lapse of share options	—	—	—	1,401	(1,401)	—
At 31 January 2020 (Unaudited)	332,323	15,713	109,689	1,182,714	985	1,641,424

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2021

	Six months ended 31 January	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Operating activities		
Net cash from (used in) operating activities	24,399	(9,100)
Investing activities		
Interest received	447	493
Purchase of property, plant and equipment	(39)	(2,786)
(Placement) withdrawal of pledged bank deposits	(11,890)	659
Proceeds from disposal of non-current asset held-for-sale	—	49,997
Net cash (used in) from investing activities	(11,482)	48,363
Financing activities		
New bank loans raised	2,115	8,000
Repayments of bank loans	(5,020)	(45,901)
Increase in trust receipt loans	—	384
Repayment of lease liabilities	(15,741)	(19,297)
(Repayments of) advances from margin loans	(5,265)	11,381
Repayment of liabilities associated with asset classified as held-for-sale	—	(14,000)
Net cash used in financing activities	(23,911)	(59,433)
Net decrease in cash and cash equivalents	(10,994)	(20,170)
Cash and cash equivalents at the beginning of the period	86,402	105,570
Effect of foreign exchange rate changes	1,053	(77)
Cash and cash equivalents at the end of the period represented by bank balances and cash	76,461	85,323

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2021

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2021 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 (“HKICPA”). In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”) and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

These financial statements have been prepared under the historical cost convention, except for the investment properties and financial instruments which have been measured at fair values.

These financial statements are presented in Hong Kong dollars (“HK\$”) except otherwise indicated.

In preparing the consolidated financial statements of the Company, the Directors has given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$159,227,000 as at 31 January 2021.

The COVID-19 outbreak and the subsequent quarantine and distancing measures imposed by the Government of the Hong Kong Special Administrative Region have had a negative impact on the operations of the Group. The financial performance of the shop outlets might not be fully returned to the level before the COVID-19 in the upcoming financial year.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 July 2020 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; included a reference to material uncertainty related to going concern to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(2) PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 January 2021 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2020.

In the current interim period, the Group has applied, for the first time, the following revised and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated interim financial statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Except as described below, the application of the revised and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(3) SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses in types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely (i) garment and related accessories business, (ii) property investment and letting business, and (iii) securities trading. The operating segments are managed separately as each business line offers different products and services and requires different business strategies.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from external customers	32,603	63,377	26,852	28,582	—	—	59,455	91,959
Other income from external customers (Note)	10,286	1,961	431	129	—	—	10,717	2,090
Group's total revenue and other income (Note)	42,889	65,338	27,283	28,711	—	—	70,172	94,049
Reportable segment (loss) profit	(91)	(43,627)	17,211	(109,255)	12,114	6,022	29,234	(146,860)
Unallocated corporate income							447	493
Unallocated corporate expenses							(13,611)	(19,118)
Finance costs							(5,658)	(11,598)
Profit (loss) before tax							10,412	(177,083)

Note: The income excludes bank interest income and interest income on advances to independent third parties.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, interest income on advances to independent third parties, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(4) OTHER INCOME

	Six months ended 31 January	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Royalty income	3,354	1,182
Bank interest income	27	73
Interest income on amount due from an associate	209	226
Interest income on advance to independent third parties	420	420
Government grants	4,047	—
Covid-19-related rent concessions	2,799	—
Others	308	682
	11,164	2,583

(5) OTHER GAINS (LOSSES), NET

	Six months ended 31 January	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Net reversal of provision for impairment on trade and other receivables	4,561	2,733
Loss on disposal of asset classified as held-for-sale	—	(538)
Net gain on financial assets at FVTPL	10,728	2,490
Exchange (loss) gain, net	(1,083)	6
Impairment loss recognised in respect of right-of-use assets	—	(10,000)
Gain on early termination of leases	2,220	—
Others	476	(352)
	16,902	(5,661)

(6) FINANCE COSTS

	Six months ended 31 January	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on:		
Bank borrowings	4,707	9,928
Lease liabilities	951	1,670
	5,658	11,598

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(7) PROFIT (LOSS) BEFORE TAX

The Group's profit (loss) before tax has been arrived at after charging:

	Six months ended 31 January	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,889	5,465
Depreciation of right-of-use assets	2,392	22,883
Cost of inventories recognised as an expense (including (reversal of provision) provision for slow-moving inventories)	17,515	28,720

(8) INCOME TAX CREDIT

	Six months ended 31 January	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	—	(406)
Income tax credit	—	(406)

No current tax has been provided for the six months ended 31 January 2021 (2020: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

(9) DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 January 2021. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(10) EARNINGS (LOSSES) PER SHARE

The calculation of the basic and diluted earnings (losses) per share attributable to owners of the Company for the periods is based on the following data:

	Six months ended 31 January	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Earnings (losses)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (losses) per share	10,412	(176,677)

	Six months ended 31 January	
	2021 (Unaudited)	2020 (Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings (losses) per share	947,543,695	947,543,695
Effect of dilutive potential ordinary shares:		
— Share options	—	—
Number of ordinary shares for the purpose of diluted earnings (losses) per share	947,543,695	947,543,695

For the periods ended 31 January 2021 and 2020, the computation of diluted earnings (losses) per share did not assume the exercise of the Company's outstanding share options as the exercise price of the share options was higher than the average market price of the Company's shares.

(11) PROPERTY, PLANT AND EQUIPMENT

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
At the beginning of the period/year	68,293	79,684
Additions	39	5,582
Depreciation provided for the period/year	(2,889)	(10,335)
Eliminated on disposals/write-off	—	(86)
Impairment loss recognised in profit or loss for the period/year	—	(5,390)
Exchange realignment	4,717	(1,162)
At the end of the period/year	70,160	68,293

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(12) INVESTMENT PROPERTIES

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
At the beginning of the period/year	1,727,756	1,889,349
Decrease in fair value recognised in profit or loss	(3,965)	(161,185)
Exchange realignment	1,721	(408)
	1,725,512	1,727,756

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 January 2021 and 31 July 2020 have been arrived at on the basis of a valuation carried out on the respective dates by Messrs. Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected to the Group.

As at 31 January 2021 and 31 July 2020, certain investment properties, including the investment properties of approximately HK\$1,645,000,000 (31 July 2020: HK\$1,706,000,000) of the Group were pledged to banks to secure the bank loans granted to the Group.

(13) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
	19,355	15,110
Trade receivables	(10,942)	(10,076)
Less: Allowance for impairment	8,413	5,034
	40,653	44,704
Other receivables	(29,608)	(32,241)
Less: Allowance for impairment	11,045	12,463
	17,404	18,830
Deposits and prepayments	36,862	36,327
Less: Rental and utility deposits shown under non-current assets	(8,276)	(10,421)
	28,586	25,906

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(13) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes:

- (i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has been set with a maximum credit limit. The Group does not hold any collateral over these balances.

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

- (ii) The following is an aging analysis of trade receivables (net of allowance for impairment), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting periods:

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	5,046	4,044
91 to 180 days	2,602	220
181 to 365 days	765	770
	8,413	5,034

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(14) BANK BORROWINGS

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Bank loans, secured	618,330	621,235
Carrying amount repayable:		
Within one year	407,817	406,243
Beyond one year, but not exceeding two years	8,958	8,958
Beyond two years, but not exceeding five years	201,555	206,034
	618,330	621,235
Less: Amounts shown under current liabilities	(407,817)	(406,243)
Amounts shown under non-current liabilities	210,513	214,992

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(15) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an aging analysis of trade payables as at the end of the reporting periods, based on the date of receipt of goods, and the details of balances of deposits received, other payable and accruals:

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Trade payables:		
0 to 90 days	740	278
91 to 180 days	169	10,828
181 to 365 days	1,101	1,143
Over 365 days	2,283	1,751
	4,293	14,000
Other deposits	18,255	18,629
Payable for acquisition of unlisted equity investment	528	528
Other payables and accruals	30,301	28,881
	53,377	62,038
Less: Deposits received shown under non-current liabilities	(10,529)	(10,821)
	42,848	51,217

The credit period for purchase of goods is between 30 and 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(16) SHARE CAPITAL

	Number of shares	HK\$'000
Issued and fully paid:		
At 1 August 2019, 31 July 2020 and 31 January 2021	947,543,695	332,323

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(17) EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (“Share Option Scheme”) which was adopted on 15 December 2015 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any subsidiary in the Group at a consideration of HK\$1 to take up options to subscribe for shares of the Company. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Directors shall be entitled, at any time and from time to time within ten years commencing on the Adoption Date (as defined in the Share Option Scheme) and subject to such conditions as the Directors may think fit, to grant options to subscribe at the Subscription Price (as defined in the Share Option Scheme) for such number of shares in the Company as the Directors may determine.

(a) **The following share options were outstanding under the Share Option Scheme as at 31 January 2021:**

Category of participants	Number of underlying shares comprised in share options			Date of grant of options (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price of options per share (HK\$)
	At 1 August 2020	Lapsed during the period	At 31 January 2021			
Directors	2,900,000	—	2,900,000	27/03/2018	27/03/2018 to 26/03/2021	0.842

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(b) **Fair value of share options and assumptions**

The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Granted on 27 March 2018
Grant date share price	HK\$0.820
Exercise price	HK\$0.842
Expected volatility	61.82%
Expected life	3 years
Expected dividend yield	0%
Risk free rate	1.646%

Expected volatility was determined by using the historical volatility of the Company’s share price over the previous three years. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability and behavioural considerations. Risk free rate was determined with reference to the yield to maturity of Hong Kong Exchange Fund Bills and Notes with tenor close to the expected life of the options.

The variables and assumptions used in computing the fair value of the share options are based on the management’s best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

At the date of approval of these condensed consolidated interim financial statements, the Company had a total of 2,900,000 underlying shares comprised in options outstanding under the Share Option Scheme, which represented approximately 0.31% of the Company’s total issued shares as at that date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(18) FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets carried at fair value

This note provides information about how the Group determines fair values of various financial assets.

The Group's financial assets at FVTPL are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting periods. The fair value of unlisted investments was based on the value quoted by the brokers and an independent valuer at the end of the reporting periods.

There were no transfers between the three levels during both period/year.

Fair value hierarchy as at 31 January 2021 and 31 July 2020

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 January 2021 (Unaudited)				
Listed investments				
— Equity securities listed in Hong Kong	7,570	—	—	7,570
— Equity securities listed outside Hong Kong	12,845	—	—	12,845
— Debt securities listed in Hong Kong	26,102	—	—	26,102
— Debt securities listed outside Hong Kong	13,172	—	—	13,172
— Perpetual securities listed in Hong Kong	10,947	—	—	10,947
— Perpetual securities listed outside Hong Kong	6,355	—	—	6,355
Unlisted investments				
— Equity securities	—	5,369	27,668	33,037
— Debt securities	—	92,198	—	92,198
	76,991	97,567	27,668	202,226
As at 31 July 2020 (Audited)				
Listed investments				
— Equity securities listed in Hong Kong	1,015	—	—	1,015
— Equity securities listed outside Hong Kong	12,500	—	—	12,500
— Debt securities listed in Hong Kong	27,326	—	—	27,326
— Debt securities listed outside Hong Kong	22,941	—	—	22,941
— Perpetual securities listed in Hong Kong	9,588	—	—	9,588
— Perpetual securities listed outside Hong Kong	12,241	—	—	12,241
Unlisted investments				
— Equity securities	—	5,230	29,054	34,284
— Debt securities	—	88,708	—	88,708
	85,611	93,938	29,054	208,603

The Directors consider that the carrying amounts of financial assets recorded at amortised cost in the consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 January 2021

(19) RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

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

	Notes	Six months ended	
		31 January	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Rental expenses and building management fees:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	56	1,820
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	18	17
Lease payment and interest expense on lease liabilities:			
— Lai Sun Textiles Company Limited	(i), (ii), (iii) & (vi)	1,710	—
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(i), (ii) & (vi)	359	451
— Honor Lamp Investments Limited	(i), (ii), (v) & (vi)	420	420
— Guangzhou Besto Real Estate Development Company Limited	(i), (ii) & (v)	156	221
Company secretarial fee:			
— Lai Sun Development Company Limited	(ii), (iii)	359	476
Rental income and building management fee:			
— Big Honor Asia Limited	(i), (ii)	1,130	1,130
Interest income:			
— Mass Energy Limited	(iv)	209	226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 31 January 2021

(19) RELATED PARTY TRANSACTIONS (continued)**(a) Transactions with related parties** (continued)

Notes:

- (i) Dr. Lam Kin Ming (deceased) had control over this company.
- (ii) Dr. Lam Kin Ming (deceased) was one of the key management personnel members of this company.
- (iii) Dr. Lam Kin Ngok, Peter, a younger brother of Dr. Lam Kin Ming (deceased) and one of the key management personnel members of the Company, has control over this company.
- (iv) Mass Energy Limited is an associate of the Group.
- (v) Ms. Lam Wai Shan, Vanessa, a daughter of Dr. Lam Kin Ming (deceased) and one of the key management personnel members of the Company, has control over this company.
- (vi) Ms. Lam Wai Shan, Vanessa is one of the key management personnel members of this company.

(b) Outstanding balances with related parties

Amounts due to related parties

	31 January 2021 (Unaudited) HK\$'000	31 July 2020 (Audited) HK\$'000
Related companies		
Lai Sun Textiles Company Limited	802	—
Big Honor Asia Limited	10	3
Lai Sun Development Company Limited	—	440
Unipress Investments Limited	29	29
	841	472

Note: The amounts due to related companies are trade in nature, unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

For the six months ended 31 January 2021

(19) RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group

	Six months ended	
	31 January	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	6,363	6,726
Post-employment benefits	36	36
	6,399	6,762

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group tumbled by 35% to HK\$59,455,000 (2020: HK\$91,959,000) and the gross profit dropped by 34% to HK\$41,538,000 (2020: HK\$62,839,000).

The “Garment and related accessories business” segment of the Group was still stumbling in a nadir in the six months ended 31 January 2021, particularly under the escalation of the COVID-19 restrictions in response to a faster spreading variant during the Christmas and New Year, the traditional golden period of retailing sector. For the six months ended 31 January 2021, the revenue of this segment plunged by 48.6% to HK\$32,603,000 (2020: HK\$63,377,000). However, there were significant reductions in the rental expenses and depreciations of the retail shops after the large impairment loss in respect of these right-of-use assets of HK\$39,349,000 had already been recognised as at the end of last financial year, i.e. 31 July 2020. After all, it recorded a loss of HK\$91,000 (2020: HK\$43,627,000).

Being a respite, the “Property investment and letting business” segment continued to generate steady rental income of HK\$26,852,000 for the six months ended 31 January 2021 (2020: HK\$28,582,000). The revaluation of the investment properties held by the Group ticked fair value losses of HK\$3,965,000 as at 31 January 2021 (2020: HK\$129,721,000).

The worldwide capital markets persisted to be highly volatile amid a raft of mixed global economic data. Accredited to the reinforcement of the pragmatic discipline in managing the investment portfolio, the “Securities trading” segment made a profit of HK\$12,114,000 in the six months ended 31 January 2021 (2020: HK\$6,022,000).

Taking into account the performances of the above three business segments with the share of loss of an associate of HK\$1,365,000 (2020: HK\$1,230,000) and the exchange differences arising on translation of foreign operations of gain of HK\$6,802,000 (2020: loss of HK\$664,000), the total comprehensive income attributable to the owners of the Company was HK\$17,214,000 for the six months ended 31 January 2021 (2020: expense of HK\$177,341,000).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

The “Garment and related accessories business” segment has been encountering difficulties for past years evolved from the fundamental changes in consumer preferences elicited by increasing popularity of shopping on-line and fast fashion. It was additionally hit by the outbreak of the COVID-19 since the late January 2020 during which the market sentiment was nosediving.

To weather the above adversity, the “Garment and related accessories business” segment would keep on rationalising the retail channel to optimise the footfall at enhanced rent-effectiveness. As at 31 January 2021, the Group operated 14 (2020: 20) “Crocodile” shops and 6 (2020: 7) “Lacoste” shops.

The Group also offered high value-for-money merchandises under the prestige brand “Crocodile” to maintain its market niche. Moreover, the Group tightened the controls on procurement to rein in the inventory level to avoid excessive backlog.

In addition, the Group ratcheted up the consolidation of different departmental resources to attain higher operational efficiency.

The Mainland of China (“Mainland”)

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The rebound of pandemic in the late 2020 turned the business sentiment in the Mainland to be sour, specially upon the discovery of the new strain of COVID-19, shortly before vaccines are expected to be widely applicable, further fanned the worries about the spread of virus.

Facing such a choppy market ambience, the Group fortified its own sales channels, and as at 31 January 2021, there was a total of 14 (2020: 14) shops in the Mainland, including self-operated shops of 7 (2020: 6) and those operated by the Group’s consignees and franchisees of 7 (2020: 8). The revenue of this segment was HK\$4,825,000 for the six months ended 31 January 2021 (2020: HK\$4,464,000).

The Group’s licensing business of the brand “Crocodile” contributed royalty income of HK\$3,354,000 for the six months ended 31 January 2021 (2020: HK\$1,182,000); and there was a net reversal of provision for doubtful debts mainly due from licensees of HK\$4,561,000 (2020: HK\$2,733,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

“Garment and Related Accessories Business” Segment *(continued)*

Seasonality

As its track record shows, the sales and results of the “Garment and related accessories business” segment bear heavy correlation with seasonality. In general, more than 50% of this segment’s annual sales are derived from the first half of the financial year in which fall/winter collections of higher values and margins are rolled out, coupling with festive holidays — Christmas, New Year and occasionally, Lunar New Year.

“Property Investment and Letting Business” Segment

The Group’s investment property portfolio remained intact since 31 July 2020.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the six months ended 31 January 2021 of HK\$26,366,000 (2020: HK\$27,933,000) and HK\$486,000 (2020: HK\$649,000), respectively. Having substantial correction of the property market in Hong Kong and the Mainland in last financial year ended 31 July 2020, the fair values of the investment properties held by the Group on revaluations were quite stable, with fair value losses of HK\$3,000,000 as at 31 January 2021 (2020: HK\$129,100,000) in Hong Kong and losses of HK\$965,000 (2020: HK\$621,000) in the Mainland.

“Securities Trading” Segment

The global investment environment was rocked by the complication of massive monetary stimulus countering poor economic data such as pullback in consumer spending, falling personal income and fading outlook under the resurgent epidemic worldwide.

In such intricate market circumstances, the Group took a prudent and value-oriented stance to manage its portfolios of financial assets at fair value through profit and loss. The Group’s “Securities trading” segment recorded a profit of HK\$12,114,000 for the six months ended 31 January 2021 (2020: HK\$6,022,000).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects

New variants of COVID-19 may prolong or re-necessitate lockdowns and delay expectations of an economic rebound. The imbalance of recovery among major economies has darkened the retailing sentiment. Compared with investment, consumption remains weak as a whole and has a long road to go back to normal levels.

There are still many hurdles ahead of the Mainland, including the tensions with the United States on various fronts and how these will evolve under the new United States administration. Also, the rising labour costs and towering credit defaults weigh on the Mainland that is still trying to reduce the existing mountain of debts.

In Hong Kong, it is heftily uncertain when the restrictive measures on travelling and social gathering can be lifted under the lingering pandemic of COVID-19 albeit rolling out of vaccination program on massive scales by various governments, the mass immunisation will take time.

It is foreseen that the operating conditions of retailing sector will go on to be tough. To mitigate this, the “Garment and related accessories business” segment will pursue to relocate the shops to maximise the market reach and strive any possible rent concessions from the landlords. The Group has been capitalising the renowned brand “Crocodile” to launch premier merchandises to foster its market position. At the same time, the Group will strengthen the controls on the inventory level.

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The ascending trend of work-from-home in many businesses has entailed the drop in demand for commercial properties. Compounded with the increase in supply of office premises in Eastern Kowloon, Hong Kong where most of the Group’s investment properties situated, the “Property investment and letting business” segment of the Group has received a dual-blow. To maintain the rental income being steady and satisfactory, the Group has been bolstering the competitiveness of its investment properties to attract and retain valuable tenants. Meanwhile, the Group will also consider to revamp the portfolio by disposing of non-core investment properties for optimising the returns and improving the liquidity.

On the financial aspect, the recent rise in the United States bond yields caused by the fear of inflation may lead to a slowdown in credit growth. The large central banks will probably keep their benchmark lending rate unchanged in coming months while steering a steady slowdown in credit expansion in 2021. It can render a rapid drift of hot monies between developed and emerging capital markets and disrupt the values of financial assets.

The Group will remain vigilant in managing the portfolio of financial assets at fair value through profit and loss of the “Securities trading” segment to attain sustainable returns.

The back-office structure of the Group has been consolidated to streamline the workflow aiming at procedural efficacy.

As a whole, the Company will adopt a cautious approach and evaluate its business objectives from time to time and will make modifications, as and when appropriate, against the changing market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Contingent Liabilities

As at 31 January 2021, the Group had no material contingent liabilities.

Liquidity, Financial Resources and Foreign Exchange Risk Exposure

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilise 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 exposures. Except for financial assets at fair value through profit or loss and fixed interest arrangement, the Group has not employed other financial instruments for the six months ended 31 January 2021.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group considers the foreign exchange risk is not high as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and trading of overseas securities.

Cash and cash equivalents held by the Group amounted to HK\$76,461,000 as at 31 January 2021 (31 July 2020: HK\$86,402,000) and were mainly denominated in Hong Kong dollars, United States dollars, Japanese Yen and Renminbi. The pledged bank deposits of approximately HK\$35,998,000 (31 July 2020: HK\$24,108,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2021 were equivalent to HK\$17,060,000 (31 July 2020: HK\$17,585,000) which is not freely convertible into other currencies. However, under the regulations on foreign controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 January 2021, the total outstanding borrowings including margin loans of the Group amounted to HK\$626,162,000. The total outstanding borrowings comprised secured margin loans of HK\$7,832,000, secured long-term bank loan of HK\$219,471,000 and secured short-term bank revolving loans of HK\$398,859,000. Short-term bank loans were repayable within a period not exceeding one year.

Interests on bank borrowings are charged at fixed and floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. Save for the fixed interest arrangement, no financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Gearing

The Group's gearing revealed by the debt to equity ratio as at 31 January 2021 was 41%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. In view of the uncertain worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Charges on Assets

As at 31 January 2021, the Group has charged certain of its assets, including own-use properties, investment properties and right-of-use assets with carrying values of HK\$1,683,378,000, to its bankers to secure the banking facilities granted to the Group.

Capital Commitments

As at 31 January 2021, the Group had no material capital commitments.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals during the six months ended 31 January 2021.

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Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 189 as at 31 January 2021 (2020: 253). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2021 save for the deviations from code provisions A.2.1, A.4.1, A.5.1 and E.1.2 as follows:

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

In view of the present composition of the Board during the period under review, the in-depth knowledge of the chairman of the Board (“**Chairman**”, i.e. both the late Dr. Lam Kin Ming (“**Dr. KM Lam**”) and Ms. Lam Wai Shan, Vanessa (“**Ms. Vanessa Lam**”)) of the Company’s operations and the garment and fashion industry in general, their extensive business network and connections, numerous awards for their works in the industry, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for the late Dr. KM Lam (deceased on 8 January 2021) and Ms. Vanessa Lam (since 22 January 2021) to assume the roles of both the Chairman and the chief executive officer of the Company (“**CEO**”).

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Directors (“**NEDs**”, including the independent non-executive Directors (“**INEDs**”)) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company (“**Articles of Association**”), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (“**AGM**”) (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Corporate Governance *(continued)*

Under code provision A.5.1, a nomination committee comprising a majority of independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors ("**Executive Directors**"). Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 28 January 2019 ("**Nomination Policy**") for improving transparency around the nomination process. As the Nomination Policy has already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage. A Board meeting was held on 29 March 2021 in resolving the appointment of Mr. Fung Cheuk Nang, Clement ("**Mr. Clement Fung**") as an INED with effect from 29 March 2021.

Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

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Due to other pre-arranged business commitments, Dr. KM Lam was not present at the AGM held on 14 December 2020. However, Ms. Vanessa Lam present at that meeting took the chair pursuant to Article 72 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees ("**Securities Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2021.

Share Option Schemes

On 15 December 2015, the Shareholders approved the adoption of a new share option scheme ("**2015 Scheme**") and the termination of the share option scheme which was adopted by the Company on 22 December 2006 ("**2006 Scheme**") to the effect that no more share options will be granted under the 2006 Scheme. Also as at 15 December 2015, no share option is valid and outstanding under the 2006 Scheme.

The 2015 Scheme which became effective on 18 December 2015 remains in force for a period of ten years commencing on its adoption date. The maximum number of the Company's ordinary shares ("**Shares**") issuable pursuant to the 2015 Scheme is 94,754,369 Shares, being 10% of the total issued Shares on the date of the approval of the 2015 Scheme. Details of the 2015 Scheme are set out in the circular of the Company dated 13 November 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

Share Option Schemes (continued)

As at 31 January 2021, the Company has a total of 2,900,000 underlying Shares comprised in share options outstanding under the 2015 Scheme (representing approximately 0.31% of the total issued Shares as at that date); and the Company may grant further options under the 2015 Scheme to subscribe for a maximum of 91,854,369 Shares (representing about 9.69% of the total issued Shares as at that date (i.e. 947,543,695)).

The share options entitling the grantees to subscribe for 2,900,000 Shares lapsed on 27 March 2021. Since then and as at the date of this Interim Report, no share options have been granted under the 2015 Scheme.

The movements of the share options granted under the 2015 Scheme during the six months ended 31 January 2021 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	Number of underlying Shares comprised in share options				As at 31 January 2021	Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note 2)</i>
		As at 1 August 2020	Granted during the period	Lapsed during the period	As at 31 January 2021			
Directors								
The late Lam Kin Ming <i>(Note 3)</i>	27/03/2018	900,000	—	—	900,000	27/03/2018 — 26/03/2021	0.842	
Lam Wai Shan, Vanessa	27/03/2018	2,000,000	—	—	2,000,000	27/03/2018 — 26/03/2021	0.842	
Total		2,900,000	—	—	2,900,000			

Notes:

- The above share options were vested on the date of grant.
- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.
- Dr. KM Lam deceased on 8 January 2021. Mr. Chow Bing Chiu ("**Mr. BC Chow**", a Non-executive Director as at the date of this Interim Report) acts as the executor and trustee of the late Dr. KM Lam.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2015 Scheme during the six months ended 31 January 2021. Further details of the 2015 Scheme are disclosed in Note 17 to the Condensed Consolidated Interim Financial Statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Directors' and Chief Executives' Interests

The following Directors and chief executives of the Company who held office on 31 January 2021 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“SFO”)) on that date (a) as required to be notified to the Stock Exchange and the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (“Register of Directors and Chief Executives”); or (c) as notified to the Stock Exchange and the Company pursuant to the Securities Code; or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares						
Name of Directors	Capacity	Number of Shares		Number of underlying Shares	Total	Approximate percentage of total issued Shares
		Personal interests	Corporate interests	Personal interests		
				(Note 1)		
The late Lam Kin Ming ^(Note 3)	Beneficial owner and owner of controlled corporation	19,003,000	472,200,000 ^(Note 4)	900,000	492,103,000	51.93%
Lam Wai Shan, Vanessa	Beneficial owner and owner of controlled corporation	5,532,500	1,500,000 ^(Note 5)	2,000,000	9,032,500	0.95%
Wan Edward Yee Hwa	Beneficial owner	610,000	Nil	Nil	610,000	0.06%

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

Directors' and Chief Executives' Interests (continued)

(1) Interests in the Company (continued)

Notes:

1. These interests in underlying Shares represent the interests in share options granted to the Directors under the 2015 Scheme. Details of which are shown in the section headed "Share Option Schemes" of this Interim Report.
2. The total number of issued Shares as at 31 January 2021 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
3. Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.
4. Rich Promise Limited ("RPL") beneficially owned 472,200,000 Shares, representing approximately 49.83% of the total issued Shares. The late Dr. KM Lam was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.
5. Ms. Vanessa Lam was deemed to be interested in the same 1,500,000 Shares by virtue of her 50% shareholding interest in Novel Voyage Development Limited.

(2) Interests in the Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL

Name of Director	Capacity	Personal interests	Corporate interests	Total	Percentage of total issued shares
The Late Lam Kin Ming ^(Note 1)	Beneficial owner	1	Nil	1	100%

Notes:

1. Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.
2. Ms. Vanessa Lam was appointed as a director of RPL with effect from 25 January 2021.

Save as disclosed above, as at 31 January 2021, none of the Directors and the chief executives of the Company and their respective close associates had, or was deemed to have, any interest in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations, which was required to be notified to the Stock Exchange and the Company pursuant to the SFO, or recorded in the Register of Directors and Chief Executives or notified to the Stock Exchange and the Company under the Securities Code or otherwise known by the Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION (continued)

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2021, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the particulars of the corporation or individual who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (“Register of Shareholders”) or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company (“Voting Entitlements”) (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares and underlying Shares

Name	Capacity	Nature of Interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <i>(Note 1)</i>
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000 <i>(Note 3)</i>	49.83%
32 The late Lam Kin Ming <i>(Note 2)</i>	Beneficial owner and owner of controlled corporation	Personal and corporate	492,103,000 <i>(Note 3)</i>	51.93%

Notes:

1. The total number of issued Shares as at 31 January 2021 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
2. Dr. KM Lam deceased on 8 January 2021. Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam.
3. The late Dr. KM Lam was deemed to be interested in the 472,200,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL. Please also refer to “Directors’ and Chief Executives’ Interests” section above for further details.

The late Dr. KM Lam was personally interested in 19,003,000 Shares and was granted a share option by the Company to subscribe for a total of 900,000 Shares (details of which are shown in the section headed “Share Option Schemes” of this Interim Report).

Save as disclosed above, the Directors are not aware of any other corporation or individual which/who, as at 31 January 2021, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 January 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's 2019-2020 Annual Report for the year ended 31 July 2020 are set out as follows:

- (1) Dr. Lam Kin Ngok, Peter (a) has been re-appointed as a member of the board of West Kowloon Cultural District Foundation Limited for a term of three years with effect from 16 November 2020; and (b) was appointed as the chairman of the board of directors of Lai Sun Garment (International) Limited (Stock Code: 191, the issued shares of which are listed and traded on the Main Board of the Stock Exchange) with effect from 26 January 2021.
- (2) Mr. Lam Kin Hong, Matthew has been re-appointed as a member of the Consumer Council for a term of two years with effect from 1 January 2021.
- (3) Dr. KM Lam (Chairman, CEO, Executive Director and Authorised Representative to the Stock Exchange) deceased on 8 January 2021.
- (4) Ms. Vanessa Lam was appointed as the Chairman and the CEO with effect from 22 January 2021.
- (5) Mr. Leung Shu Yin, William ("**Mr. William Leung**") was appointed as the Deputy Chairman with effect from 22 January 2021.
- (6) Mr. Wan Edward Yee Hwa was appointed as an Authorised Representative to the Stock Exchange with effect from 22 January 2021.
- (7) Mr. BC Chow acts as the executor and trustee of the late Dr. KM Lam since 8 January 2021 and was re-designated from an INED to a NED as well as ceased to be a member of the audit committee of the Company ("**Audit Committee**") with effect from 29 March 2021.
- (8) Mr. Clement Fung was appointed as an INED and a member of each of the Audit Committee and the Remuneration Committee of the Company with effect from 29 March 2021.

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Review of Interim Report

The Audit Committee (comprising three INEDs, namely Messrs. William Leung (Chairman of the Audit Committee), BC Chow and Yeung Sui Sang) has reviewed this Interim Report (containing the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2021, the accounting principles and practices adopted by the Company as well as the financial reporting matters.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(continued)*

Appreciation

On behalf of the Board, I would like to thank all members of the staff and management for their dedication and continuous support and look forward to sharing the prosperous future of Crocodile with them and all the Shareholders and customers.

By order of the Board
Lam Wai Shan, Vanessa
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, 29 March 2021

