CROCODILE

2007-2008

Crocodile Garments Limited Annual Report | 鱷魚恤有限公司年報

Stock Code | 股份代號 122

Contents

Crocodile Garments Limited
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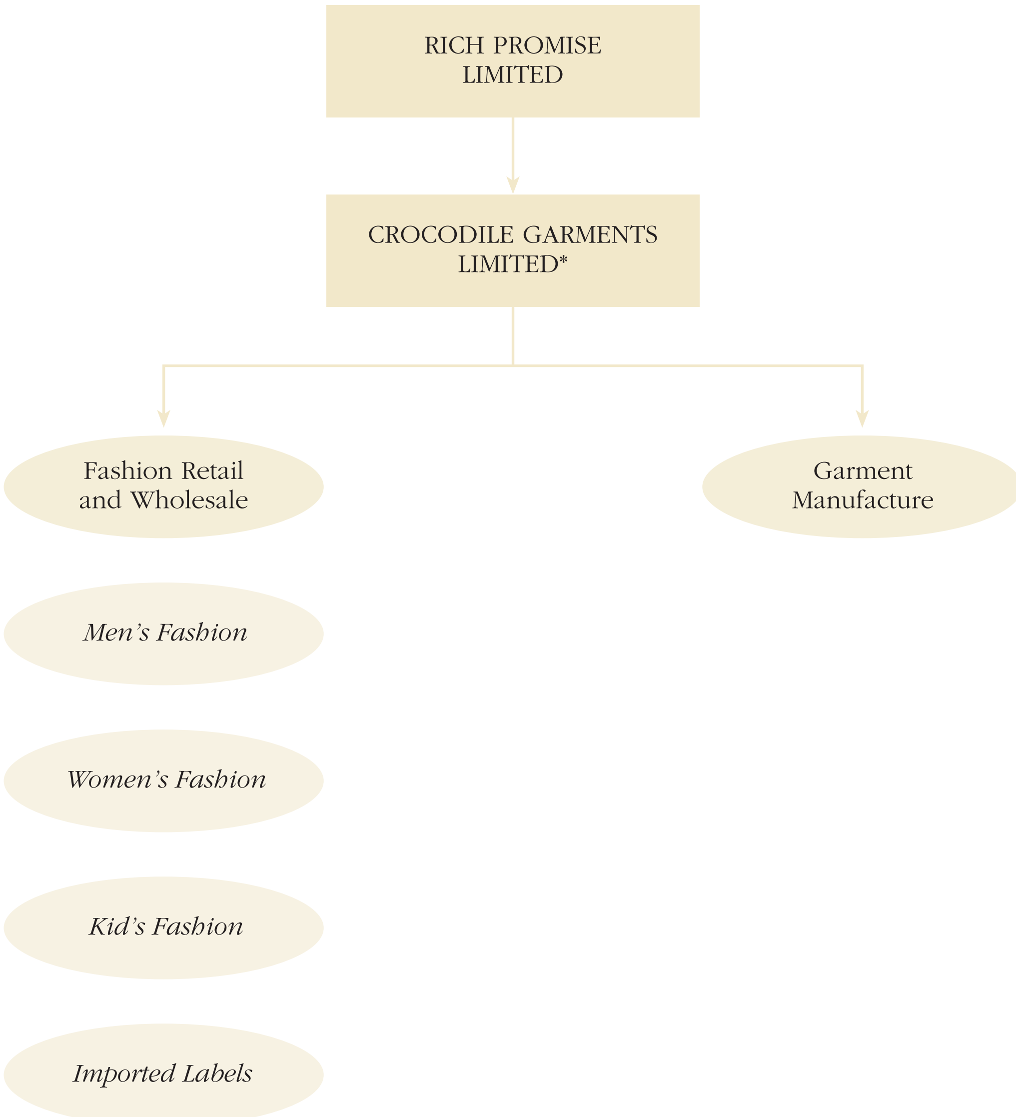
Stock code on Hong Kong Stock Exchange: ***122***

Corporate Profile

Crocodile Garments Limited was first listed on the Hong Kong Stock Exchange in 1971. It owns several fashion labels and is engaged in the manufacture, retail and wholesale of fashion in Hong Kong and the Mainland of China.



* *Listed on Main Board of Stock Exchange*

Corporate Information

Place of Incorporation
Hong Kong

Directors
Lam Kin Ming *(Chairman and Chief Executive Officer)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Cheng Suet Fei, Sophia
Lam Suk Ying, Diana
Tong Ka Wing, Carl
Wan Yee Hwa, Edward
Yeung Sui Sang
Chow Bing Chiu

Secretary and Registered Office
Yeung Kam Hoi
11th Floor
Lai Sun Commercial Centre
680 Cheung Sha Wan Road
Kowloon, Hong Kong

Qualified Accountant
Ko Ming Kin

Share Registrar
Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Auditor
Shu Lun Pan Horwath Hong Kong CPA Limited
Certified Public Accountants
20th Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Solicitors
Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

Vincent T.K. Cheung, Yap & Co.
11th Floor, Central Building
1-3 Pedder Street
Central, Hong Kong

Bankers
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
CITIC Ka Wah Bank Limited
Hang Seng Bank Limited
Industrial and Commercial
Bank of China (Asia) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited

Chairman's Statement

LAM Kin Ming
Chairman and Chief Executive Officer

FINANCIAL RESULTS

During the year under review, turnover was HK$450,007,000 (2007: HK$441,155,000), representing a 2.0% increase. Gross profit of the Group increased by 1.4% to HK$274,492,000 (2007: HK$270,714,000).

Despite the increase in turnover and gross profit, the escalating retail rental expenses had adversely affected the performance of the "Garment and Related Accessories" segment of the Group. During the year under review, as part of its continuous efforts to improve brand recognition for its own brand "Crocodile", the Group has made considerable investment in a series of promotional campaigns and 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.

Income from the "Property Investment" segment was the major contributor to the overall performance of the year under review. A surplus of HK$10,000,000 (2007: HK$7,000,000) on revaluation of an investment property (before disposal) and a gain of HK$30,000,000 on the subsequent disposal of this investment property were recorded during the year.

Chairman's Statement

As a result of the above, the Group recorded a profit attributable to shareholders of HK$21,216,000 for the year ended 31 July 2008 (2007: HK$21,559,000).

OPERATIONS REVIEW

Hong Kong and Macau

The Group operated 26 outlets for Crocodile line and 5 outlets for Lacoste line in Hong Kong and Macau as at 31 July 2008. The performance of these outlets was stable with an increase of 1.4% in turnover as compared to 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, achieved double-digit increase in sales during the year under review.

However, the increase in rental expenses arising from the renewal of the existing shops and the opening of certain new shops in the past year is a key concern to the Group. Due to the worsening global economic environment, the Group will not open new shops in the coming year until there are signs that the rental pressure will be relieved.

Chairman's Statement

Mainland of China (the "Mainland")
To be in harmony with its nationwide franchising strategy, the Group restructured its own retail network in major cities of the Mainland during the year under review. Total sales increased by 3.6% as compared to last year.

The number of retail outlets run by the Group remained relatively stable at 82 as at 31 July 2008 (2007: 93). The increase in operating costs of these outlets, as reflected by the prevailing high inflation rate in the Mainland, significantly offset the additional contribution generated from the growth in sales.

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

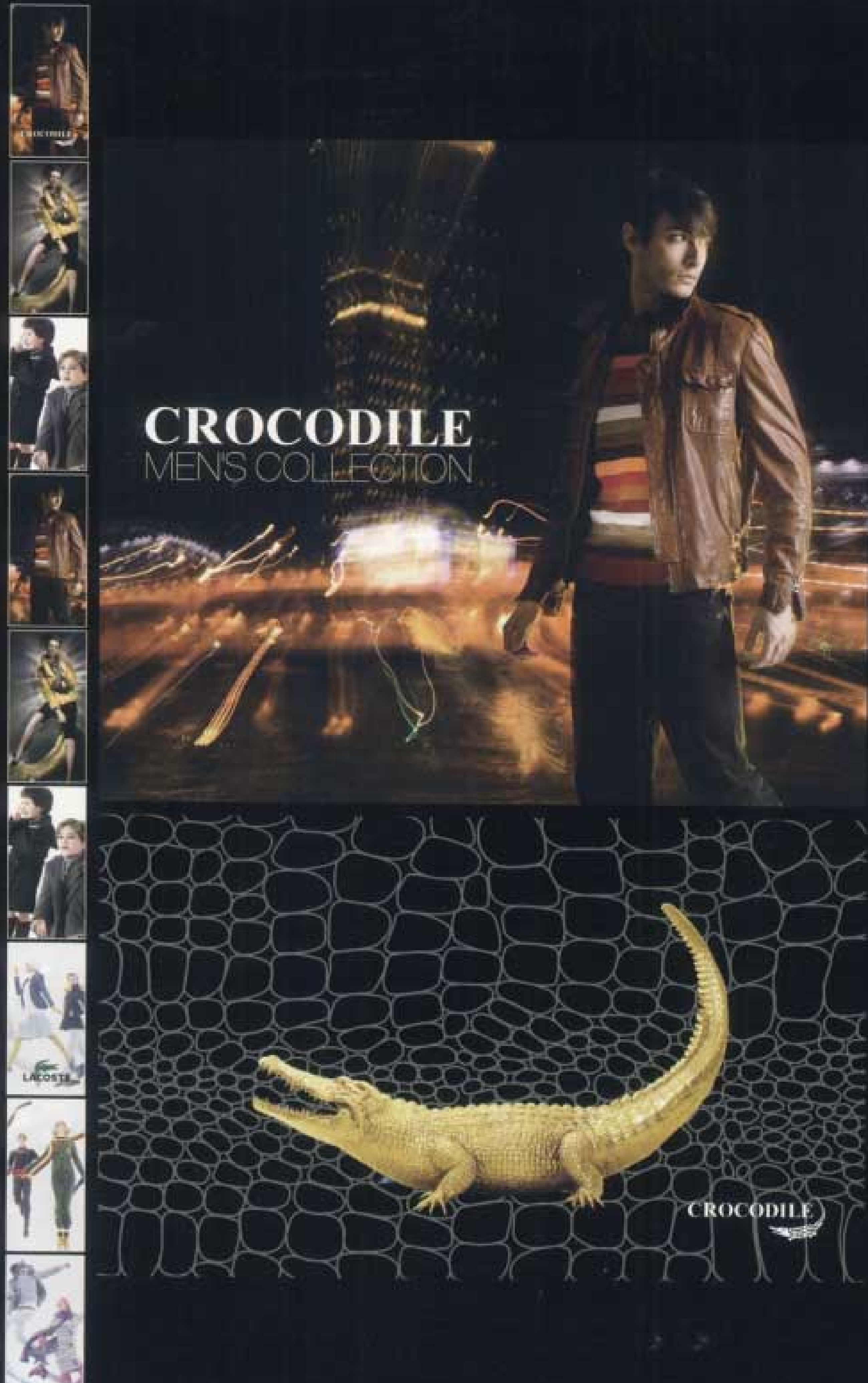
Currently, there are a total of 419 sales outlets in the Mainland, including self-operated retail outlets and those operated by our franchisees.

PROSPECTS

The overall consumer market in the short-term future will be difficult in view of the present tumultuous situation in the financial markets. The expensive rental commitments together with the uncertainty in the consumer market may have a negative impact on the performance of the Group in the coming year. The outlook for retail sector will become more challenging than ever in Hong Kong and Macau. To cope with the above business conditions, the Group has been undertaking corrective measures, including product perfecting, sale network restructuring and strict cost control.

On the Mainland, having a well-established sale platform consisting of self-operated and franchised outlets, the Group is well positioned to benefit from the Mainland's developing apparel sector.

The redevelopment project of the Group's major investment property in Kwun Tong, Hong Kong in joint venture with Lai Sun Garment (International) Limited ("LSG") group is planned to complete by the end of 2009. On completion, ownership of the office space and carparks will be allocated and assigned to the Group. This portion of the new commercial complex is expected to generate stable rental income to the Group in the future.


CROCODILE
LACOSTE
CROCODILE
MEN'S COLLECTION
CROCODILE

Chairman's Statement

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 year under review, the Group re-arranged its facilities with the bank and the Company was not needed to provide any guarantees since then.

On 28 February 2006, the Company, LSG and Unipress Investments Limited ("Unipress"), a wholly-owned subsidiary of LSG, entered into a conditional development agreement (the "Development Agreement") in connection with the redevelopment of 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 required by the relevant lending institution(s) and LSG is expected to provide a corporate guarantee as security for such finance.

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

Pursuant to a deed of undertaking, guarantee and indemnity entered into amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, as disclosed in note 35(b) to the financial statements, Crocodile KT is only required to be a party to the term loan arrangement, and Unipress and LSG should be responsible for the funding obligations in respect thereof. Accordingly, in substance Unipress and LSG are the borrowers of the term loan and the term loan would not be recognized in the financial statements of the Group.

Chairman's Statement

At 31 July 2008, the total amount of bank term loan drawn in respect of the above facility was HK$82,000,000 (2007: HK$28,000,000).

Apart from the foregoing, at the balance sheet date, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sums of approximately HK$326,760,000 (2007: HK$53,502,000). The Group has also simultaneously entered into respective deeds of undertaking with Unipress and these contractors pursuant to which Unipress/LSG unconditionally and irrevocably undertakes to these contractors, as primary obligor/guarantor, to perform all obligations of the Group and to pay to the contractors all amounts due from time to time on the part of the Group under and in accordance with the terms of these construction and consultancy contracts. Accordingly, the obligation of these contracts would not be reflected in the financial statements of the Group.

LIQUIDITY, FINANCIAL RESOURCES, FOREIGN EXCHANGE RISK EXPOSURE, GEARING, CHARGES ON ASSETS AND CAPITAL COMMITMENTS

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for normal trade financial instruments, such as Letters of Credit, Trust Receipt Loans, the Group has not employed other financial instruments for the year ended 31 July 2008.

The Group mainly earns revenue and incurs cost in Hong Kong dollars and Renminbi. The Group considers the impact of foreign exchange risks is not significant as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and will not bear unforeseeable foreign currency exchange risks.

Chairman's Statement

Cash and cash equivalents held by the Group amounted to HK$149,371,000 as at 31 July 2008 and were mainly denominated in Hong Kong dollars and Renminbi.

As at 31 July 2008, total bank borrowings of the Group amounted to HK$44,664,000 which were due for renewal within one year. Of the total bank borrowings, HK$17,000,000 represented unsecured short-term bank loans, HK$26,977,000 was unsecured trust receipt loans and HK$687,000 was secured trust receipt loans. Interest on bank borrowings is charged at floating rates. All bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group in the year ended 31 July 2008.

The Group's gearing was considered to be at a reasonable level, as the debt to equity ratio at 31 July 2008 was 7.4%, 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, the Group had paid a deposit of HK$2,536,000 to its banker to secure banking facilities granted to the Group as at 31 July 2008.

The Group had contracted capital commitments of HK$4,755,000 as at 31 July 2008.

MAJOR INVESTMENTS, ACQUISITIONS AND DISPOSALS

Except for the disposal of the investment property situated at Tsimshatsui, Hong Kong, details of which are included in the Company's circular dated 13 May 2008, the Group had no significant investments, material acquisitions or disposals for the year ended 31 July 2008.

Chairman's Statement

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group, including part-time sales staff, was 905 as at 31 July 2008. 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 subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training programme subsidies. Total staff costs including retirement scheme contributions for the year ended 31 July 2008 was approximately HK$93,068,000.

MANAGEMENT AND STAFF

On behalf of the Board, I would like to thank all members of staff and management for their dedication and loyalty. I would also like to thank our shareholders and business associates for their continuous support.

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
6 November 2008

Report of the Directors

The directors herein present their report together with the audited financial statements of the Company and of the Group for the year ended 31 July 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company and of the Group are the manufacture and sale of garments and property investment. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by business segment and geographical areas of the operations for the year ended 31 July 2008 is set out in note 5 to the financial statements.

FINANCIAL RESULTS AND DIVIDEND

The Group's profit for the year ended 31 July 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 89.

The directors of the Company propose a final dividend of HK 3 cents per ordinary share for the year ended 31 July 2008 (2007: HK 1 cent). No interim dividend has been paid by the Company for the year (2007: Nil).

SUMMARY OF FINANCIAL INFORMATION

Following is a summary of the published consolidated results and assets and liabilities of the Group for the five financial years from 2004 to 2008:

	Year ended 31 July				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**450,007**	441,155	385,809	396,862	459,562
Profit for the year	**21,216**	21,559	110,019	127,205	47,896

	As at 31 July				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**761,111**	725,511	728,564	575,954	476,218
Total liabilities	**154,696**	153,173	176,945	134,458	162,106
Total equity	**606,415**	572,338	551,619	441,496	314,112
	761,111	725,511	728,564	575,954	476,218

Report of the Directors

DIRECTORS

The directors of the Company as at the date of this report and those in office during the year are as follows:

Executive directors

Lam Kin Ming *(Chairman and Chief Executive Officer)*
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*
Lam Kin Ngok, Peter
Lam Kin Hong, Matthew
Cheng Suet Fei, Sophia

Non-executive directors

Lam Suk Ying, Diana
Tong Ka Wing, Carl
Wan Yee Hwa, Edward *
Yeung Sui Sang *
Chow Bing Chiu *

* Independent non-executive directors

In accordance with Article 100 of the Company's articles of association, Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements headed "Related Party Transactions", no director of the Company had a material interest, either direct or indirect, in any significant contract to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding company was a party at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following directors of the Company are considered to have interests in businesses which compete or are likely to compete either directly or indirectly with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Wai Shan, Vanessa held interests and/or directorships in companies engaged in the business of property investment in Hong Kong and the Mainland, and garment manufacturing and related businesses.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

As the board of directors of the Company (the "Board") is independent from the boards of directors of the aforesaid companies and none of the above directors can control the Board, the Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of such companies.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive directors:

Mr. Lam Kin Ming, Chairman and Chief Executive Officer, aged 71, was appointed a director in December 1993. He is also the chairman of Lai Sun Garment (International) Limited ("LSG"), a non-executive director of Lai Sun Development Company Limited ("LSD") and eSun Holdings Limited ("eSun"), and the deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG, LSD, eSun and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam is also the sole director and sole shareholder of Rich Promise Limited (a substantial shareholder of the Company). Mr. Lam has been involved in day-to-day management in the garment business since 1958. Mr. Lam is currently interested, or deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance, in 318,019,000 shares in the Company, representing approximately 51.53% of the issued share capital of the Company. He is the elder brother of Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Suk Ying, Diana. He is also the father of Ms. Lam Wai Shan, Vanessa. Mr. Lam has a service contract with the Company with no fixed term of service. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. Mr. Lam is currently entitled to an annual salary and allowances of approximately HK$5,242,000 and a discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Ms. Lam Wai Shan, Vanessa, Executive Director and Deputy Chief Executive Officer, aged 37, was appointed a director in February 2006. Ms. Lam holds a Bachelor of Arts degree from Scripps College, California, USA and graduated from the Fashion Institute of Design and Merchandising in Los Angeles. She has over 10 years of experience in the fashion industry. Prior to joining the Company in 1998, she worked for two famous London-based design houses – Alexander McQueen and Julien MacDonald. Ms. Lam has received numerous awards for her work in the industry and charity work. She is a daughter of Mr. Lam Kin Ming.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Mr. Lam Kin Ngok, Peter, aged 51, was appointed a director in October 1987. He is the deputy chairman of Lai Sun Garment (International) Limited ("LSG"), the chairman of Lai Sun Development Company Limited ("LSD") and Lai Fung Holdings Limited ("LFH"), and an executive director of eSun Holdings Limited ("eSun"), and the chairman of Media Asia Entertainment Group Limited. LSG, LSD, LFH and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Lam has extensive experience in the property development and investment business, hospitality and media and entertainment business. He is currently Chairman of the Hong Kong Chamber of Films, Honorary Chairman of the Hong Kong Kowloon & New Territories Motion Picture Industry Association, a member of the Hong Kong Film Development Council and a member of the Hong Kong Tourism Board. He is also a member of the Entertainment Industry Advisory Committee of the Hong Kong Trade Development Council and a Trustee of the Better Hong Kong Foundation. Mr. Lam is a director of the Real Estate Developers Association of Hong Kong. Mr. Lam is a member of the 11th National Committee of the Chinese People's Political Consultative Conference and a director of Hong Kong – Vietnam Chamber of Commerce Limited. Mr. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is a younger brother of Mr. Lam Kin Ming and Ms. Lam Suk Ying, Diana, an elder brother of Mr. Lam Kin Hong, Matthew, and an uncle of Ms. Lam Wai Shan, Vanessa. Mr. Lam does not have a service contract with the Company. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. He will receive such remuneration and discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Mr. Lam Kin Hong, Matthew, aged 40, was appointed a director in July 1999. He is also an executive director of Lai Sun Garment (International) Limited ("LSG"), and an executive director and executive deputy chairman of Lai Fung Holdings Limited ("LFH"). LSG and LFH are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He attained a Bachelor of Science degree from the University of London and underwent his training as a solicitor with an international law firm, Messrs. Richards Butler. Mr. Lam is a member of the Law Society of Hong Kong and the Law Society of England and Wales. He has considerable experience in property development and corporate finance fields in Hong Kong and China. Mr. Lam does not have any interest in the listed securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lam is the younger brother of Mr. Lam Kin Ming, Ms. Lam Suk Ying, Diana and Mr. Lam Kin Ngok, Peter, and an uncle of Ms. Lam Wai Shan, Vanessa. Mr. Lam has a service contract with the Company with no fixed term of service. He will be subject to retirement from office by rotation once every three years since his last election and will be eligible for re-election at future annual general meetings of the Company, in accordance with the provisions of the articles of association of the Company. Mr. Lam is currently entitled to an annual salary of HK$780,000 and a discretionary bonus, to be determined by the Board with reference to the performance of the Company, duties and responsibilities of the director concerned and prevailing market conditions.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors: (continued)

Ms. Cheng Suet Fei, Sophia, aged 45, was appointed a director in February 2007. Ms. Cheng is a member of the Institute of Chartered Accountants in England and Wales. She has over 20 years' experience in business and financial management both in Hong Kong and the Mainland of China, including 10 years as a senior management executive of the Lai Sun Group. During 1997 to 1999, she was an executive director of Lai Fung Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Non-executive directors:

Ms. Lam Suk Ying, Diana, aged 53, was appointed a director in December 2006. Ms. Lam graduated from Loyola University in California, USA with a Bachelor of Business Administration degree. She also holds a Master's degree in Public Administration from the Pepperdine University in California, USA. Ms. Lam worked for Metropolitan Life Insurance Company in California, USA for two years and has been managing her personal investments continuously to date. She is a younger sister of Mr. Lam Kin Ming, and an elder sister of Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew.

Mr. Tong Ka Wing, Carl, aged 57, was appointed a director in February 2007. Mr. Tong is currently the managing director and chief executive officer of Creative Master Bermuda Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited. He is also an independent non-executive director of eSun Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Tong is a member of the Hong Kong Institute of Certified Public Accountants and he qualified as a Chartered Accountant of England and Wales in 1981. He has over 20 years' experience in corporate management.

Mr. Wan Yee Hwa, Edward, aged 72, was appointed a director in December 1993 and is an independent non-executive director. Mr. Wan is also an independent non-executive director of Lai Sun Garment (International) Limited ("LSG") and Lai Sun Development Company Limited ("LSD"). LSG and LSD are listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is a fellow of the Hong Kong Institute of Certified Public Accountants and has been a certified public accountant in Hong Kong since 1961.

Mr. Yeung Sui Sang, aged 70, was appointed an independent non-executive director in October 2001. Before joining the Lai Sun Group in March 1988, Mr. Yeung had worked in the civil service for over 30 years. He first joined Lai Sun Garment (International) Limited ("LSG") as administration manager, and was later appointed Lai Sun Group's administration controller. He was also appointed to the boards of LSG, Asia Television Limited and later eSun Holdings Limited ("eSun"). LSG and eSun are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Yeung retired from the Lai Sun Group in June 1998 including his directorship in various Group companies.

Mr. Chow Bing Chiu, aged 57, was appointed an independent non-executive director in September 2004. He is also an independent non-executive director of Lai Sun Garment (International) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chow obtained his Bachelor of Law degree in 1980 and qualified as a solicitor in Hong Kong in 1983. He is the sole proprietor of B.C. Chow & Co., Solicitors, in Hong Kong. He is also a China-appointed attesting officer.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Share Option Scheme" in this report, at no time during the year was the Company or any of its subsidiaries, holding company or fellow subsidiaries a party to any arrangement to enable a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31 July 2008, the following directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) were required, pursuant to the Code of Practice for Securities Transactions by Directors and Designated Employees adopted by the Company, to be notified to the Company and the Stock Exchange:

(1) The Company

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

Notes:

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

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

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

Report of the Directors

DIRECTORS' INTERESTS (continued)

(2) Associated Corporation
Rich Promise Limited ("RPL")

Long positions in the shares of RPL

Name of Director	Personal Interests	Family Interests	Corporate Interests	Capacity	Total	Percentage
Lam Kin Ming	1	Nil	Nil	Beneficial owner	1	100%

Save as disclosed above, as at 31 July 2008, none of the directors or chief executive of the Company was interested, or was deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 22 December 2006 for the purpose of providing incentive or rewards to Participants as defined in the Share Option Scheme.

Details of the Share Option Scheme are set out in note 29 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at 31 July 2008, the following persons, one of whom is a director and chief executive of the Company, had an interest in the following long positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity	Nature of Interests	Number of Shares	Percentage
Rich Promise Limited ("RPL")	Beneficial owner	Corporate	314,800,000	51.01%
Lam Kin Ming	Beneficial owner	Corporate and other	315,417,000 *(Notes 1 and 2)*	51.11%

Notes:

1. Mr. Lam Kin Ming was deemed to be interested in 314,800,000 shares in the Company by virtue of his 100% interest in RPL.

2. Mr. Lam Kin Ming was granted options to subscribe for 617,000 shares in the Company on 13 July 2007.

Save as disclosed above, no other person was recorded in the register required to be kept under Section 336 of the SFO as having an interest or short position in the shares and underlying shares of the Company as at 31 July 2008.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year had the Company or any of its subsidiaries, and the controlling shareholder or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

ACCOUNTING POLICIES

The principal accounting policies of the Group are set out in note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group and the Company during the year are set out in note 16 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 20 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group and the Company at the balance sheet date are set out in note 25 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover for the year.

Purchases attributable to the five largest suppliers accounted for 34.7% of the Group's total purchases for the year.

DISTRIBUTABLE RESERVES

As at 31 July 2008, the Company had reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance.

Report of the Directors

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$1,535,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 July 2008, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 July 2008.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 25 of this report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of the independent non-executive directors to be independent.

AUDITOR

The financial statements have been audited by Shu Lun Pan Horwath Hong Kong CPA Limited who retires and offers itself for re-appointment. There has been a change in the auditor of the Company in the financial year ended 31 July 2007 from Ernst & Young to Shu Lun Pan Horwath Hong Kong CPA Limited.

On behalf of the Board

Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong
6 November 2008

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance, in compliance with the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(1) CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the CG Code throughout the accounting period covered by this 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 of directors of the Company (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.

(2) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the "Securities Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors who have confirmed their compliance with the required standard set out in the Securities Code during the year ended 31 July 2008.

Corporate Governance Report

(3) BOARD OF DIRECTORS

(3.1) The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board has established specific committees with written terms of reference to assist it in the efficient implementation of its functions, namely, the Executive Committee, Audit Committee, and Remuneration Committee. Specific responsibilities have been delegated to the above committees.

(3.2) The Board comprises five executive directors, namely, 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; two non-executive directors, namely, Ms. Lam Suk Ying, Diana and Mr. Tong Ka Wing, Carl; and three independent non-executive directors, namely, Mr. Wan Yee Hwa, Edward, Mr. Yeung Sui Sang and Mr. Chow Bing Chiu.

(3.3) The Board met four times during the year ended 31 July 2008. The attendance record of individual directors at these board meetings is set out in the following table:

	Board Meetings	
Directors	**Held**	**Attended**
Executive Directors		
Lam Kin Ming *(Chairman and Chief Executive Officer)*	4	4
Lam Wai Shan, Vanessa *(Deputy Chief Executive Officer)*	4	4
Lam Kin Ngok, Peter	4	0
Lam Kin Hong, Matthew	4	0
Cheng Suet Fei, Sophia	4	4
Non-executive Directors		
Lam Suk Ying, Diana	4	0
Tong Ka Wing, Carl	4	4
Independent Non-executive Directors		
Wan Yee Hwa, Edward	4	4
Yeung Sui Sang	4	4
Chow Bing Chiu	4	4

Corporate Governance Report

(3) BOARD OF DIRECTORS (continued)

(3.4) The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

(3.5) Mr. Lam Kin Ming is the father of Ms. Lam Wai Shan, Vanessa, and the elder brother of Mr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Ms. Lam Suk Ying, Diana.

Save as disclosed above and in the "Biographical Details of Directors and Senior Management" section of this annual report, none of the directors of the Company has any financial, business, family or other material/relevant relationships with one another.

(4) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The CG Code requires that the roles of chairman and chief executive officer be separated and not performed by the same individual.

As explained in Paragraph (1) above, Mr. Lam Kin Ming assumes the roles of Chairman and Chief Executive Officer of the Company simultaneously.

(5) NON-EXECUTIVE DIRECTORS

As explained in Paragraph (1) above, none of the existing non-executive directors of the Company is appointed for a specific term.

(6) REMUNERATION OF DIRECTORS

(6.1) The Board established on 18 November 2005 a Remuneration Committee, which currently comprises three independent non-executive directors, namely Messrs. Wan Yee Hwa, Edward (Chairman), Yeung Sui Sang, Chow Bing Chiu and one non-executive director, Mr. Tong Ka Wing, Carl.

(6.2) The Remuneration Committee has been charged with the responsibility to recommend to the Board, in consultation with the Chairman of the Board and/or the Chief Executive Officer, on an appropriate policy and framework for all aspects of remuneration of all directors and senior management, including but not limited to directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

Corporate Governance Report

(6) REMUNERATION OF DIRECTORS (continued)

(6.3) The Remuneration Committee held three meetings during the year ended 31 July 2008 to discuss remuneration-related matters. The attendance record of individual members at these Remuneration Committee meetings is set out in the following table:

	Remuneration Committee Meetings	
Members	**Held**	**Attended**
Wan Yee Hwa, Edward	3	3
Yeung Sui Sang	3	3
Chow Bing Chiu	3	3
Tong Ka Wing, Carl	3	2

(7) NOMINATION OF DIRECTORS

The Company has not established a nomination committee. Potential new directors will be recruited based on their skills, experience and expertise and the requirements of the Company at the relevant time. The process of identifying and selecting appropriate candidates for approval by the Board will be carried out by the executive directors of the Company.

(8) AUDITOR'S REMUNERATION

During the year under review, Shu Lun Pan Horwath Hong Kong CPA Limited ("Shu Lun Pan Horwath") received audit fees amounting to approximately HK$800,000 for statutory audit work on the Group. Shu Lun Pan Horwath also received fee amounting to HK$100,000 for providing non-audit service assignment to the Company during the year.

Corporate Governance Report

(9) AUDIT COMMITTEE

(9.1) The Board established on 31 March 2000 an Audit Committee, which currently comprises three independent non-executive directors, namely, Messrs. Wan Yee Hwa, Edward (Chairman), Yeung Sui Sang and Chow Bing Chiu.

The principal responsibilities of the Audit Committee include the monitoring of the integrity of the periodic financial statements of the Company and the review of significant financial reporting judgments contained in them before submission to the Board for approval.

The Company has complied with Rule 3.21 of the Listing Rules in that one of the members of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management experience.

(9.2) The Audit Committee held two meetings during the year under review. The members of the Audit Committee, namely, Messrs. Wan Yee Hwa, Edward, Yeung Sui Sang and Chow Bing Chiu, attended all the meetings.

(9.3) The Audit Committee reviewed the half-yearly and annual results of the Company, and other matters related to the financial and accounting policies and practices of the Company.

(10) FINANCIAL REPORTING

The directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in this annual report.

(11) INTERNAL CONTROL

The Board has reviewed the effectiveness of the internal control system of the Group. The periodic review will cover all material controls, including financial, operational and compliance controls and risk management functions of the Group.

Independent Auditor's Report

Horwath

Shu Lun Pan Horwath Hong Kong CPA Limited
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TO THE MEMBERS OF CROCODILE GARMENTS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Crocodile Garments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 89, which comprise the consolidated and company balance sheets as at 31 July 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 July 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHU LUN PAN HORWATH HONG KONG CPA LIMITED
Certified Public Accountants
6 November 2008
Chan Kam Wing, Clement
Practising Certificate number P02038

Consolidated Income Statement

For the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Revenue	6	**450,007**	441,155
Cost of sales		**(175,515)**	(170,441)
Gross profit		**274,492**	270,714
Fair value gain on investment property	16	**10,000**	7,000
Gain on disposal of investment property		**30,000**	—
Other income and gains	6	**49,612**	42,415
Selling and distribution costs		**(284,095)**	(243,048)
Administrative expenses		**(57,389)**	(50,640)
Other operating expenses, net	7	**(10,194)**	(1,568)
Finance costs	11	**(1,656)**	(1,734)
Profit before tax	7	**10,770**	23,139
Tax	12	**10,446**	(1,580)
Profit for the year	13	**21,216**	21,559
Dividend - proposed final dividend	8	**18,514**	6,171
Earnings per share			
- basic (HK cents)	14	**3.44**	3.49

Consolidated Balance Sheet

At 31 July 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**31,489**	27,944
Investment properties	16	**349,628**	439,628
Construction in progress	17	**3,326**	—
Land lease prepayments	18	**15,524**	14,443
Rental and utility deposits		**20,271**	19,231
Deposits for land lease prepayments	19	**32,539**	29,685
		452,777	530,931
Current assets			
Inventories	21	**81,344**	82,546
Trade receivables, deposits and prepayments	22	**71,917**	52,648
Amounts due from related companies	35(c)	**845**	710
Cash and cash equivalents	23	**149,371**	58,676
		303,477	194,580
Assets classified as held for sale	24	**4,857**	—
		308,334	194,580
Current liabilities			
Short-term borrowings	25	**44,664**	30,197
Trade and other payables	26	**70,339**	61,367
Amounts due to related companies	35(c)	**200**	76
Tax payable		**3,285**	9,498
		118,488	101,138
Net current assets		**189,846**	93,442
Total assets less current liabilities		**642,623**	624,373

Consolidated Balance Sheet

At 31 July 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Provision for long service payments	27	**1,192**	1,989
Deferred tax liabilities	28	**35,016**	50,046
		36,208	52,035
Net assets		**606,415**	572,338
EQUITY			
Issued capital	30	**154,282**	154,282
Reserves	31	**292,486**	331,369
Retained profits		**159,647**	86,687
Total equity		**606,415**	572,338

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2006	154,282	164,921	—	283	172,110	60,023	551,619
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	6,924	—	—	6,924
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	—	—	—	(7,800)	—	(7,800)
Transfer to profit or loss on disposal of investment property	—	—	—	—	(5,105)	5,105	—
Total income and expenses recognised directly in equity	—	—	—	6,924	(12,905)	5,105	(876)
Profit for the year	—	—	—	—	—	21,559	21,559
Total recognised income and expenses for the year	—	—	—	6,924	(12,905)	26,664	20,683
Recognition of equity-settled share-based payment	—	—	36	—	—	—	36
At 31 July 2007	154,282	164,921*	36*	7,207*	159,205*	86,687	572,338

Consolidated Statement of Changes in Equity

For the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Asset revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 July 2007	154,282	164,921*	36*	7,207*	159,205*	86,687	572,338
Exchange differences on translating foreign operations recognised directly in equity	—	—	—	10,262	—	—	10,262
Reversal of deferred tax liabilities directly in equity on disposal of investment property	—	—	—	—	7,800	—	7,800
Transfer to profit or loss on disposal of investment property	—	—	—	—	(57,915)	57,915	—
Total income and expenses recognised directly in equity	—	—	—	10,262	(50,115)	57,915	18,062
Profit for the year	—	—	—	—	—	21,216	21,216
Total recognised income and expenses for the year	—	—	—	10,262	(50,115)	79,131	39,278
Recognition of equity-settled share-based payment	—	—	970	—	—	—	970
Dividend paid	—	—	—	—	—	(6,171)	(6,171)
At 31 July 2008	**154,282**	**164,921***	**1,006***	**17,469***	**109,090***	**159,647**	**606,415**

* *These reserve accounts comprise the consolidated reserves of HK$292,486,000 (2007: HK$331,369,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	2008 HK$'000	2007 HK$'000
Operating activities		
Profit before tax	**10,770**	23,139
Adjustments for:		
Finance costs	**1,656**	1,734
Interest income	**(521)**	(622)
Share-based payment expenses	**970**	36
Depreciation of property, plant and equipment	**14,160**	14,592
Amortisation of land lease prepayments	**290**	82
Loss on disposal/write-off of property, plant and equipment, net	**4,533**	82
Provision for bad and doubtful debts, net	**171**	301
Bad debts written off	**267**	21
Gain on disposal of investment property	**(30,000)**	—
Provision for royalty receivable	**3,743**	—
Provision/(write-back of provision) for slow-moving inventories, net	**4,450**	(2,316)
Write-back of long outstanding trade payables	**(1,788)**	(843)
Fair value gain on investment property	**(10,000)**	(7,000)
Operating cash flows before working capital changes	**(1,299)**	29,206
(Increase)/decrease in inventories	**(3,248)**	4,102
Increase in trade receivables, deposits and prepayments	**(24,490)**	(18,321)
Increase/(decrease) in trade and other payables	**10,760**	(16,889)
Movements in balances with related companies	**(11)**	535
Decrease in provision for long service payments	**(797)**	(1,857)
Exchange differences on working capital	**(11)**	700
Cash used for operations	**(19,096)**	(2,524)
Dividend paid	**(6,171)**	—
Interest paid	**(1,656)**	(1,734)
Tax paid	**(2,997)**	(6,295)
Net cash used in operating activities	**(29,920)**	(10,553)

Consolidated Cash Flow Statement

For the year ended 31 July 2008
(Expressed in Hong Kong dollars)

	2008 HK$'000	2007 HK$'000
Investing activities		
Interest received	**521**	622
Purchases of property, plant and equipment	**(26,187)**	(11,220)
Payments for land lease prepayments	**—**	(8,911)
Proceeds from disposal of investment property	**130,000**	12,000
Proceeds from disposal of property, plant and equipment	**38**	—
Payments for construction in progress	**(3,326)**	—
Net cash generated from/(used in) investing activities	**101,046**	(7,509)
Financing activities		
New bank loans	**19,100**	5,000
Repayment of bank loans	**(25,000)**	(4,250)
Movements in trust receipt loans	**20,737**	(6,852)
Net cash generated from/(used in) financing activities	**14,837**	(6,102)
Net increase/(decrease) in cash and cash equivalents	**85,963**	(24,164)
Cash and cash equivalents at beginning of year	**58,306**	78,713
Effect of foreign exchange rate changes	**5,102**	3,757
Cash and cash equivalents at end of year	**149,371**	58,306
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**79,365**	58,676
Non-pledged time deposits with original maturity of less than 1 month when acquired	**70,006**	—
Bank overdrafts	**—**	(370)
	149,371	58,306

Balance Sheet

At 31 July 2008
(Expressed in Hong Kong dollars)

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**21,651**	9,674
Interests in subsidiaries	20	**387,579**	509,251
Rental and utility deposits		**19,272**	18,411
		428,502	537,336
Current assets			
Inventories	21	**51,967**	40,628
Trade receivables, deposits and prepayments	22	**27,893**	17,431
Amounts due from related companies	35(c)	**845**	710
Cash and cash equivalents	23	**83,547**	11,842
		164,252	70,611
Current liabilities			
Short-term borrowings	25	**44,664**	29,827
Trade and other payables	26	**29,166**	25,901
Amounts due to related companies	35(c)	**57**	76
		73,887	55,804
Net current assets		**90,365**	14,807
Total assets less current liabilities		**518,867**	552,143
Non-current liabilities			
Provision for long service payments	27	**1,192**	1,989
Net assets		**517,675**	550,154

Balance Sheet

At 31 July 2008
(Expressed in Hong Kong dollars)

	Notes	**2008** **HK$'000**	2007 HK$'000
EQUITY			
Issued capital	30	**154,282**	154,282
Reserves	31	**165,927**	164,957
Retained profits		**197,466**	230,915
Total equity		**517,675**	550,154

Lam Kin Ming
Director

Lam Wai Shan, Vanessa
Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Crocodile Garments Limited (the "Company") is a company incorporated in Hong Kong with limited liability. The registered office of the Company is located at 11th Floor, Lai Sun Commercial Centre, 680 Cheung Sha Wan Road, Kowloon, Hong Kong.

During the year, the Group was involved in the manufacture and sale of garments and property investment and letting.

In the opinion of the directors of the Company (the "Directors"), Rich Promise Limited, a company incorporated in the British Virgin Islands, is considered as the parent and ultimate holding company of the Group.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The impact of the adoption of HKFRS 7, *Financial Instruments: Disclosures* and HKAS 1 (Amendment), *Capital Disclosures* has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets	1 July 2008
HKFRS 2 (Amendment)	Share-based payment – vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 October 2008

The directors of the Company have considered these standards or interpretations and anticipate that these standards or interpretations will have no material impact on the results of operations and financial position of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with HKFRSs and accounting principles generally accepted in Hong Kong. The financial statements also comply with the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of preparation of financial statements

They have been prepared under the historical cost convention, except for certain investment properties which have been measured at fair value as further explained in Note 4(b)(i).

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 July. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All significant intercompany transactions and balances within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(d) Subsidiaries

A subsidiary is an enterprise in which the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another enterprise.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

(e) Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as a subsidiary when the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the items of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2%- 4.5%
Plant and machinery	10%
Furniture and fixtures, including leasehold improvements	10% to 20% or over the lease terms
Computer equipment	20%
Motor vehicles	20%

Upon a transfer of an asset to investment properties, a valuation is performed to determine the fair value of the asset to be transferred. Any revaluation surplus/deficit so arising, being the difference between the valuation and the net carrying value of the asset at the date of transfer, is credited/charged to the asset revaluation reserve of the related asset. The remaining asset revaluation reserve attached to that asset, if any, is frozen and remains as an asset revaluation reserve until that asset is sold.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (other than financial assets)

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(h) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rentals or for capital appreciation or both, and which include those existing investment properties being redeveloped by the Group for continued future use. Such properties are not depreciated, and are measured initially at cost including all transaction costs and, after initial recognition, carried at fair values, being their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the fair values of investment properties are recognised in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss arising from the retirement or disposal of an investment property, calculated as the differences between the net disposal proceeds and the carrying amount of the investment property, is recognised in the income statement in the period of the retirement or disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Non-current assets held for sale

Non-current assets and disposed groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost includes the cost of materials computed using the first-in, first-out method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of production overheads. Net realisable value is determined by reference either to the net sale proceeds of items in the ordinary course of business subsequent to the balance sheet date, or to management estimates based on the prevailing market conditions.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

For certain categories of financial asset, such as trade and other receivables, that are assessed not to impaired individually are subsequently assessed for impairment on a collective basis. In determining whether there is any impairment for a portfolio of receivables, the Group considers past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days and other observable changes in national or local economic conditions that correlate with default on receivables. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

i) Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effect interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangement entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including trade and other payables and borrowings, are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(m) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment. Deposits for prepaid land lease payments represent the deposits paid for acquisition of the land pending registration of titleship with the relevant authority. No recognition of the land lease payments is made until the registration is completed.

(n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(p) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 3(n) if an when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e., Hong Kong dollars) at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

(s) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance. A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Employee benefits (continued)

(iii) Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees of subsidiaries operating in Mainland China are members of the Central Pension Scheme operated by the People's Republic of China (the "PRC") government. The subsidiaries are required to contribute a certain percentage of their covered payroll costs to the Central Pension Scheme to fund the benefits. The only obligation of the Group with respect to the Central Pension Scheme is to make the required contributions, which are charged to the income statement in the year to which they relate.

(iv) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve in equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(t) Borrowing costs

Borrowing costs represented interest on bank overdrafts and short-term borrowings. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(ii) rental income, on the straight-line basis over the terms of the lease;

(iii) royalty income, when the right to receive the income has been established and on the straight-line basis over the terms of the relevant agreement;

(iv) Compensation income, on the straight-line basis over the terms of the relevant agreement; and

(v) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(v) Related parties

A party is related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is a joint venture in which the entity is a venturer;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d) above;

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) above; or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(ii) Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors is also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which the estimated tax losses can be utilised.

(iii) Provision for obsolete and slow-moving inventories

The Group's inventories are stated at the lower of cost and net realisable value. The Group makes provisions based on estimates of the realisable value with reference to the age and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories are reviewed annually for obsolescence provisions, if appropriate.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Estimation of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making such estimation, management considers information from current prices in an active market for properties of a different nature, condition or location. This conclusion is supported by an independent professional valuer who was engaged by the Group to perform a valuation on the Group's investment properties.

(ii) Impairment testing of assets

Management determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(iii) Income tax

The carrying amounts of deferred tax assets and related financial models and budgets are reviewed by management at each balance sheet date. To the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, the asset balance will be reduced and charged to the income statement.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION

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

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

(a) the garment and related accessories segment engages in the manufacture and sale of garments and related accessories; and

(b) property investment segment invests in land and buildings for their rental income potential.

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

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 July 2008 and 2007.

	Garment and related accessories		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to/income from external customers	**447,416**	437,649	**2,591**	3,506	**450,007**	441,155
Other revenue	**40,571**	33,269	**8,520**	8,524	**49,091**	41,793
Total	**487,987**	470,918	**11,111**	12,030	**499,098**	482,948
Segment results	**(35,432)**	6,846	**47,354**	17,423	**11,922**	24,269
Unallocated corporate income and expenses					**(17)**	(18)
					11,905	24,251
Interest income					**521**	622
Finance costs					**(1,656)**	(1,734)
Profit before tax					**10,770**	23,139
Tax					**10,446**	(1,580)
Profit for the year					**21,216**	21,559

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Garment and related accessories		Property investment		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities						
Segment assets	**260,852**	225,132	**350,888**	441,703	**611,740**	666,835
Unallocated assets					**149,371**	58,676
Total assets					**761,111**	725,511
Segment liabilities	**70,957**	62,419	**774**	1,011	**71,731**	63,430
Unallocated liabilities					**82,965**	89,743
Total liabilities					**154,696**	153,173
Other segment information:						
Depreciation of property, plant and equipment	**13,982**	14,413	**178**	179	**14,160**	14,592
Amortisation of land lease prepayments	**290**	82	**—**	—	**290**	82
Provision for bad and doubtful debts	**171**	301	**—**	—	**171**	301
Provision/(write-back of provision) for slow-moving inventories, net	**4,450**	(2,316)	**—**	—	**4,450**	(2,316)
Capital expenditure	**29,513**	25,459	**—**	7	**29,513**	25,466
Loss on disposal/write-off of property, plant and equipment, net	**4,136**	66	**397**	16	**4,533**	82
Provision for royalty receivable	**3,743**	—	**—**	—	**3,743**	—
Write-back of long outstanding trade payables	**(1,788)**	(843)	**—**	—	**(1,788)**	(843)
Bad debts written off	**267**	21	**—**	—	**267**	21
Gain on disposal of investment property	**—**	—	**(30,000)**	—	**(30,000)**	—
Fair value gain on investment property	**—**	—	**(10,000)**	(7,000)	**(10,000)**	(7,000)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, certain asset and capital expenditure information for the Group's geographical segments for the years ended 31 July 2008 and 2007.

	Hong Kong		Mainland China		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Sales to/income from external customers	**286,164**	283,036	**163,843**	158,119	**450,007**	441,155
Other revenue	**9,914**	8,743	**39,177**	33,050	**49,091**	41,793
Total	**296,078**	291,779	**203,020**	191,169	**499,098**	482,948
Other segment information:						
Segment assets	**472,269**	532,542	**139,471**	134,293	**611,740**	666,835
Unallocated assets					**149,371**	58,676
Total assets					**761,111**	725,511
Capital expenditure	**22,097**	3,898	**7,416**	21,568	**29,513**	25,466

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods supplied to customers after allowances for returns, trade discounts and value-added tax, and rental income.

An analysis of revenue, other income and gains is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Revenue		
Sale of goods	**447,416**	437,649
Gross rental income	**2,591**	3,506
	450,007	441,155
Other income		
Royalty income	**35,018**	28,329
Interest income	**521**	622
Sale of miscellaneous materials	**780**	544
Income from a related company for contributing an investment property as security (Note 35 (a)(iv))	**8,520**	8,520
Others	**4,603**	4,400
	49,442	42,415
Gains		
Foreign exchange differences, net	**170**	—
	49,612	42,415

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

7. PROFIT BEFORE TAX

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

	Group	
	2008	2007
	HK$'000	HK$'000
Cost of inventories sold	**171,065**	172,757
Depreciation of property, plant and equipment	**14,160**	14,592
Amortisation of land lease prepayments (included in administrative expense)	**290**	82
Auditor's remuneration	**800**	788
Lease payments in respect of land and buildings:		
Minimum lease payments under operating leases	**101,888**	91,162
Contingent rents	**11,007**	9,043
	112,895	100,205
Employee benefits expense (including directors' remuneration - Note 9):		
Wages and salaries	**88,213**	83,338
Pension scheme contributions	**2,636**	2,375
Equity-settled share-based payment	**970**	36
Provision for long service payments	**1,249**	1,746
	93,068	87,495
Gross rental income	**(2,591)**	(3,506)
Less: outgoings	**241**	116
Net rental income	**(2,350)**	(3,390)
Provision/(write-back of provision) for slow-moving inventories, net (included in cost of sales)	**4,450**	(2,316)
Other operating expenses, net:		
Severance payments	**3,268**	1,936
Provision for bad and doubtful debts, net	**171**	301
Bad debts written off	**267**	21
Loss on disposal/write-off of property, plant and equipment, net	**4,533**	82
Provision for royalty receivable	**3,743**	—
Write-back of long outstanding trade payables	**(1,788)**	(843)
Exchange loss, net	**—**	71
	10,194	1,568

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8. DIVIDEND

	2008 HK$'000	2007 HK$'000
Final dividend proposed after the balance sheet date of HK 3 cents (2007: HK 1 cent) per ordinary share	**18,514**	6,171

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' shareholders at the forthcoming annual general meeting.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Companies Ordinance, is as follows:

	Group			
	Executive directors		**Non-executive directors**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Fees	**50**	45	**341**	247
Other emoluments:				
Salaries, allowances and benefits in kind	**10,004**	9,059	—	—
Pension scheme contributions	**36**	29	—	—
Equity-settled share-based payment	**469**	20	—	—
Bonuses paid and payable	**2,250**	—	—	—
	12,759	9,108	—	—
	12,809	9,153	**341**	247

Directors' remuneration paid to independent non-executive directors during the year amounted to HK$180,000 (2007: HK$165,000).

There was no arrangement under which a director waived or agreed to waive any remuneration or as compensation for loss of office during the year. (2007: Nil)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below:

	2008					
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based payment HK$'000	Bonuses paid and payable HK$'000	Total HK$'000
Executive directors:						
Lam Kin Ming	10	5,242	—	43	1,930	7,225
Lam Wai Shan, Vanessa	10	2,482	12	426	320	3,250
Lam Kin Ngok, Peter	10	—	—	—	—	10
Lam Kin Hong, Matthew	10	780	12	—	—	802
Cheng Suet Fei, Sophia (Note 1)	10	1,500	12	—	—	1,522
Non-executive directors:						
Tong Ka Wing, Carl (Note 1)	103	—	—	—	—	103
Lam Suk Ying, Diana (Note 4)	58	—	—	—	—	58
Independent non-executive directors:						
Yeung Sui Sang	60	—	—	—	—	60
Wan Yee Hwa, Edward	60	—	—	—	—	60
Chow Bing Chiu	60	—	—	—	—	60
	391	10,004	36	469	2,250	13,150

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

9. DIRECTORS' REMUNERATION (continued)

The remuneration of each director is set out below (continued):

	2007					
Name	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share-based payment HK$'000	Bonuses paid and payable HK$'000	Total HK$'000
Executive directors:						
Lam Kin Ming	10	5,085	—	2	—	5,097
Lam Wai Shan, Vanessa	10	2,319	12	18	—	2,359
Lam Kin Ngok, Peter	10	—	—	—	—	10
Lam Kin Hong, Matthew	10	780	12	—	—	802
Cheng Suet Fei, Sophia (Note 1)	5	875	5	—	—	885
Non-executive directors:						
Shiu Kai Wah (Note 2)	4	—	—	—	—	4
Chiu Wai (Note 3)	5	—	—	—	—	5
Tong Ka Wing, Carl (Note 1)	40	—	—	—	—	40
Lam Suk Ying, Diana (Note 4)	33	—	—	—	—	33
Independent non-executive directors:						
Yeung Sui Sang	55	—	—	—	—	55
Wan Yee Hwa, Edward	55	—	—	—	—	55
Chow Bing Chiu	55	—	—	—	—	55
	292	9,059	29	20	—	9,400

Notes:

1. Appointed on 1 February 2007
2. Retired on 22 December 2006
3. Resigned on 1 February 2007
4. Appointed on 22 December 2006

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10. FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

The five highest paid employees during the year included three (2007: two) directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining two (2007: three) non-director, highest paid employees for the year are set out below:

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,295**	3,614
Pension scheme contributions	**24**	32
Bonuses paid and payable	**—**	—
	2,319	3,646

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group Number of employees	
	2008	2007
Below HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	—
HK$1,500,001 – HK$2,000,000	**—**	1
	2	3

11. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within one year	**1,656**	1,734

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. TAX

No Hong Kong profits tax has been provided as the Group sustained a tax loss in Hong Kong for the year (2007: 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.

	Group	
	2008	2007
	HK$'000	HK$'000
Current – Elsewhere	**6,283**	1,038
Over-provision in prior years (Note)	**(9,499)**	—
Effect on change in tax rate (Note 28)	**(2,122)**	—
Deferred – (Note 28)	**(5,108)**	542
	(10,446)	1,580

Note: During the year, the Company's subsidiary, Crocodile Garments (Zhong Shan) Limited ceased its manufacturing operation and settled its tax payables with the local tax authority. Over provision for income tax in prior years was reversed accordingly.

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rates for the places in which the Group is domiciled to the tax position at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

Group – 2008

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(3,892)		14,662		10,770	
Tax at the statutory tax rate	(681)	17.5	3,666	25.0*	2,985	27.7
Income not subject to tax	(7,391)	189.9	(503)	(3.4)	(7,894)	(73.3)
Expenses not deductible for tax	1,098	(28.2)	2,014	13.7	3,112	28.9
Increase in unprovided deferred tax assets	7,195	(184.9)	2,099	14.4	9,294	86.2
Tax losses utilised from previous year	(221)	5.7	—	—	(221)	(2.0)
Effect on change in tax rate	(2,122)	54.5	—	—	(2,122)	(19.7)
Over-provision in prior years	(5,108)	131.3	(10,492)	(71.6)	(15,600)	(144.8)
Tax credit at the Group's effective rate	(7,230)	185.8	(3,216)	(21.9)	(10,446)	(97.0)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

12. TAX (continued)

Group – 2007

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(9,504)		32,643		23,139	
Tax at the statutory tax rate	(1,663)	17.5	8,814	27.0*	7,151	30.9
Income not subject to tax	(1,269)	13.3	(513)	(1.6)	(1,782)	(7.7)
Expenses not deductible for tax	181	(1.9)	627	1.9	808	3.5
Increase/(decrease) in unprovided deferred tax assets	2,995	(31.5)	(1,341)	(4.1)	1,654	7.2
Under/(over) provision in prior years	298	(3.1)	(6,549)	(20.0)	(6,251)	(27.1)
Tax charge at the Group's effective rate	542	(5.7)	1,038	3.2	1,580	6.8

* *The Group's operations in the Coastal Open Economic Zones of Mainland China are entitled to a preferential tax rate of 25% (2007: 27%).*

13. PROFIT FOR THE YEAR

The consolidated profit includes a loss of HK$27,278,000 (2007: profit of HK$20,291,000) which has been dealt with in the financial statements of the Company.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit of the Group for the year of HK$21,216,000 (2007: HK$21,559,000) and the number of 617,127,130 ordinary shares in issue throughout the two years.

No diluted earnings per share amount for the years ended 31 July 2008 and 2007 has been presented as the share options outstanding during these two years had an anti-dilutive effect on the basic earnings per share for the years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings* HK$'000	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 August 2006	17,778	18,295	69,618	15,577	7,015	128,283
Additions	493	725	7,980	1,755	267	11,220
Disposals/write-offs	—	(16)	(18,318)	—	—	(18,334)
Exchange realignment	5	165	311	135	34	650
At 31 July 2007	18,276	19,169	59,591	17,467	7,316	121,819
Additions	—	489	24,791	907	—	26,187
Disposals/write-offs	(5,555)	(351)	(26,113)	(194)	—	(32,213)
Assets classified as held for sale (Note 24)	(12,768)	(15,881)	—	—	—	(28,649)
Exchange realignment	47	1,892	2,288	443	236	4,906
At 31 July 2008	**—**	**5,318**	**60,557**	**18,623**	**7,552**	**92,050**
Accumulated depreciation:						
At 1 August 2006	10,950	16,738	54,768	12,036	2,583	97,075
Provided for the year	801	337	10,983	1,305	1,166	14,592
Disposals/write-offs	—	(16)	(18,236)	—	—	(18,252)
Exchange realignment	—	132	262	49	17	460
At 31 July 2007	11,751	17,191	47,777	13,390	3,766	93,875
Provided for the year	824	379	10,385	1,366	1,206	14,160
Disposals/write-offs	(3,750)	(245)	(23,453)	(194)	—	(27,642)
Assets classified as held for sale (Note 24)	(8,826)	(14,966)	—	—	—	(23,792)
Exchange realignment	1	1,667	1,948	193	151	3,960
At 31 July 2008	**—**	**4,026**	**36,657**	**14,755**	**5,123**	**60,561**
Net book value:						
At 31 July 2008	**—**	**1,292**	**23,900**	**3,868**	**2,429**	**31,489**
At 31 July 2007	6,525	1,978	11,814	4,077	3,550	27,944

* *Since the land lease prepayments cannot be allocated reliably between the land and buildings elements, the entire lease prepayment is included in the cost of land and buildings as a finance lease in property, plant and equipment. The leasehold land and buildings of the Group are situated in Mainland China and are held under long term leases.*

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Plant and machinery HK$'000	Furniture and fixtures, including leasehold improvements HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 August 2006	—	47,933	12,724	4,754	65,411
Additions	—	3,509	388	—	3,897
Disposals/write-offs	—	(18,175)	—	—	(18,175)
At 31 July 2007	—	33,267	13,112	4,754	51,133
Additions	340	21,163	595	—	22,098
Disposals/write-offs	—	(6,772)	—	—	(6,772)
At 31 July 2008	**340**	**47,658**	**13,707**	**4,754**	**66,459**
Accumulated depreciation:					
At 1 August 2006	—	37,012	11,532	1,694	50,238
Provided for the year	—	8,107	453	836	9,396
Disposals/write-offs	—	(18,175)	—	—	(18,175)
At 31 July 2007	—	26,944	11,985	2,530	41,459
Provided for the year	14	8,535	503	836	9,888
Disposals/write-offs	—	(6,539)	—	—	(6,539)
At 31 July 2008	**14**	**28,940**	**12,488**	**3,366**	**44,808**
Net book value:					
At 31 July 2008	**326**	**18,718**	**1,219**	**1,388**	**21,651**
At 31 July 2007	—	6,323	1,127	2,224	9,674

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

16. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**439,628**	444,628
Disposals during the year	**(100,000)**	(12,000)
Fair value gains	**10,000**	7,000
At end of year	**349,628**	439,628

An analysis of investment properties is as follows:

Investment property, at fair value	—	90,000
Investment property under redevelopment, at cost	349,628	349,628
	349,628	439,628

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 2007, Unipress started to redevelop the KT Property. As the fair value of the KT Property is not reliably determinable for the duration of redevelopment, the KT Property was stated at its previous carrying amount of HK$349,628,000. As at 31 July 2008, the KT Property was pledged to secure a term loan arrangement, as further detailed in Note 34 to the financial statements.

During the year, the Group disposed of one of its properties to an independent third party for a cash consideration of HK$130,000,000.

At 31 July 2008, the Group's investment property is held under medium term leases in Hong Kong.

Further details of the Group's investment property are disclosed on page 90 of the Annual Report.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

17. CONSTRUCTION IN PROGRESS

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**—**	—
Additions	**3,326**	—
At end of year	**3,326**	—

18. LAND LEASE PREPAYMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**14,443**	—
Additions	**—**	14,246
Amortisation	**(290)**	(82)
Exchange realignment	**1,371**	279
At end of year	**15,524**	14,443

Land lease prepayments represent prepaid operating lease payments and their carrying amount is analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In Mainland China, held on between 10 to 50 years	**15,524**	14,443

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

19. DEPOSITS FOR LAND LEASE PREPAYMENTS

Deposits for land lease prepayments were for the purchase of land use rights in Mainland China. The Group is in the process of obtaining from the relevant authority the land use right certificates which, in the opinion of the Directors, will be issued in due course. Details of the capital commitments are set out in Note 33 to the financial statements.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**4,050**	4,050
Amounts due from subsidiaries	**568,478**	586,464
Amounts due to subsidiaries	**(128,927)**	(12,967)
	443,601	577,547
Less: Provision for impairment	**(56,022)**	(68,296)
	387,579	509,251

The amounts with the subsidiaries included in the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts approximate their fair values.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name of company	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2008	2007	Principal activities
Crocodile (China) Limited	Hong Kong	HK$4	100	100	Garment trading
Crocodile Garments (Zhong Shan) Limited *	Mainland China	HK$17,200,000	90	90	Garment manufacturing and trading
Crocodile KT Investment Limited	Hong Kong	HK$1	100	100	Property development
Dackart Trading Company Limited	Hong Kong	HK$20	100	100	Property investment
Zhongshan Crocodile Garments Limited **	Mainland China	HK$8,000,000	100	100	Property investment
Guangzhou Crocodile Garments Commercial Limited ** (廣州鱷魚恤商業有限公司)	Mainland China	HK$2,500,000	100	—	Garment trading

* *This subsidiary is a joint venture and is indirectly held by the Company. The paid-up capital represents the registered capital in Mainland China. The subsidiary is registered as a sino-foreign owned enterprise under the law of the PRC.*

** *All other subsidiaries established in the PRC are wholly foreign-owned enterprises.*

Except for Crocodile Garments (Zhong Shan) Limited, Crocodile KT Investment Limited ("Crocodile KT"), Zhongshan Crocodile Garments Limited and Guangzhou Crocodile Garments Commercial Limited, all subsidiaries are directly held by the Company.

The above summary lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21. INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Raw materials	**2,330**	9,649	**1,836**	1,002
Work in progress	**114**	1,374	**114**	—
Finished goods	**78,900**	71,523	**50,017**	39,626
	81,344	82,546	**51,967**	40,628

22. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**34,710**	31,457	**15,879**	14,856
Less: Allowance for bad and doubtful debts	**(15,353)**	(15,083)	**(14,092)**	(14,083)
	19,357	16,374	**1,787**	773
Deposits and prepayments	**52,560**	36,274	**26,106**	16,658
	71,917	52,648	**27,893**	17,431

(i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has a maximum credit limit.

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables:				
Current to 90 days	**14,534**	12,138	**1,552**	617
91 to 180 days	**3,132**	3,363	**34**	48
181 to 365 days	**1,418**	873	**49**	108
Over 365 days	**273**	—	**152**	—
	19,357	16,374	**1,787**	773

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**15,083**	14,704	**14,083**	14,071
Impairment loss recognised	**171**	301	**3**	7
Exchange realignments	**99**	78	**6**	5
At end of year	**15,353**	15,083	**14,092**	14,083

At 31 July 2008, the Group's trade receivables of HK$15,353,000 (2007: HK$15,083,000) were individually determined to be impaired. The individually impaired trade receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts was fully recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

22. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(v) An aging analysis of trade receivables (net of provision for bad and doubtful debts) that are neither individually nor collectively considered to be impaired is as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Neither past due nor impaired	**5,521**	235	**1,376**	235
Past due				
Within 90 days	**9,013**	11,903	**176**	382
91 days – 180 days	**3,132**	3,363	**34**	48
181 days – 365 days	**1,418**	873	**49**	108
Over 365 days	**273**	—	**152**	—
	13,836	16,139	**411**	538
	19,357	16,374	**1,787**	773

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**79,365**	58,676	**13,541**	11,842
Time deposits	**70,006**	—	**70,006**	—
Cash and cash equivalents	**149,371**	58,676	**83,547**	11,842

At the balance sheet date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$62,547,000 (2007: HK$46,123,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

24. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2008	2007
	HK$'000	HK$'000
Leasehold land and building (Note 15)	**3,942**	—
Plant and machinery (Note 15)	**915**	—
	4,857	—

On 11 March 2008, the Group entered into an agreement with an independent third party (the "Purchaser"), pursuant to which the Group agreed to dispose of certain leasehold land and buildings to the Purchaser. The Group also intended to sell certain plant and machineries which are located in the leasehold land and buildings. Accordingly, these non-current assets are classified as held for sale at 31 July 2008.

These assets were previously used in the Group's administrative operations. No impairment loss was recognised on the reclassification of the assets as held for sale at 31 July 2008.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

25. SHORT-TERM BORROWINGS

	Effective interest rates (%) p.a.	Group		Company	
		2008	2007	**2008**	2007
		HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdrafts, unsecured		**—**	370	**—**	—
Bank loans, secured		**—**	17,900	**—**	17,900
Bank loans, unsecured	2.9-6.6	**17,000**	5,000	**17,000**	5,000
Trust receipt loans – secured	2.3-3.1	**687**	—	**687**	—
Trust receipt loans – unsecured	2.1-6.9	**26,977**	6,927	**26,977**	6,927
		44,664	30,197	**44,664**	29,827

At the balance sheet date, the bank borrowings of the Group were secured by its marginal deposits of HK$2,536,000 (2007: secured by investment properties with an aggregate carrying amount of HK$90,000,000). All short-term borrowings as at 31 July 2008 of the Group and the Company bear interest at floating interest rates and are denominated in Hong Kong dollars.

26. 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:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables:				
Current to 90 days	**17,492**	20,199	**12,517**	9,966
91 to 180 days	**972**	1,643	**302**	1,818
181 to 365 days	**1,382**	1,141	**236**	1,406
Over 365 days	**1,141**	2,869	**333**	296
	20,987	25,852	**13,388**	13,486
Deposits received	**23,648**	14,085	**133**	132
Accruals and other payables	**25,704**	21,430	**15,645**	12,283
	70,339	61,367	**29,166**	25,901

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

27. PROVISION FOR LONG SERVICE PAYMENTS

	Group and Company	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**1,989**	3,846
Amounts provided during the year	**1,249**	1,746
Amounts utilised during the year	**(2,046)**	(3,603)
At end of year	**1,192**	1,989

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in Note 3(s)(ii) to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the balance sheet date.

28. DEFERRED TAX LIABILITIES

The movements in the net deferred tax liabilities during the year are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning year	**(50,046)**	(41,704)
Deferred tax reversal/(unprovided) in respect of revaluation of properties in 2001 or before	**7,800**	(7,800)
Effect on change in tax rate (Note 12)	**2,122**	—
Deferred tax credited/ (charged) during the year (Note 12)	**5,108**	(542)
At end of year	**(35,016)**	(50,046)

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28. DEFERRED TAX LIABILITIES (continued)

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) of the Group during the year are as follows:

Deferred tax assets

Group	**Losses available for offsetting against future taxable profits**	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**819**	850
Effect on change in tax rate	**(4)**	—
Deferred tax charged during the year	**(757)**	(31)
At end of year	**58**	819

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

28. DEFERRED TAX LIABILITIES (continued)

Deferred tax liabilities

Group	Accelerated capital allowances HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 August 2006	(433)	(42,121)	(42,554)
Deferred tax unprovided in respect of revaluation of properties in 2001 or before	—	(7,800)	(7,800)
Deferred tax charged during the year	(127)	(384)	(511)
At 31 July 2007	(560)	(50,305)	(50,865)
Reversal of deferred tax in respect of revaluation of investment property on its disposal	—	7,800	7,800
Effect on change in tax rate	17	2,109	2,126
Deferred tax credited during the year	265	5,600	5,865
At 31 July 2008	**(278)**	**(34,796)**	**(35,074)**

The Group has tax losses arising in Hong Kong of HK$230,479,000 (2007: HK$183,171,000). During the year, the Group did not have tax losses arising in Mainland China (2007: Nil). The Company has tax losses arising in Hong Kong of HK$144,012,000 (2007: HK$101,910,000). Tax losses in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29. EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme (the "Share Option Scheme") which was adopted on 22 December 2006 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of HK$1 to subscribe for shares of the Company. 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 Commencement Date (as defined in the Share Option Scheme) and subject to such conditions at 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 options were outstanding under the Share Option Scheme as at 31 July 2008:

Name or category of Participants	Number of options: At 1 August 2007	Number of options: Granted during the year	Number of options: At 31 July 2008	Date of grant of options (dd/mm/yyyy)	Exercise period	Exercise price of options[1] per share (HK$)
Directors	6,787,000[2]	—	6,787,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Employees	5,800,000[2]	—	5,800,000[2]	13/07/2007	13/07/2007 to 12/07/2011	0.68
Employees	—	750,000[3]	750,000[3]	03/08/2007	03/08/2007 to 02/08/2008	0.72
Employees	—	750,000[3]	750,000[3]	03/08/2007	03/08/2008 to 02/08/2009	0.72
Employees	—	750,000[3]	750,000[3]	03/08/2007	03/08/2009 to 02/08/2010	0.72
Employees	—	750,000[3]	750,000[3]	03/08/2007	03/08/2010 to 02/08/2011	0.72
Total	12,587,000	3,000,000	15,587,000			

1 *The exercise price of the options is subject to adjustment in the case of rights or bonus issues, or similar changes in the Company's share capital.*

2 *The vesting period of the options is two years commencing from the date of grant.*

3 *The vesting period of the options is one to four years commencing from the date of grant.*

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

29. EQUITY-SETTLED SHARE-BASED PAYMENTS (continued)

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of share options and assumptions are as follows:

	2008	2007
Fair value at measurement date	**0.069**	0.14
Share price at the date of grant (i)	**0.60**	0.60
Exercise price	**0.72**	0.68
Expected volatility (ii)	**42.65%**	42.36%
Expected life (iii)	**1 - 4 years**	2 years
Expected dividends	**0%**	0%
Risk-free interest rate	**3.93%**	4.24%

(i) The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

(ii) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(iii) The expected life of the options is based on the assumption that the options will be exercised by the Directors and other employees during the first half of the option life. It is not necessarily indicative of the exercise patterns that may occur.

(iv) No other feature of the options granted was incorporated into the measurement of fair value.

The fair value of the share options granted during the year was HK$2,144,000 (2007: HK$1,738,000), of which the Group recognised an equity-settled share-based payment of HK$970,000 (2007: HK$36,000) during the year ended 31 July 2008.

At the date of approval of these financial statements, the Company had 14,837,000 share options outstanding under the Share Option Scheme, which represented approximately 2.40% of the Company's shares in issue as at that date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

30. SHARE CAPITAL

	Company	
	2008	2007
	HK$'000	HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.25 each	**200,000**	200,000
Issued and fully paid:		
617,127,130 ordinary shares of HK$0.25 each	**154,282**	154,282

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for both the current and prior years are presented in the consolidated statement of changes in equity on pages 31 and 32 of the financial statements.

Share premium account

The application of the share premium account is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

Capital reserve

The capital reserve comprises the fair value of the estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 3(s)(iv).

Asset revaluation reserve

Asset revaluation reserve represents a frozen revaluation surplus in relation to certain leasehold land and buildings which were transferred to investment properties in prior years.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(r).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

31. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 August 2006	164,921	—	210,624	375,545
Recognition of equity- settled share-based payment	—	36	—	36
Profit for the year	—	—	20,291	20,291
At 31 July 2007	164,921	36	230,915	395,872
Recognition of equity- settled share-based payment	—	970	—	970
Dividend paid	—	—	(6,171)	(6,171)
Loss for the year	—	—	(27,278)	(27,278)
At 31 July 2008	**164,921**	**1,006**	**197,466**	**363,393**

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

During the year, the Group leased certain of their investment properties (Note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had no future minimum lease receivables under non-cancellable operating leases.

(b) As lessee

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

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

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**94,418**	92,880	**87,981**	85,532
In the second to fifth years, inclusive	**93,366**	124,477	**85,474**	118,390
	187,784	217,357	**173,455**	203,922

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

33. COMMITMENTS

In addition to the operating lease commitments detailed in Note 32(b) above, the Group and the Company had the following capital commitments at the balance sheet date:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not provided for:				
- Land lease payments in Mainland China	**4,076**	5,936	**—**	—
- Expenditure on shop decorations in Hong Kong	**679**	2,351	**679**	2,351
	4,755	8,287	**679**	2,351

34. CONTINGENT LIABILITIES

In accordance with the Development Agreement as mentioned in Note 16, 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 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. At 31 July 2008, the outstanding loan principal is HK$82,000,000. 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 into amongst the Company, Crocodile KT, Unipress and LSG dated 10 July 2006, as disclosed in Note 35(b), 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 2008, the total amount of bank term loan drawn in respect of the above facility was HK$82,000,000 (2007: HK$28,000,000).

Apart from the foregoing, at the balance sheet date, the Group has also entered into a number of construction and consultancy contracts for the redevelopment of the KT Property with the contractors and consultants of aggregate principal sums of HK$326,760,000 (2007: 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 undertake 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 terms of these construction and consultancy contracts. Accordingly, the obligation of these contracts has not been reflected in the financial statements of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	2008 HK$'000	2007 HK$'000
Rental expenses and building management fee paid and payable to:			
Lai Sun Textiles Company Limited	(i)	**2,595**	2,453
Related companies	(ii)	**3,390**	3,735
Royalty income from a related company	(iii)	**193**	—
Income from a related company for contributing an investment property as security	(iv)	**8,520**	8,520

Notes:

(i) Lai Sun Textiles Company Limited is a company beneficially owned by certain Directors of the Company. The rental expenses and building management fee were paid to this related company pursuant to the respective lease agreements.

(ii) The rental expenses and building management fee were paid to these related companies, of which certain Directors of the Company are also the directors of these related companies, based on terms stated in the respective lease agreements.

(iii) The royalty income was received from a related company of which certain Directors of the company are also the directors of this related company.

(iv) In consideration of the Company contributing the KT Property as security for the construction finance, in accordance with the Development Agreement, Unipress will make a quarterly payment of HK$2,130,000 to the Company during the period from the delivery of vacant possession of the KT Property to the completion of construction. Further details are set out in Notes 16 and 34 to the financial statements and the Company's circular dated 29 April 2006.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

35. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties

On 28 February 2006, the Company, LSG and Unipress, entered into the Development Agreement in connection with the redevelopment of the KT Property. Details of the arrangement are set out in Note 16 to the financial statements and the Company's circular dated 29 April 2006.

On 10 July 2006, the Company, Crocodile KT, a wholly-owned subsidiary of the Company which now owns the KT Property, Unipress and LSG entered into a deed of undertaking, guarantee and indemnity (the "Deed") of which (a) Unipress (i) has agreed to act as covenantor and primary obligor in relation to a facility agreement to be entered into between a lending institution(s), as lender, and Crocodile KT, as borrower (the "Facility Agreement"); and (ii) has agreed, at its own expense, to arrange for the construction and completion of the redevelopment of the KT Property under such construction contracts as Unipress considers necessary; (b) LSG has agreed to guarantee the performance by Unipress of its obligations thereunder. Pursuant to the Deed, Crocodile KT is required to be a party to the Facility Agreement and some or all of the construction or consultant contracts entered into from time to time, and Unipress and LSG should be responsible for completing the redevelopment of the KT Property and for the funding obligations in respect thereof.

Further details of the funding arrangement and construction and consultant contracts, which were entered into by the Group at the balance sheet date, but borne by Unipress have been disclosed in Note 34 above.

(c) Outstanding balances with related parties

The amount due from a related company disclosed pursuant to Section 161C of the Companies Ordinance and the amounts due to related companies are as follows:

	(The Group and company) Maximum amount outstanding during the year	Group		Company	
		2008	2007	**2008**	2007
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts due from related companies	**2,130**	**845**	710	**845**	710
Amounts due to related companies		**200**	76	**57**	76

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

35. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group

	2008 HK$'000	2007 HK$'000
Short-term employee benefits	**12,304**	9,104
Post-employment benefits	**36**	29
Equity-settled share-based payment	**469**	20
	12,809	9,153

Further details of directors' emoluments are included in Note 9 to the financial statements.

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in Note 25, cash at banks and in hand and equity attributable to equity holders of the Company, comprising share capital and reserves and retained earnings as disclosed in Notes 23 and 31 respectively.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The gearing ratio at the balance sheet date was as follows:

	2008 HK$'000	2007 HK$'000
Debts	**44,664**	30,197
Cash at banks and in hand	**(149,371)**	(58,676)
Net debt	**N/A**	N/A
Equity	**606,415**	572,338
Net debt to equity ratio	**N/A**	N/A

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

37. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The main risks arising from the Group's financial instruments are credit risk, foreign exchange risk, liquidity risk and interest rate risk. These risks are evaluated and monitored by the Group in accordance with the financial management policies and practices described below.

(i) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that goods are sold to customers with appropriate credit history and the Group performs credit evaluation of its customers. The Group also has policies that limit the amount of credit exposure to any financial institution.

The Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The Group has no significant liquidity risk as all bank borrowing will be repayable within 6 months and the Group has sufficient cash resources to discharge the obligations.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Interest rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	2008		2007	
	Effective interest rate (%) p.a.	**HK$'000**	Effective interest rate (%) p.a.	HK$'000
Variable rate borrowings				
Short-term				
Bank loans	**2.88%-6.57%**	**17,000**	5.94%-6.64%	22,900
Trust receipts and export loans	**2.98%-5.65%**	**27,664**	5.94%-6.75%	6,927
		44,664		29,827

The short-term bank borrowings at floating rate expose the Group to cash flow interest rate risk which is insignificant to the Group.

At 31 July 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK$118,000 (2007: HK$179,000). There is no impact on the consolidated equity of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(iv) Foreign currency risk

The companies of the Group mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(v) Price risk

The Group is not exposed to any equity securities risk or commodity price risk.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair values estimation

All financial instruments are carried at amounts not materially different from their fair values as at 31 July 2008 and 2007.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 July 2008 and 2007 may be categorised as follows:

	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**221,822**	103,505
Financial liabilities		
Financial liabilities measured at amortised cost	**(91,555)**	(77,554)

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 6 November 2008.

Particulars of Investment Properties

At 31 July 2008

Details of the Group's investment property are disclosed as follows:

Location	Use	Lease term	Attributable interest of the Group
Crocodile Building, No. 79 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Redevelopment	Medium	100%

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Crystal Room 1 & 2, Basement 3, Holiday Inn Golden Mile of Hong Kong, 50 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 11 December 2008 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditor for the year ended 31 July 2008;

2. To declare a final dividend;

3. To re-elect retiring directors and to fix the directors' remuneration;

4. To appoint the auditor and to authorise the directors to fix its remuneration; and

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

   "**THAT**:

   (a) subject to paragraph (c) of this Resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to issue, allot and deal with additional ordinary shares in the Company, and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this Resolution shall authorise the directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares in the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of ordinary share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of ordinary shares in the Company upon the exercise of rights of subscription or conversion under the terms of any of the securities which are convertible into shares of the Company; or (iii) an issue of ordinary shares in the Company as scrip dividends pursuant to the Articles of Association of the Company from time to time; or (iv) an issue of ordinary shares in the Company under any option scheme or similar arrangement for the grant or issue of ordinary shares in the Company or rights to acquire ordinary shares in the Company, shall not exceed 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; or

(iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and

"Rights Issue" means an offer of ordinary shares of the Company open for a period fixed by the directors to the holders of ordinary shares, whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such ordinary shares as at that date (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

By Order of the Board
Yeung Kam Hoi
Company Secretary

Hong Kong, 6 November 2008

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or its adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at any of its adjourned meeting should they so wish.

3. The Register of Members of the Company will be closed from 8 December 2008 to 11 December 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 5 December 2008.

4. Concerning item 3 of this Notice, Mr. Lam Kin Ming, Mr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew will retire by rotation at the forthcoming Annual General Meeting pursuant to Article 100 of the Articles of Association of the Company and, being eligible, they offer themselves for re-election. Details of the above directors are set out in the "Biographical Details of Directors and Senior Management" section of the Annual Report 2007-2008 of the Company. For the purpose of their re-election as directors of the Company at the forthcoming Annual General Meeting in accordance with Article 100 of the Articles of Association of the Company, there is no other information which is discloseable pursuant to any of the requirements under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

Notice of Annual General Meeting

5. Item 5 relates to the granting of a general mandate to the directors of the Company to issue new shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said resolution. The Company has no immediate plan to issue such new shares under the general mandate.

6. In accordance with the Company's Articles of Association, at any general meeting of members of the Company, a resolution shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

   (i) the Chairman of the Meeting; or

   (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

   (iii) any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

   (iv) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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