CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2015

RESULTS

The board of directors ("**Directors**" and "**Board**" respectively) of Crocodile Garments Limited ("**Company**") announces the audited consolidated results of the Company and its subsidiaries ("**Group**") for the financial year ended 31 July 2015 together with the comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 July 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
REVENUE	*3*	**405,325**	501,813
Cost of sales		**(153,417)**	(198,903)
Gross profit		**251,908**	302,910
Fair value gains on investment properties		**97,493**	143,008
Other income	*4*	**53,827**	62,458
Selling and distribution expenses		**(264,087)**	(323,786)
Administrative expenses		**(63,148)**	(61,545)
Other operating expenses, net		**(17,226)**	(6,931)
Finance costs	*5*	**(11,188)**	(10,266)
Share of profit of an associate		**6,829**	2,828
PROFIT BEFORE TAX	*6*	**54,408**	108,676
Income tax expense	*7*	**(3,263)**	(2,644)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**51,145**	106,032
OTHER COMPREHENSIVE (EXPENSES) INCOME			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,696)**	30
Other comprehensive (expenses) income for the year		**(1,696)**	30
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**49,449**	106,062
		HK cents	*HK cents*
EARNINGS PER SHARE	*9*		
— Basic		**5.47**	11.33
— Diluted		**5.44**	11.33

Consolidated Statement of Financial Position
As at 31 July 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**154,667**	162,442
Investment properties		**1,595,050**	1,452,922
Land lease prepayments		**14,578**	15,046
Interest in an associate		**39,065**	31,690
Rental and utility deposits		**11,131**	14,982
Deposits for land lease prepayments	*10*	**17,278**	17,416
Available-for-sale financial asset		**26,366**	25,040
		1,858,135	1,719,538
Current assets			
Inventories		**102,407**	133,162
Trade and other receivables, deposits and prepayments	*11*	**85,552**	92,635
Financial assets at fair value through profit or loss		**141,540**	143,006
Pledged bank deposits		**1,819**	730
Bank balances and cash		**72,143**	57,233
		403,461	426,766
Current liabilities			
Bank borrowings	*12*	**495,241**	160,055
Margin loans payable		**21,824**	26,075
Trade and other payables and deposits received	*13*	**69,355**	68,382
Perpetual loan		**15,000**	15,000
Amounts due to related companies		**42,991**	41,439
Tax payable		**21,834**	22,522
		666,245	333,473
Net current (liabilities) assets		**(262,784)**	93,293
Total assets less current liabilities		**1,595,351**	1,812,831
Non-current liabilities			
Bank borrowings	*12*	**26,047**	301,594
Provision for long service payments		**2,774**	2,672
Deferred tax liabilities		**5,744**	2,481
		34,565	306,747
Net assets		**1,560,786**	1,506,084
Capital and reserves			
Share capital		**330,214**	324,685
Reserves		**1,230,572**	1,181,399
Total Equity		**1,560,786**	1,506,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2015

(1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) ("**Companies Ordinance**").

The financial statements have been prepared on the historical cost basis except for certain investment properties and certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$262,784,000 as at 31 July 2015.

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

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

The financial information relating to the years ended 31 July 2015 and 31 July 2014 included in this preliminary announcement of annual results for the year ended 31 July 2015 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 July 2014, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 July 2015 in due course.

Auditor's reports have been prepared on these financial statements of the Group for both years. The auditor's report for the year ended 31 July 2015 was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 — 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 — 2013 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation Hedge Accounting
HK International Financial Reporting Interpretation Committee — Interpretation 21	Levies

The application of these amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(2) APPLICATION OF NEW AND REVISED HKFRSs *(continued)*

New or revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

HKFRS 15 Revenue From Contracts With Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction Contracts*" and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than disclosed above, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

(3) SEGMENT INFORMATION

(a) Segment revenues and results

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**354,162**	454,962	**51,163**	46,851	**—**	—	**405,325**	501,813
Other income from external customers *(Note)*	**51,011**	54,538	**1,671**	1,200	**748**	6,528	**53,430**	62,266
Group's total revenue and other income *(Note)*	**405,173**	509,500	**52,834**	48,051	**748**	6,528	**458,755**	564,079
Reportable segment (loss) profit	**(43,981)**	(34,673)	**149,369**	187,005	**748**	6,528	**106,136**	158,860
Unallocated corporate income							**397**	192
Unallocated corporate expenses							**(40,937)**	(40,110)
Finance costs							**(11,188)**	(10,266)
Profit before income tax							**54,408**	108,676

Note: The income excludes bank interest income.

(b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**381,277**	431,848	**1,638,450**	1,488,447	**141,541**	143,006	**2,161,268**	2,063,301
Unallocated corporate assets							**100,328**	83,003
Total consolidated assets							**2,261,596**	2,146,304
LIABILITIES								
Segment liabilities	**100,299**	99,269	**14,821**	13,224	**21,824**	26,075	**136,944**	138,568
Unallocated corporate liabilities							**563,866**	501,652
Total consolidated liabilities							**700,810**	640,220

(3) SEGMENT INFORMATION *(continued)*

(c) Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Additions and transfer to non-current assets *(Note)*	**9,706**	18,879	**44,918**	15,472	**—**	—	**54,624**	34,351
Additions to deposits for acquisition and construction of property, plant and equipment	**—**	5,209	**—**	—	**—**	—	**—**	5,209
Additions to deposits for acquisitions of investment properties	**—**	515	**—**	—	**—**	—	**—**	515
Interest in an associate	**—**	—	**39,065**	31,690	**—**	—	**39,065**	31,690
Depreciation and amortisation	**16,350**	17,644	**299**	435	**—**	—	**16,649**	18,079
(Reversal of) provision for slow-moving inventories	**(1,317)**	6,012	**—**	—	**—**	—	**(1,317)**	6,012
Provision for doubtful debts	**15,879**	4,589	**—**	—	**—**	—	**15,879**	4,589
Bad debts write-off	**10**	—	**—**	—	**—**	—	**10**	—
Loss on disposal/write-off of property, plant and equipment	**38**	662	**—**	—	**—**	—	**38**	662
Write-off of long outstanding trade payables	**(67)**	(258)	**—**	—	**—**	—	**(67)**	(258)
Fair value gains on investment properties	**—**	—	**(97,493)**	(143,008)	**—**	—	**(97,493)**	(143,008)
Net gain on financial assets at fair value through profit or loss ("**FVTPL**")	**—**	—	**—**	—	**(748)**	(6,528)	**(748)**	(6,528)
Share of profit of an associate	**—**	—	**(6,829)**	(2,828)	**—**	—	**(6,829)**	(2,828)
Interest income from an associate	**—**	—	**(546)**	(520)	**—**	—	**(546)**	(520)

Note: Non-current assets include property, plant and equipment, investment properties and land lease prepayments.

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**331,302**	393,897	**1,658,602**	1,510,999
The People's Republic of China ("**PRC**")	**74,023**	107,916	**150,573**	157,599
	405,325	501,813	**1,809,175**	1,668,598

Note: Non-current assets exclude financial instruments and deferred tax assets.

(e) Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue in both years.

(4) OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Royalty income	**50,615**	52,624
Bank interest income	**397**	192
Interest income on amount due from an associate	**546**	520
Net gain on financial assets at FVTPL	**748**	6,528
Others	**1,521**	2,594
	53,827	62,458

(5) FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**9,127**	8,351
Amount due to a related company	**2,061**	1,915
	11,188	10,266

(6) PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**16,300**	17,727
Amortisation of land lease prepayments (included in administrative expenses)	**349**	352
(Reversal of) provision for slow-moving inventories (included in cost of sales)	**(1,317)**	6,012

(7) INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**3,263**	2,644
Income tax expense	**3,263**	2,644

No current Hong Kong Profits Tax has been provided for the years ended 31 July 2015 and 2014 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

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

(8) DIVIDENDS

No dividend was paid or declared during the year ended 31 July 2015 (2014: Nil) nor has any dividend been proposed by the Company since the end of the reporting period (2014: Nil).

(9) EARNINGS PER SHARE

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

	2015 *HK$'000*	2014 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**51,145**	106,032
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	**51,145**	106,032
Number of shares		
Weighted average number of ordinary shares (2014: Number of ordinary shares) for the purposes of basic earnings per share	**935,798,490**	935,743,695
Weighted average number of ordinary shares (2014: Number of ordinary shares) for the purposes of diluted earnings per share	**940,470,435**	935,743,695

For the year ended 31 July 2014, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period during which the share options were outstanding.

(10) DEPOSITS FOR LAND LEASE PREPAYMENTS

In accordance with the agreements dated 22 June 2006 (the "**Agreements**") entered into by the Group, Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) (the "**Vendor**") and Zhongshan Sanxiang Town Local Government (the "**Local Government**"), the Group paid RMB14,721,000 (equivalent to HK$18,401,000 (2014: HK$18,548,000)) to the Vendor (the "**Vendor Deposit**") and RMB13,822,000 (equivalent to HK$17,278,000 (2014: HK$17,416,000)) to a company owned by the Local Government (the "**Government Deposit**") as deposits for land lease prepayments (the "**Land Lease Prepayments**") to acquire the land use rights of a piece of land in the PRC (the "**Land**").

In October 2010, April 2011 and October 2011, various letters had been issued by the Local Government which acknowledged (i) the receipt of the Government Deposit; (ii) the progress of the application for the issuance of the land use rights certificate; and (iii) the undertaking by the Local Government to compensate and refund the deposits (including the Vendor Deposit and the Government Deposit) to the Group in case the land use rights certificate cannot be obtained by the Group (the "**Undertaking**").

In October 2012, the Vendor and the Local Government each issued a letter to the Group respectively which acknowledged (i) their respective receipt of the deposit from the Group; (ii) their respective responsibility to assist the Group in obtaining the land use rights certificate of the Land; and (iii) their respective obligation to refund the respective deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use rights certificate of the Land. However, the letter issued by the Local Government in October 2012 did not undertake the refund of the Vendor Deposit.

In October 2012, the Group obtained legal opinion from an independent PRC law firm (the "**Lawyer**") and received the legal advice that whilst the other letters had not specified or confirmed the amount of the Land Lease Prepayments (i.e. the Government Deposit together with the Vendor Deposit) or the timing of commitment by the Local Government to refund, however, based on the Undertaking, the Group would have reasonable grounds to recover the amount of the Land Lease Prepayments paid with interest from the Local Government, regardless of whether the Vendor is able to refund the Vendor Deposit or not, despite the associated risk and uncertainty which may exist during the course of legal action taken. The Lawyer further advised that appropriate legal action should be taken within a valid time bar under the PRC law and regulations, which was before the end of February 2013, in order to secure and support the Group's right to recover the amount of the Land Lease Prepayments from the Local Government.

(10) DEPOSITS FOR LAND LEASE PREPAYMENTS *(continued)*

On 26 October 2012, the date on which the consolidated financial statements of the Group for the year ended 31 July 2012 were approved by the Directors, the Directors resolved not to take immediate legal action but to further negotiate with the Local Government and the Vendor with a view to obtain the land use rights certificate of the Land in near future, as the Directors believed that there had been appreciation in the value of the Land, though that it may exceed the valid time bar to recover the amount of the Land Lease Prepayments with interest from the Local Government if legal action was to be taken later on. The Directors believed that the Group would either be able to recover such amount of the Land Lease Prepayments or to obtain the relevant land use rights certificate in the near future. No impairment loss on the deposits paid was then considered necessary by the Directors for the year ended 31 July 2012.

Up to 25 October 2013, the date of approval of the consolidated financial statements for the year ended 31 July 2013, no legal action was taken by the Group against the Local Government and the Vendor because the negotiation with the Local Government and the Vendor to obtain the land use rights certificate of the Land was still in progress.

In September 2013, the Local Government further issued a letter to the Group which acknowledged (i) its receipt of the Government Deposit from the Group; (ii) its responsibility to assist the Group in obtaining the land use rights certificate of the Land; and (iii) its obligation to refund the Government Deposit received with interest to the Group upon the request from the Group in the event that the Group fails to obtain the land use rights certificate of the Land. The Vendor had not issued any letter to the Group to acknowledge the receipt of the Vendor Deposit subsequent to the October 2012 letter.

Since the valid time bar under the PRC law and regulations to take legal action to recover the Vendor Deposit from the Local Government has expired as at 31 July 2013 and the Group had not received any acknowledgement from the Vendor in 2013, the Directors have performed a detailed assessment on the recoverability of the carrying amount of the Vendor Deposit as at 31 July 2013. On the basis of the assessment, an impairment loss on the Vendor Deposit had been recognised and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2013 as the management opined that the impairment loss was incurred in the year ended 31 July 2013 due to the Group's option to recover the Vendor Deposit from the Local Government was legally expired at the end of February 2013 and the assessment of the financial position of the Vendor, contrary to any opinion of the uncertainty as to whether the impairment loss, or any portion thereof, was incurred in the year ended 31 July 2012 or 2013.

In October 2014, the Local Government issued a letter to the Group, which acknowledged the terms included in the letter issued by the Local Government in September 2013. In July 2015, Zhangshan City Local Government issued a letter to the Local Government and the Group, which acknowledged the Land Lease Payments. The Group assessed the recoverability of the Government Deposit and no impairment loss is considered necessary by the Directors for the years ended 31 July 2015 and 31 July 2014.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2015 ***HK$'000***	2014 *HK$'000*
Trade receivables	**17,652**	20,169
Less: Allowance for doubtful debts	**(8,562)**	(2,110)
	9,090	18,059
Other receivables *(Note a)*	**64,908**	54,816
Less: Allowance for doubtful debts	**(20,613)**	(11,288)
	44,295	43,528
Deposits and prepayments *(Note b)*	**43,298**	46,030
	96,683	107,617
Less: Rental and utility deposits shown under non-current assets	**(11,131)**	(14,982)
	85,552	92,635

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Notes:

(a) As at 31 July 2015, royalty receivables of the Group of approximately HK$40,934,000 (2014: HK$39,475,000) is included in the other receivables, where payments are required semi-annually.

(b) As at 31 July 2015, land lease prepayments of the Group of approximately HK$349,000 (2014: HK$352,000) are included in the current portion of deposits and prepayments.

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

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

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

	2015	2014
	HK$'000	*HK$'000*
Trade receivables:		
0 to 90 days	**8,540**	12,454
91 to 180 days	**332**	2,223
181 to 365 days	**218**	3,382
	9,090	18,059

The movements in the allowance for doubtful debts for trade and other receivables during the year, including both specific and collective loss components, are as follows:

	2015	2014
	HK$'000	*HK$'000*
At the beginning of the year	**13,398**	8,808
Allowance provided	**15,879**	4,589
Exchange realignment	**(102)**	1
At the end of the year	**29,175**	13,398

Included in allowance for doubtful debts of the Group are individually impaired trade receivables with an aggregate balance of approximately HK$29,175,000 (2014: HK$13,398,000). The impaired trade receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

(12) BANK BORROWINGS

	2015		2014	
		Effective interest rates (%) p.a.		Effective interest rates (%) p.a.
	HK$'000		*HK$'000*	
Bank loans, secured	**506,594**	**1.49 - 2.30**	451,355	1.47 - 2.30
Trust receipt loans, secured	**14,694**	**1.93 - 1.94**	7,197	1.93 - 1.94
Trust receipt loans, unsecured	**—**	**N/A**	3,097	1.56 - 1.88
	521,288		461,649	

	2015	2014
	HK$'000	*HK$'000*
Carrying amount repayable *(Note)*:		
Within one year	**495,241**	160,055
Beyond one year, but not exceeding two years	**2,603**	275,548
Beyond two years, but not exceeding five years	**8,141**	7,974
Beyond five years	**15,303**	18,072
	521,288	461,649
Less: Amounts shown under current liabilities	**(495,241)**	(160,055)
Amounts shown under non-current liabilities	**26,047**	301,594

Note: The amounts due are based scheduled repayment dates set out in the loan agreements.

The borrowings of the Group bore interest at floating interest rates and were denominated in HK$.

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate plus 1.45% to 1.75% (2014: 1.35% to 1.75%).

During the reporting year, in respect of a bank loan with a carrying amount of approximately HK$423,088,000 as at 31 July 2015 ("**Bank Loan**"), the Group complied with the terms of the Bank Loan except possibly for certain terms, which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exceptions above, the directors of the Company informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker.

Up to the date of approval for issuance of the consolidated financial statements for the reporting year, the banker confirmed that in the absence of any unforeseen circumstances, they expected the corresponding banking facilities shall continue to be made available to the Group up to 31 March 2017. However, since the Bank Loan technically falls due within one year in accordance with the terms of the Bank Loan, the Bank Loan has been classified as current liability as at 31 July 2015.

(13) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2015	2014
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**10,966**	12,086
91 to 180 days	**1,163**	267
181 to 365 days	**1,998**	882
Over 365 days	**928**	241
	15,055	13,476
Advance from customers	**7,171**	9,019
Deposits received	**12,681**	12,972
Other payables and accruals	**34,448**	32,915
	69,355	68,382

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

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The revenue of the Company and its subsidiaries (collectively "**Group**") for the year ended 31 July 2015 was HK$405,325,000 (2014: HK$501,813,000) and the gross profit of the Group was HK$251,908,000 (2014: HK$302,910,000).

Against the backdrop of poor market sentiment, deep sales discounts offered by competitors to grasp the already-underwhelming retail market and protracted sales network restructuring taken by the Group, the "Garment and Related Accessories Business" segment plodded on through a nadir in the year ended 31 July 2015. The segment revenue slid by 22% to HK$354,162,000 with a loss of HK$43,981,000.

The "Property Investment and Letting Business" segment contributed the rental revenue of HK$51,163,000 for the year ended 31 July 2015 (2014: HK$46,851,000). The fair value gains on investment properties faltered to HK$97,493,000 as at 31 July 2015 (2014: HK$143,008,000), attributed to the property cooling down measures implemented by the Hong Kong SAR Government.

Integrating the results of the two business segments above with the share of profit from an associate of HK$6,829,000 (2014: HK$2,828,000) and the exchange loss arising on translation of foreign operations of HK$1,696,000 (2014: gain of HK$30,000), the total comprehensive income attributable to the owners of the Company was HK$49,449,000 for the year ended 31 July 2015 (2014: HK$106,062,000).

Operations in Hong Kong and Macau

The difficulty faced by the "Garment and Related Accessories Business" segment was full-blown. The devaluation of currencies of nearby regions eclipsed the appeal of Hong Kong as a consumer paradise. Coupled with the lingering social unrest, the number of inbound visitors, especially those from the Mainland of China ("**Mainland**"), was tumbling. The bizarre warm weather during the Christmas and New Year period impeded the sales of outerwear products of high profit margins. In view of the above woes, the competitors had offered startling sales discounts, even at a very early stage of new season, to avoid the risk of stockpiles. All these factors placed the "Garment and Related Accessories Business" segment of the Group in the spiral of poorer sales, worsening profit margins. To tackle the above challenges, the Group had tautened the rental expenses, the major operating outlays, by realignment of its shop portfolio in order to improve the sales efficiency at reduced rental costs. The process of sales network restructuring was lumbering as it took time to locate premises with satisfactory pedestrian flows at acceptable rents. As at 31 July 2015, the Group operated 20 shops for Crocodile line (2014: 22) and 6 shops for Lacoste line (2014: 9).

The rental revenue generated by the "Property Investment and Letting Business" segment was HK$51,163,000 in the year ended 31 July 2015. The fair value gains on investment properties were HK$97,493,000 as at 31 July 2015.

Operations in the Mainland

The "Garment and Related Accessories Business" segment was operating under an extremely intricate environment in the Mainland. The economy was facing an accelerating downside risk as evidenced by the deteriorating data released. To balance the slump of growth in exports and productions, the Mainland Government planned to boost domestic spending through the wealth-effect created by a prosperous stock market; however, it was derailed by the abrupt plunge. The consequential murky economic ambience battered the retail market sentiment and the consumption power of general public further, which materially curbed the sales and gross profit margins of the "Garment and Related Accessories Business" segment. As a cushion against the above tailspin, the Group had rationalised its sales channel to ratchet up the brand presence and, at the same time, constrained the rental expenses. Stringent inventory discipline had been enforced to keep the stock on hand relevant and fresh. As at 31 July 2015, there were a total of 87 shops in the Mainland (2014: 118), including self-operated shops of 21 (2014: 48) and those operated by the Group's franchisees of 66 (2014: 70).

Being the major component of the other income, the royalty income from licensees continued to generate a steady income stream to the Group of HK$50,615,000 for the year ended 31 July 2015.

Prospects

The outlook of global economy is bleak in the wake of loss in momentum of the Mainland, the world's major growth engine for the past decade. The Mainland's monetary and financial easing policies may be effective to prompt buy-back of "oversold" risk assets, but not much helpful in brightening economic prospects as it is still undergoing the process of curtailing excessive investments. The monetary easing policy could rather weaken Renminbi ("**RMB**") further and fuel competition in devaluations among other currencies, in particular, those of emerging markets. Such austere economic and financial conditions will dent consumption and investment sentiments severely.

Hong Kong, the Group's operation-base, is at the centre of whipsaw. On one side, Hong Kong economy is vulnerable to the stumbling investment and consumer spending whereas on the other side, at the heels of strong United States Dollars ("**USD**"), the appreciation of Hong Kong Dollars ("**HKD**") under the pegging mechanism could kindle savage corrections in asset markets. Needless to mention the persistent social disputes, the business environment for the Group's "Garment and Related Accessories Business" and "Property Investment and Letting Business" segments in Hong Kong is formidable. To mitigate the above negative impact, the Group will hasten the restructuring of its shop portfolio to enhance the operating efficiency.

In the Mainland, the worse-than-expected deceleration in economic growth and the nosediving stock market encumbered the domestic consumption. Giving the beleaguered retail sector, the Group has reined back sales channel inventory and fortified supply chain management. Moreover, the Group will reorganise its sales channels and merchandise mix.

The eventual raise of US interest rate will knock the values of the investment properties and financial assets and escalate the burden of borrowing costs of the Group when the Hong Kong interest rate follows. The Group has kept close tabs on the volatility of the global financial market in order to secure the value and contain the risk exposure of its assets on hand.

In long term, the Group pursues the strategy of accentuating "Crocodile" as a premier brand of quality merchandises and orchestrates the sales network and supply chain. Financially, the Group takes a pragmatic and prudent management approach to explore various means of solidifying its capital base and maintain the Group's vibrancy in the prevailing business ramification.

Contingent Liabilities

As at 31 July 2015, the Group had no material contingent liabilities.

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 utilise the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2015.

The Group mainly earns revenue and incurs cost in HKD, RMB and USD. 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.

Cash and cash equivalents held by the Group amounted to HK$72,143,000 as at 31 July 2015 (2014: HK$57,233,000) and were mainly denominated in HKD and RMB. The pledged bank deposits of approximately HK$1,819,000 (2014: HK$730,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in RMB as at 31 July 2015 were equivalent to HK$39,857,000 (2014: HK$21,324,000) which is not freely convertible into other currencies. However, under the Mainland'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.

As at 31 July 2015, the total outstanding borrowings including margin loans of the Group amounted to HK$543,112,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$14,694,000, secured bank mortgage loan of HK$28,594,000, secured margin loans of HK$21,824,000, secured long-term bank loan of HK$273,000,000 and secured short-term bank revolving loans of HK$205,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loan above was repayable by instalments with its current portion of HK$2,547,000 repayable within one year and long-term portion of HK$26,047,000 repayable in the second to thirteenth years.

Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in HKD. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2015.

As at 31 July 2015, the Group had mortgaged certain of its investment properties with carrying values of HK$1,488,300,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 July 2015 was 35%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the forthcoming rise in interest rates, the Group will actively consider any fund-raising means in order to keep its gearing at a reasonable level for controlling its interest expenses while further developing its business.

As at 31 July 2015, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,320,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,250,000 and acquisition of available-for-sale financial asset of HK$4,834,000.

Major Investments, Acquisitions and Disposals

Save for the acquisition of properties as disclosed in the Company's announcement dated 26 September 2014, the Group had no significant investments, material acquisitions or disposals in the year ended 31 July 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 July 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2015 save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

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

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company's operations and the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of both the Chairman and the Chief Executive Officer.

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

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

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company currently comprises three members, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang, all being INEDs. The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 July 2015 ("**Financial Statements**") including the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2015 as set out in this preliminary results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary results announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Tuesday, 15 December 2015. Notice of such AGM together with the Company's Annual Report for the year ended 31 July 2015 will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in early November 2015.

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

Hong Kong, 28 October 2015

As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Wan Edward Yee Hwa; one Non-executive Director, namely Ms. Lam Suk Ying, Diana; and three Independent Non-executive Directors, namely Messrs. Chow Bing Chiu, Leung Shu Yin, William and Yeung Sui Sang.