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## Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2015

#### RESULTS

The board of directors (“**Directors**” and “**Board**”, respectively) of Crocodile Garments Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively “**Group**”) for the six months ended 31 January 2015 together with the comparative figures of the last corresponding period as follows:

#### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 31 January 2015

		Six months ended 31 January	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	3	218,289	274,523
Cost of sales		<u>(85,166)</u>	<u>(110,527)</u>
Gross profit		133,123	163,996
Fair value gains on investment properties		65,645	80,491
Other income	4	26,728	32,186
Selling and distribution expenses		(138,326)	(172,783)
Administrative expenses		(28,291)	(30,606)
Other operating expenses, net		(3,770)	(1,019)
Finance costs	5	(5,516)	(5,137)
Share of profit from an associate		<u>2,148</u>	<u>159</u>
Profit before tax	6	51,741	67,287
Income tax expense	7	<u>(1,515)</u>	<u>(1,155)</u>
Profit for the period attributable to owners of the Company		50,226	66,132
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(3,221)</u>	<u>3,482</u>
Total comprehensive income for the period attributable to owners of the Company		<u>47,005</u>	<u>69,614</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
— Basic		<u>5.37</u>	<u>7.07</u>
— Diluted		<u>5.36</u>	<u>7.07</u>

**Condensed Consolidated Statement of Financial Position**  
As at 31 January 2015

	<i>Notes</i>	<b>31 January 2015 (Unaudited) HK\$'000</b>	31 July 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		156,315	162,442
Investment properties		1,562,988	1,452,922
Land lease prepayments		14,635	15,046
Interest in an associate		34,113	31,690
Rental and utility deposits		8,536	14,982
Deposits for land lease prepayments		17,140	17,416
Available-for-sale financial asset		25,820	25,040
		<u>1,819,547</u>	<u>1,719,538</u>
<b>Current assets</b>			
Inventories		123,482	133,162
Trade and other receivables, deposits and prepayments	10	105,842	92,635
Amounts due from related companies		7	—
Financial assets at fair value through profit and loss		137,085	143,006
Pledged bank deposits		538	730
Bank balances and cash		80,487	57,233
		<u>447,441</u>	<u>426,766</u>
<b>Current liabilities</b>			
Bank borrowings		230,821	160,055
Margin loans payable		20,569	26,075
Trade and other payables and deposits received	11	82,847	68,382
Perpetual loan		15,000	15,000
Amounts due to related companies		41,638	41,439
Tax payable		22,165	22,522
		<u>413,040</u>	<u>333,473</u>
<b>Net current assets</b>		<u>34,401</u>	<u>93,293</u>
<b>Total assets less current liabilities</b>		<u>1,853,948</u>	<u>1,812,831</u>
<b>Non-current liabilities</b>			
Bank borrowings		294,329	301,594
Provision for long service payments		2,534	2,672
Deferred tax liabilities		3,996	2,481
		<u>300,859</u>	<u>306,747</u>
<b>Net assets</b>		<u>1,553,089</u>	<u>1,506,084</u>
<b>Capital and reserves</b>			
Share capital		324,685	324,685
Reserves		1,228,404	1,181,399
<b>Total equity</b>		<u>1,553,089</u>	<u>1,506,084</u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2015

## (1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated interim financial statements also comply with the Hong Kong Companies Ordinance and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

## (2) PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2014, except for adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include HKASs and Interpretations) which are generally effective for the current accounting period of the Group.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 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 of Hedge Accounting
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
HK (International Financial Reporting Interpretation Committee) — Interpretation 21	Levies

The application of these amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### (3) SEGMENT INFORMATION

#### Segment revenues and results

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

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000 (Restated)
Revenue from external customers	193,104	251,920	25,185	22,603	—	—	218,289	274,523
Other income from external customers	26,797	26,647	589	536	(831)	4,936	26,555	32,119
Group's total revenue and other income	<u>219,901</u>	<u>278,567</u>	<u>25,774</u>	<u>23,139</u>	<u>(831)</u>	<u>4,936</u>	<u>244,844</u>	<u>306,642</u>
Reportable segment (loss)/profit	<u>(14,787)</u>	<u>(13,364)</u>	<u>90,210</u>	<u>101,037</u>	<u>(831)</u>	<u>4,936</u>	<u>74,592</u>	<u>92,609</u>
Unallocated corporate income							173	67
Unallocated corporate expenses							(17,508)	(20,252)
Finance costs							(5,516)	(5,137)
Profit before tax							<u>51,741</u>	<u>67,287</u>

### (4) OTHER INCOME

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Royalty income	26,635	26,112
Bank interest income	173	67
Interest income on amount due from an associate	275	262
Net (loss)/gain on financial assets at fair value through profit and loss	(831)	4,936
Others	476	809
	<u>26,728</u>	<u>32,186</u>

(5) FINANCE COSTS

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
Bank borrowings		
— wholly repayable within five years	4,107	3,912
— not wholly repayable within five years	342	360
Amount due to a related company	1,067	865
	<u>5,516</u>	<u>5,137</u>

(6) PROFIT BEFORE TAX

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

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	8,271	9,709
Amortisation of land lease prepayments (included in administrative expense)	176	176
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK\$1,210,000 (2014: HK\$4,037,000))	84,897	110,339

(7) INCOME TAX EXPENSE

	Six months ended 31 January	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	1,515	1,155
Income tax expense	<u>1,515</u>	<u>1,155</u>

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2015 (2014: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the period.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. No PRC enterprise income tax has been provided for the six months ended 31 January 2015 and 31 January 2014 as the Group did not have assessable profit in the PRC.

**(8) DIVIDENDS**

No dividend was paid, declared or proposed during the six months ended 31 January 2015. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 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 period is based on the following data:

	<b>Six months ended</b>	
	<b>31 January</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>50,226</b>	66,132
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>935,743,695</b>	935,743,695
Effect of dilutive potential ordinary shares: Share option	<b>945,538</b>	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b><u>936,689,233</u></b>	<b><u>935,743,695</u></b>

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

**(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>31 January</b>	<b>31 July</b>
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>21,315</b>	20,169
Less: Allowance for doubtful debts	<b>(4,120)</b>	(2,110)
	<b>17,195</b>	18,059
Other receivables	<b>69,571</b>	54,816
Less: Allowance for doubtful debts	<b>(11,109)</b>	(11,288)
	<b>58,462</b>	43,528
Deposits and prepayments	<b>38,721</b>	46,030
	<b>114,378</b>	107,617
Less: Rental and utility deposits shown under non-current assets	<b>(8,536)</b>	(14,982)
	<b><u>105,842</u></b>	<b><u>92,635</u></b>

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

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

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

	<b>31 January 2015 (Unaudited) HK\$'000</b>	31 July 2014 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	<b>12,708</b>	12,454
91 to 180 days	<b>1,388</b>	2,223
181 to 365 days	<b>3,099</b>	3,382
	<b><u>17,195</u></b>	<b><u>18,059</u></b>

#### (11) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	<b>31 January 2015 (Unaudited) HK\$'000</b>	31 July 2014 (Audited) HK\$'000
Trade payables:		
0 to 90 days	<b>29,402</b>	12,086
91 to 180 days	<b>771</b>	267
181 to 365 days	<b>32</b>	882
Over 365 days	<b>897</b>	241
	<b><u>31,102</u></b>	<u>13,476</u>
Advance from customers	<b>8,371</b>	9,019
Deposits received	<b>13,543</b>	12,972
Other payables and accruals	<b>29,831</b>	32,915
	<b><u>82,847</u></b>	<b><u>68,382</u></b>

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

## **INTERIM DIVIDEND**

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2015 (2014: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Performance**

For the period under review, the revenue of the Group was HK\$218,289,000 (2014: HK\$274,523,000), representing a decline of 20% and the gross profit of the Group decreased by 19% to HK\$133,123,000 (2014: HK\$163,996,000.)

The “Garment and Related Accessories Business” segment still grappled with difficult operating conditions for the six months ended 31 January 2015. Weakening spending of both domestic customers and inbound visitors, unusually warm weather conditions during the Christmas and New Year period, heavy sales discounts offered by competitors, ever-rising rental expenses, these factors collectively inflicted the performance of the “Garment and Related Accessories Business” segment. The revenue dropped by 23% to HK\$193,104,000 and the segment loss was HK\$14,787,000 for the period under review.

The “Property Investment and Letting Business” segment generated a rental revenue of HK\$25,185,000 for the six months ended 31 January 2015 (2014: HK\$22,603,000) and the fair value gains on investment properties of the Group as at 31 January 2015 sagged by 18% to HK\$65,645,000 (2014: HK\$80,491,000).

Combining the results of the two business segments above with the share of profit of an associated company of HK\$2,148,000 (2014: HK\$159,000) and the exchange loss arising on the translation of foreign operations of HK\$3,221,000 (2014: gain of HK\$3,482,000), the total comprehensive income for the six months ended 31 January 2015 attributable to the owners of the Company was HK\$47,005,000 (2014: HK\$69,614,000).

### **Operations in Hong Kong and Macau**

The “Garment and Related Accessories Business” segment was trapped in a tough environment for the period under review. The retail markets in Hong Kong and Macau was underwhelming as evidenced by the unexpectedly sharp dip in retail sales index recently released. To defuse the negative impacts caused by the overall poor market sentiment, the changes in consumption preferences of customers and the increasing rental expenses, the Group continued to perfect its merchandise mix and focus on the realignment of shops for improving the sales network productivity. The Group operated 19 shops for Crocodile line (2014: 23) and 6 shops for Lacoste line (2014: 10) as at 31 January 2015.

For the period under review, the “Property Investment and Letting Business” segment generated a rental revenue of HK\$25,185,000 (2014: HK\$22,603,000) and the fair value gains on investment properties of the Group was HK\$65,645,000 as at 31 January 2015 (2014: HK\$80,491,000).



## Operations in the Mainland of China (“Mainland”)

The market sentiment in the Mainland deteriorated under the further slowdown in the growth of Gross Domestic Product during the six months ended 31 January 2015. Coupled with the micro-aspect of the rapid growth of online sales platforms and the aggressive pricing strategies of competitors, it created huge burden on the gross profit margins of the “Garment and Related Accessories Business” segment of the Group. To mitigate the pressure on the performance caused by the drop in gross profit margin, the Group implemented stringent control on operating and administrative outlays while closed down under-performing shops and teamed up with popular online shopping malls to fortify the sale network efficiency. As at 31 January 2015, there were a total of 102 shops in the Mainland (2014: 173), including self-operated shops of 30 (2014: 67) and those operated by the Group’s franchisees of 72 (2014: 106).

Attributed to the prestige image of “Crocodile” brand, the royalty fees from licensees continued to be the other major source of income for the Group. For the six months ended 31 January 2015, the royalty income was HK\$26,635,000 (2014: HK\$26,112,000).

## Prospects

It is almost certain that the United States will raise its interest rate in the year 2015. However on the other side, Europe, Japan and the Mainland are pursuing easing policies. It will intensify the uncertainties in the global economy. The haphazard oil price movements portended the turbulence of the international fund flows. The risk exposures of the Group’s financial assets on hand will inevitably be magnified.

The situation in Hong Kong will become further complicated. Under the existing pegging arrangement, Hong Kong will follow the United States to raise its interest rate even though the Mainland is now facing a contracting economic momentum as a result of economic reforms. Hong Kong will face a never-before volatility because of this mismatching in operating atmospheres between the world-first and -second largest economies which Hong Kong significantly relies on.

Because of the above intricate conditions in Hong Kong and the Mainland, the performances of the Group’s “Garment and Related Accessories Business” and “Property Investment and Letting Business” segments will be erratic. The business outlook of Hong Kong will even be gloomy in view of the lingering social unrest especially for the outbreak of chaos in districts in which the Group’s retail shops are doing business.

The Group will continue to enhance the value of “Crocodile” brand to overcome the challenges ahead. Moreover, the Group will further improve the shop operating efficiency and supply chain flexibility. The Group has been adopting prudent financial management approach and exploring various means of strengthening its capital base to secure its resilience in the formidable business circumstances.

On the other hand, attention is drawn to the Company’s announcement dated 13 February 2015 made pursuant to Rule 3.7 of The Code on Takeovers and Mergers (“**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**” and “**Listing Rules**”, respectively) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (“**February Announcement**”); and an announcement of the Company dated 13 March 2015 made pursuant to Rule 3.7 of the Takeovers Code. As disclosed therein, among others, further announcement(s) will be made by the Company regarding the Possible Transaction (as defined in the February Announcement) on a monthly basis and, as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

## **Contingent Liabilities**

As at 31 January 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 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 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 six months ended 31 January 2015.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi and United States dollars. 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\$80,487,000 as at 31 January 2015 (31 July 2014: HK\$57,233,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK\$538,000 (31 July 2014: HK\$730,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. Cash and cash equivalents denominated in Renminbi as at 31 January 2015 were equivalent to HK\$28,992,000 (31 July 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 Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 January 2015, the total outstanding borrowings including margin loans of the Group amounted to HK\$545,719,000. The total outstanding borrowings comprised bank overdraft of HK\$63,790,000, unsecured short-term bank trust receipt loans of HK\$8,466,000, secured short-term bank trust receipt loans of HK\$14,042,000, secured bank mortgage loan of HK\$29,852,000, secured margin loans of HK\$20,569,000, secured long-term bank loan of HK\$279,000,000 and secured short-term bank revolving loans of HK\$130,000,000. 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\$2,523,000 repayable within one year and long-term portion of HK\$27,329,000 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 Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2015.

As at 31 January 2015, the Group had mortgaged certain of its investment properties with carrying values of HK\$1,457,700,000 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 as at 31 January 2015 was 35%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. As anticipated the interest rates will rise in the near future, 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 January 2015, Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK\$4,285,000; acquisition and construction of property, plant and equipment in the Mainland of HK\$2,249,000 and acquisition of available-for-sale financial asset of HK\$5,380,000.

### **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 six months ended 31 January 2015.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

During the six months ended 31 January 2015, the Company did not redeem any of its shares listed and traded on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any of such shares.

### **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Listing Rules throughout the six months ended 31 January 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, 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, 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 (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, 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 INTERIM RESULTS**

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang. The Audit Committee has reviewed with the management the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2015.

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

Hong Kong, 27 March 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 Yee Hwa, Edward; 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.*