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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

UPDATE ON RE-CLASSIFICATION OF PERPETUAL LOAN AND PROPERTY INVESTMENT

This announcement is made by the Company at the request of the Stock Exchange.

References are made to Note 32(b) to the audited consolidated financial statements in the 2012-2013 Annual Report and Note 29(b) to the audited consolidated financial statements in the 2013-2014 Annual Report regarding the Perpetual Loan as well as the announcement of the Company dated 16 April 2013 in relation to the Acquisition.

The Perpetual Loan was included in equity in the audited consolidated financial statements in the 2012-2013 Annual Report, and was re-classified to current liability in the audited consolidated financial statements in the 2013-2014 Annual Report. The re-classification was made when the management of the Company no longer maintains its initial view that the Group will not dispose of the Property in the foreseeable future, in view of the potential change in market conditions at the relevant time.

The Acquisition was made by the Group during the financial year ended 31 July 2013 at the consideration of HK\$52,800,000. As stated in the announcement of the Company dated 16 April 2013, the Group acquired the Property through its subsidiary, Keepower, by way of the Nomination and the subsequent Assignment, and the Property is to be held as an investment property for rental purpose or for self-occupation to meet the Group's needs.

Before the completion of the Acquisition, the Group entered into the Loan Agreement in respect of the Perpetual Loan. The Perpetual Loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposes of the Property. According to the terms and conditions of the Loan Agreement, if the disposal of the Property by the Group results in a profit (after deducting the relevant costs, expenses, taxes, etc.), the Company shall pay to the Independent Third Party 50% of such profit; and if the disposal of the Property results in a loss, the Company shall only be obliged to repay the balance of the Perpetual Loan after deducting a sum representing 50% of such loss up to the principal amount of the Perpetual Loan. The date of repayment of the Perpetual Loan depends on whether and when the Group disposes of the Property, and the repayment amount of the Perpetual Loan is subject to the result on disposal of the Property by the Group.

In the period from the time of the Acquisition in around April 2013 to around the time of preparing the 2013-2014 Annual Report, the Group had no plan to dispose of the Property. Shortly before the publication of the 2013-2014 Annual Report in around October 2014, the Group became willing to consider the disposal of the Property in view of the potential change in market conditions at the relevant time and hence the re-classification of the Perpetual Loan was made. The Board wishes to inform the shareholders of the Company and potential investors that the Board has not however considered whether or not to dispose of the Property since the re-classification of the Perpetual Loan and the state of affairs remains unchanged.

Forward-looking statements in this announcement are based on current expectations, assumptions, estimates and projections about the Company and the market conditions.

DEFINITIONS

In this announcement, the following expressions have the following respective meanings unless the context requires otherwise:

“2012-2013 Annual Report”	the annual report of the Company for the year ended 31 July 2013 published on 13 November 2013;
“2013-2014 Annual Report”	the annual report of the Company for the year ended 31 July 2014 published on 7 November 2014;
“Acquisition”	the acquisition of the Property by the Group;
“Assignment”	the assignment in relation to the Acquisition executed by the Vendor and Keepower on 16 April 2013;
“Board”	the board of Directors;
“Company”	Crocodile Garments Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 122);
“Director(s)”	the director(s) of the Company;
“Group”	collectively, the Company and its subsidiaries;
“Group Able”	Group Able Limited, a company incorporated in Hong Kong and whose registered shareholder and director is the Independent Third Party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party”	the individual who provided the Perpetual Loan to the Group pursuant to the Loan Agreement;
“Keepower”	Keepower Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;

“Loan Agreement”	an agreement dated 5 April 2013 entered into between the Company and the Independent Third Party pursuant to which the Independent Third Party agreed to lend the Perpetual Loan to the Company subject to the terms and conditions thereof;
“Nomination”	the nomination dated 20 February 2013 from Group Able (as nominator) and Keepower (as beneficial owner) to the Vendor, in relation to the Provisional SPA and the Acquisition;
“Perpetual Loan”	a loan in the sum of HK\$15,000,000 provided by the Independent Third Party to the Company pursuant to the Loan Agreement, which is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposes of the Property;
“Property”	the property located at the Ground Floor, Hennessy Road Court, 219 Hennessy Road, Hong Kong;
“Provisional SPA”	the provisional agreement for sale and purchase dated 17 October 2012 in relation to the Acquisition and entered into between the Vendor and Group Able;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Joint Luck Corporation Limited, a company incorporated in Hong Kong; and
“%”	per cent.

By Order of the Board
Crocodile Garments Limited
Ko Ming Kin
*Chief Financial Officer and
Company Secretary*

Hong Kong, 6 February 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.