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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

On 31 October 2011, each of CG (Zhong Shan) Branch and GZ Crocodile as tenant entered into Lease A and Lease B respectively with Guangzhou Besto (the "Landlord") in respect of the lease of Premises A and Premises B.

Dr. KM Lam (an executive Director, the Chairman and the Chief Executive Officer of the Company who has an approximate 50.94% interest in the existing issued shares of the Company) is a director and the legal representative of the Landlord and is able to control the composition of a majority of its board of directors. In addition, both Dr. KM Lam and Ms. Vanessa Lam (an executive Director and the Deputy Chief Executive Officer of the Company) are directors of Besto (the holding company of the Landlord). In this light, the Landlord is an associate of Dr. KM Lam and a connected person of the Company. Accordingly, the entering into of the Leases constitutes continuing connected transactions for the Company under the Listing Rules.

As each of the applicable Percentage Ratios in respect of the maximum aggregate amount of the rent payable by CG (Zhong Shan) Branch and GZ Crocodile to the Landlord, on an annual basis, is more than 0.1% but less than 5%, the subject continuing connected transactions are only subject to the reporting, announcement and annual review requirements under the Listing Rules and is exempt from independent Shareholders' approval requirement of the Listing Rules.

Lease A

The Board announces that on 31 October 2011, CG (Zhong Shan) Branch entered into Lease A with the Landlord in respect of the lease of Premises A and the principal particulars of Lease A are set out below:

Landlord	:	Guangzhou Besto
Tenant	:	CG (Zhong Shan) Branch
Premises A	:	Room 2201, The Plaza Eastern Tower, No. 625 Tianhe Road, Guangzhou, Guangdong Province, the PRC with a gross floor area of about 957.28 sq. m.

Usage	:	Office
Term	:	36 months, from 1 November 2011 to 31 October 2014 (both days inclusive)
Rent	:	(i) From 1 January 2012 to 31 October 2013: RMB69,882 (approximately HK\$85,955) per calendar month (exclusive of management fee, air-conditioning charges, car-parking fee, utilities and other outgoings); and (ii) From 1 November 2013 to 30 September 2014: RMB75,472 (approximately HK\$92,831) per calendar month (exclusive of management fee, air-conditioning charges, car-parking fee, utilities and other outgoings)
Refurbishment Period	:	From 1 November 2011 to 31 December 2011, CG (Zhong Shan) Branch shall not be responsible for paying any rent, management fee and air-conditioning charges
Rent-free Period	:	From 1 October 2014 to 31 October 2014, CG (Zhong Shan) Branch shall not be responsible for paying any rent
Management Fee and Air-conditioning Charges	:	RMB25,847 (approximately HK\$31,792) per calendar month subject to revision from time to time

LEASE B

The Board also announces that on 31 October 2011, GZ Crocodile entered into Lease B with the Landlord in respect of the lease of Premises B and the principal particulars of Lease B which are the same as those of Lease A are set out below:

Landlord	:	Guangzhou Besto
Tenant	:	GZ Crocodile
Premises B	:	Room 2301, The Plaza Eastern Tower, No. 625 Tianhe Road, Guangzhou, Guangdong Province, the PRC with a gross floor area of about 957.28 sq. m.
Usage	:	Office
Term	:	36 months, from 1 November 2011 to 31 October 2014 (both days inclusive)

- Rent : (i) From 1 January 2012 to 31 October 2013:
RMB69,882 (approximately HK\$85,955) per calendar month (exclusive of management fee, air-conditioning charges, car-parking fee, utilities and other outgoings); and
- (ii) From 1 November 2013 to 30 September 2014:
RMB75,472 (approximately HK\$92,831) per calendar month (exclusive of management fee, air-conditioning charges, car-parking fee, utilities and other outgoings)
- Refurbishment Period : From 1 November 2011 to 31 December 2011, GZ Crocodile shall not be responsible for paying any rent, management fee and air-conditioning charges
- Rent-free Period : From 1 October 2014 to 31 October 2014, GZ Crocodile shall not be responsible for paying any rent
- Management Fee and Air-conditioning Charges : RMB25,847 (approximately HK\$31,792) per calendar month subject to revision from time to time

AGGREGATE ANNUAL CAP

The rent (exclusive of other charges) payable by each of CG (Zhong Shan) Branch and GZ Crocodile to the Landlord under the Leases respectively during the following periods/year set out below will be subject to the maximum aggregate annual cap which is determined by reference to the rent stated in Lease A and Lease B:

	Amount in RMB <i>(approximate equivalent amount in HKD)</i>
Period from 1 November 2011 to 31 July 2012	RMB489,174 <i>(HK\$601,684)</i>
Financial year ending 31 July 2013	RMB838,584 <i>(HK\$1,031,458)</i>
Financial year ending 31 July 2014	RMB888,894 <i>(HK\$1,093,340)</i>
Period from 1 August 2014 to 31 October 2014	RMB150,944 <i>(HK\$185,661)</i>

LISTING RULES IMPLICATIONS

Dr. KM Lam (an executive Director, the Chairman and the Chief Executive Officer of the Company who has approximately 50.94% interest in the existing issued shares of the Company) is a director and the legal representative of the Landlord and is able to control the composition of a majority of its board of directors. In addition, both Dr. KM Lam and Ms. Vanessa Lam (an executive Director and the Deputy Chief Executive Officer of the Company) are directors of Besto (the holding company of the Landlord). Accordingly, the Landlord is an associate of Dr. KM Lam and a connected person of the Company, rendering the entering into of the Leases continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable Percentage Ratios in respect of the maximum aggregate amount of the rent payable by CG (Zhong Shan) Branch and GZ Crocodile to the Landlord, on an annual basis, is more than 0.1% but less than 5%, the above continuing connected transactions are only subject to the reporting, announcement and annual review requirements under Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules, and is exempt from independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

REASONS AND BENEFITS FOR THE LEASES

Both CG (Zhong Shan) Branch and GZ Crocodile need additional office space to cope with the expansion of the Group's operation in Guangzhou and have taken into account the convenient location, the quality of Premises A and Premises B and their requirements.

The terms and conditions of the Leases were arrived at arm's length negotiations between the relevant parties. The respective rents of Premises A and Premises B have been determined by reference to (1) the current rents payable by tenants for other premises in The Plaza; (2) the location, area and quality of Premises A and Premises B; and (3) the prevailing market conditions. An independent professional property valuer has issued a rent estimation letter, confirming the range of the current market rent for office units of The Plaza Eastern Tower (the "Market Rent") to be fair and reasonable by reference to the market rents for comparable properties in proximity to The Plaza. The respective rents to be charged by the Landlord for Premises A and Premises B compare favourably with the Market Rent and are considered to be fair and reasonable.

Dr. KM Lam (an executive Director, the Chairman, the Chief Executive Officer and a controlling shareholder of the Company) and Ms. Vanessa Lam (an executive Director and the Deputy Chief Executive Officer of the Company) are directors of Besto. Further, Dr. KM Lam is a director and the legal representative of the Landlord and is able to control the composition of a majority of the board of directors of the Landlord. In view of their potential conflict of interests in the transactions, both Dr. KM Lam and Ms. Vanessa Lam did not participate in the Board's deliberations on the transactions and abstained from voting on the resolutions approving the transactions at the relevant Board meeting.

The other Directors (including the independent non-executive Directors) are of the opinion that the Leases were (i) entered into in the ordinary and usual course of business of the Company; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms that are fair and reasonable under the prevailing market conditions and in the interests of the Company and the Shareholders as a whole. They are also of the view that the subject annual caps are fair and reasonable.

PRINCIPAL ACTIVITIES

The principal activities of the Group include the manufacture and sale of garments in Hong Kong, Macau and the PRC, as well as property investment in Hong Kong and the PRC.

The Besto Group is principally engaged in property investment in the PRC.

DEFINITIONS

“associate”	has the same meaning ascribed to it under the Listing Rules;
“Besto”	Besto Investments Limited, a company incorporated in Hong Kong with limited liability and the holding company of the Landlord;
“Besto Group”	Besto and its subsidiaries;
“Board”	the board of Directors;
“CG (Zhong Shan) Branch”	鱷魚恤(中山)有限公司廣州分公司 (Crocodile Garments (Zhong Shan) Limited Guangzhou Branch*), a branch of Crocodile Garments (Zhong Shan) Limited which was incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Company”	Crocodile Garments Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 122);
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Dr. KM Lam”	Dr. Lam Kin Ming, an executive Director, the Chairman and the Chief Executive Officer as well as a controlling shareholder of the Company;
“Group”	the Company and its subsidiaries;
“Guangzhou Besto” or “Landlord”	廣州市百淘房地產開發有限公司 (Guangzhou Besto Real Estate Development Co. Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Besto;
“GZ Crocodile”	廣州鱷魚恤商業有限公司 (Guangzhou Crocodile Garments Commercial Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Lease A”	the lease agreement (廣州市房屋租賃合同) and its supplemental agreement (房屋租賃合同補充協議書) entered into between CG (Zhong Shan) Branch and the Landlord, pursuant to which the Landlord will lease Premises A to CG (Zhong Shan) Branch;
“Lease B”	the lease agreement (廣州市房屋租賃合同) and its supplemental agreement (房屋租賃合同補充協議書) entered into between GZ Crocodile and the Landlord, pursuant to which the Landlord will lease Premises B to GZ Crocodile;
“Leases”	Lease A and Lease B;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Ms. Vanessa Lam”	Ms. Lam Wai Shan, Vanessa, an executive Director and the Deputy Chief Executive Officer of the Company;
“Percentage Ratio(s)”	the percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction;
“PRC”	the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Premises A”	Room 2201, The Plaza Eastern Tower, No. 625 Tianhe Road, Guangzhou, Guangzhou Province, the PRC;
“Premises B”	Room 2301, The Plaza Eastern Tower , No. 625 Tianhe Road, Guangzhou, Guangdong Province, the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the ordinary share(s) of HK\$0.25 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“sq. m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the same meaning ascribed to it under the Listing Rules;
“The Plaza”	the commercial complex situated at No. 621-625 Tianhe Road, Guangzhou, Guangzhou Province, the PRC; and
“%”	per cent.

For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB 1 = HK\$1.23.

** Denotes an English translation of a Chinese name for identification purposes only. If there is any inconsistency between the Chinese name and the English translation, the Chinese version shall prevail.*

By Order of the Board
Crocodile Garments Limited
Kwok Siu Man
Company Secretary

Hong Kong, 1 November 2011

As at the date of this announcement, the Board comprises six 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, Mr. Wan Yee Hwa, Edward and Mr. Tong Ka Wing, Carl; one non-executive director, namely Ms. Lam Suk Ying, Diana; and three independent non-executive directors, namely Messrs. Yeung Sui Sang, Chow Bing Chiu and Leung Shu Yin, William.