CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2017

RESULTS

The board of directors ("**Board**" and "**Directors**", respectively) of Crocodile Garments Limited ("**Company**") announces the unaudited consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 January 2017 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 2017

		Six months ended 31 January	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**135,804**	168,221
Cost of sales		**(52,751)**	(71,815)
Gross profit		**83,053**	96,406
Fair value (loss) gains on investment properties		**(149)**	41,631
Other income	*4*	**23,978**	20,811
Selling and distribution expenses		**(76,870)**	(106,988)
Administrative expenses		**(30,637)**	(30,316)
Other operating expenses, net		**(498)**	(1,004)
Finance costs	*5*	**(6,395)**	(5,947)
Share of profit from an associate		**4,171**	2,664
(Loss) profit before tax	*6*	**(3,347)**	17,257
Income tax credit (expense)	*7*	**132**	(1,718)
(Loss) profit for the period attributable to owners of the Company		**(3,215)**	15,539
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(6,939)**	(10,179)
Total comprehensive (expense) income for the period attributable to owners of the Company		**(10,154)**	5,360
		HK cents	*HK cents*
(Loss) earnings per share	*9*		
— Basic		**(0.34)**	1.64
— Diluted		**N/A**	1.64

Condensed Consolidated Statement of Financial Position
As at 31 January 2017

	Notes	**31 January 2017 (Unaudited) *HK$'000***	31 July 2016 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**129,566**	138,924
Investment properties		**1,629,906**	1,632,793
Land lease prepayments		**12,593**	13,318
Interest in an associate		**46,955**	42,482
Rental and utility deposits		**10,210**	11,102
Deposits for land lease prepayments		**15,481**	16,172
		1,844,711	1,854,791
Current assets			
Inventories		**59,055**	73,336
Trade and other receivables, deposits and prepayments	*10*	**78,086**	67,587
Amounts due from related companies		**75**	—
Financial assets at fair value through profit and loss		**135,839**	140,299
Pledged bank deposits		**12,119**	4,367
Bank balances and cash		**140,583**	152,787
		425,757	438,376
Current liabilities			
Bank borrowings	*11*	**306,134**	295,572
Margin loans payable		**14,145**	22,990
Trade and other payables and deposits received	*12*	**65,714**	61,004
Perpetual loan		**15,000**	15,000
Amounts due to related companies		**29,848**	42,412
Tax payable		**19,563**	20,436
		450,404	457,414
Net current liabilities		**(24,647)**	(19,038)
Total assets less current liabilities		**1,820,064**	1,835,753
Non-current liabilities			
Bank borrowings	*11*	**270,109**	276,764
Provision for long service payments		**2,733**	2,882
Deferred tax liabilities		**4,591**	4,723
		277,433	284,369
Net assets		**1,542,631**	1,551,384
Capital and reserves			
Share capital		**332,323**	332,323
Reserves		**1,210,308**	1,219,061
Total equity		**1,542,631**	1,551,384

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 January 2017

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2017 have been prepared in accordance with Hong Kong Accounting Standard ("**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 Companies Ordinance (Chapter 622 of the Laws of 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 values.

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$24,647,000 as at 31 January 2017.

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 year ended 31 July 2016 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those 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 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

(2) PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
HKFRS 14	Regulatory Deferral Accounts

The application of these amendments to HKFRSs 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

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely i) garment and related accessories business, ii) property investment and letting business, and iii) trading of securities, of which the former two are also reportable segments. The operating segments are managed separately as each business offers different products and services and requires different business strategies.

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**108,192**	142,097	**27,612**	26,124	**—**	—	**135,804**	168,221
Other income from external customers	**12,409**	22,881	**8,871**	780	**2,492**	(3,069)	**23,772**	20,592
Group's total revenue and other income	**120,601**	164,978	**36,483**	26,904	**2,492**	(3,069)	**159,576**	188,813
Reportable segment (loss) profit	**(18,823)**	(23,239)	**37,117**	68,660	**2,492**	(3,069)	**20,786**	42,352
Unallocated corporate income							**206**	219
Unallocated corporate expenses							**(17,944)**	(19,367)
Finance costs							**(6,395)**	(5,947)
(Loss) profit before tax							**(3,347)**	17,257

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of bank interest income, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(4) OTHER INCOME

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Royalty income	**12,324**	22,673
Bank interest income	**206**	219
Interest income on amount due from an associate	**303**	289
Net gain (loss) on financial assets at fair value through profit and loss	**2,492**	(3,069)
Others	**8,653**	699
	23,978	20,811

(5) FINANCE COSTS

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**5,643**	4,967
Amount due to a related company	**752**	980
	6,395	5,947

(6) (LOSS) PROFIT BEFORE TAX

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

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**7,041**	7,728
Amortisation of land lease prepayments (included in administrative expenses)	**160**	169
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK$1,386,000 (2016: HK$4,711,000))	**52,368**	71,527

(7) INCOME TAX (CREDIT) EXPENSE

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(132)**	1,718
Income tax (credit) expense	**(132)**	1,718

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2017 (2016: 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 2017 and 31 January 2016 as the Group did not have assessable profit in the PRC.

(8) DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 January 2017. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2016: Nil).

(9) (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 January	
	2017	2016
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share (HK$'000)	**(3,215)**	15,539
Number of shares		
Number of ordinary shares (2016: Weighted average number of ordinary shares) for the purpose of basic (loss) earnings per share	**947,543,695**	947,142,608
Effect of dilutive potential ordinary shares:		
— Options	**N/A**	73,276
Number of ordinary shares (2016: Weighted average number of ordinary shares) for the purpose of diluted (loss) earnings per share	**N/A**	947,215,884

In considering the dilution impact of the share options outstanding, no adjustment has been made for the period ended 31 January 2017 as their assumed conversion would have an anti-dilutive effect on the basic loss per share amounts presented.

(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2017 (Unaudited) *HK$'000*	31 July 2016 (Audited) *HK$'000*
Trade receivables	**17,798**	14,825
Less: Allowance for doubtful debts	**(7,749)**	(7,394)
	10,049	7,431
Other receivables	**68,179**	62,764
Less: Allowance for doubtful debts	**(20,936)**	(21,871)
	47,243	40,893
Deposits and prepayments	**31,004**	30,365
	88,296	78,689
Less: Rental and utility deposits shown under non-current assets	**(10,210)**	(11,102)
	78,086	67,587

(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 periods:

	31 January 2017 (Unaudited) *HK$'000*	31 July 2016 (Audited) *HK$'000*
Trade receivables:		
0 to 90 days	**7,050**	4,173
91 to 180 days	**320**	2,114
181 to 365 days	**2,679**	1,144
	10,049	7,431

(11) BANK BORROWINGS

	31 January 2017 (Unaudited) *HK$'000*	31 July 2016 (Audited) *HK$'000*
Bank loans, secured	**566,973**	561,247
Trust receipt loans, secured	**9,270**	11,089
	576,243	572,336
Carrying amount repayable:		
Within one year	**306,134**	295,572
Beyond one year, but not exceeding two years	**13,364**	13,338
Beyond two years, but not exceeding five years	**244,630**	250,416
Beyond five years	**12,115**	13,010
	576,243	572,336
Less: Amounts shown under current liabilities	**(306,134)**	(295,572)
Amounts shown under non-current liabilities	**270,109**	276,764

Included in the bank loans repayable within one year with total carrying amount of HK$306,134,000, the revolving loans of total balance of HK$283,558,000 were renewable upon their respective maturities.

In respect of a bank loan with a carrying amount of approximately HK$438,479,000 as at 31 January 2017 and HK$433,394,000 as at 31 July 2016, respectively ("**Bank Loan**"), the Group complied with the terms of the Bank Loan during the current reporting period and the last reporting year ended 31 July 2016, except for certain terms which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exception above, the Directors had informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker.

(12) 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:

	31 January 2017 (Unaudited) *HK$'000*	31 July 2016 (Audited) *HK$'000*
Trade payables:		
0 to 90 days	**11,648**	6,180
91 to 180 days	**156**	—
181 to 365 days	**858**	431
Over 365 days	**1,814**	2,236
	14,476	8,847
Advance from customers	**5,352**	6,511
Deposits received	**16,381**	13,141
Other payables and accruals	**29,505**	32,505
	65,714	61,004

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.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, the revenue of the Group was HK$135,804,000 (2016: HK$168,221,000), representing a decline of 19% and the gross profit of the Group decreased by 14% to HK$83,053,000 (2016: HK$96,406,000.)

The performance of the "Garment and Related Accessories Business" segment of the Group was ailing during the six months ended 31 January 2017. The revenue tumbled by 24% to HK$108,192,000 from HK$142,097,000 for the same period of last year and the segment loss was HK$18,823,000.

The "Property Investment and Letting Business" segment steadily contributed a rental income of HK$27,612,000 for the six months ended 31 January 2017 (2016: HK$26,124,000). In the relatively stable commercial property market, the revaluation of the Group's investment properties resulted in modest revaluation losses of HK$149,000 as at 31 January 2017 (2016: gains of HK$41,631,000).

Combining the results of the two business segments above with the share of profit from an associate of HK$4,171,000 (2016: HK$2,664,000) and the exchange loss arising on translation of foreign operations, mainly in the Mainland of China ("**Mainland**"), of HK$6,939,000 (2016: HK$10,179,000), the total comprehensive expense attributable to the owners of the Company was HK$10,154,000 for the six months ended 31 January 2017 (2016: income of HK$5,360,000).

Operations in Hong Kong and Macau

The "Garment and Related Accessories Business" segment hobbled under festering business conditions in the six months ended 31 January 2017. The strengthening of United States dollars after the president-election since November 2016 had further diminished the appeal of Hong Kong to local and overseas consumers as spending in Hong Kong becoming more "expensive" on the appreciation of Hong Kong currency under the pegging system. The situation was even worse for the garment sector because of an unseasonal warm weather during the Christmas, New Year and Lunar New Year, its traditional golden sales period.

The Group continues to implement stringent cost controls. Operational-wise, the Group will bargain with the landlords upon lease renewals to contain the shop rental expenses at a reasonable level and reorganise its shop portfolio to optimise sales efficiencies. As at 31 January 2017, the Group operated 20 (2016: 22) shops for Crocodile line and 6 (2016: 7) shops for Lacoste line. Administrative-wise, the Group has reined back expenses by streamlining the back-office structure.

In view of the shifting of proportion of inbound tourists from the Mainland to other regions, such as Southeast and Northern Asia, the Group will keep a close watch and launch popular merchandises to fit market needs.

For the period under review, the "Property Investment and Letting Business" segment generated the rental revenue of HK$27,612,000 (2016: HK$26,124,000) and the fair value losses on investment properties were HK$149,000 as at 31 January 2017 (2016: gains of HK$41,631,000).

Operations in the Mainland

The operating environment of the "Garment and Related Accessories Business" segment in the Mainland was tough. The devaluation of Renminbi and the fall in foreign exchange reserves have clobbered the market sentiment. The recent tightening of monetary policies for deleveraging has hampered the people's willingness to spend as having the liquidity been reduced. Under such an unfavourable ambience, the Group has adopted a prudent approach in restructuring its sales network in the Mainland aiming at minimising the operating costs amid catering for the consumers' preference of shopping online. As at 31 January 2017, there were a total of 17 (2016: 63) shops in the Mainland, including self-operated shops of 5 (2016: 20) and those operated by the Group's franchisees of 12 (2016: 43).

The royalty income from licensing the prestige brand "Crocodile" in the Mainland remained to be the major other income which generated HK$12,324,000 for the six months ended 31 January 2017 (2016: HK$22,673,000).

Prospects

The outlook ahead is full of uncertainties, originated from politics. The advocacy of protectionism and de-globalisation among the United States and certain countries in Europe signals the widening of wealth disparity between rich and poor, caused by the easing monetary policies executed globally since the financial turmoil in 2008, will reach the yield point soon.

The risks of trade and currency wars are elevating and it is unimaginable when the United States and the Mainland, the world's largest two economies, get involved. If happened, the world would undergo an extremely volatile period in an all-round manner which had never seen before, in forms of turbulences in capital flows, fluctuations in financial, currency and commodity markets. All these in turn would hit the consumers' confidence severely and drag the market sentiment to trough. The economic growth in the Mainland would lose momentum significantly with export being its current major driver of economy. The Mainland will have to depend more on domestic consumption and private investment for growth.

Hong Kong is undoubtedly vulnerable to the disarrays in the Mainland and overseas; besides aggravated by even worse local market conditions which might occur if the Chief Executive-election fans a social unrest.

The above choppy macro-economic conditions will cast heavy shadows on the operations of the Group's "Garment and Related Accessories Business" and "Property Investment and Letting Business" segments in Hong Kong and the Mainland. Responsively, the Group will continue to leverage on the prestige value of "Crocodile" brand to enrich the merchandise portfolio and realign the sales network while reengineering the supply flow. The Group remains cautious of the financial resources and will contemplate various means of expending its capital base.

Contingent Liabilities

As at 31 January 2017, 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 six months ended 31 January 2017.

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$140,583,000 as at 31 January 2017 (31 July 2016: HK$152,787,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$12,119,000 (31 July 2016: HK$4,367,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2017 were equivalent to HK$33,301,000 (31 July 2016: HK$33,839,000) 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 authorised to conduct foreign exchange business.

As at 31 January 2017, the total outstanding borrowings including margin loans of the Group amounted to HK$590,388,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$9,270,000, secured bank mortgage loans of HK$24,755,000, secured margin loans of HK$14,145,000, secured long-term bank loan of HK$258,660,000 and secured short-term bank revolving loans of HK$283,558,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loans above were repayable by instalments with its current portion of HK$2,626,000 repayable within one year and long-term portion of HK$22,129,000 repayable in the second to eleventh years.

Interests on bank borrowings are 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 2017.

As at 31 January 2017, the Group had mortgaged certain of its investment properties with carrying values of HK$1,570,200,000 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 January 2017 was 38.3%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the possible rises in interest rates in Hong Kong, the Group will explore any fund-raising means for its further business development and at the same time keeping its gearing at a suitable level for controlling its interest expenses.

As at 31 January 2017, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$3,870,000 and acquisition and construction of property, plant and equipment in the Mainland of HK$2,016,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals in the six months ended 31 January 2017.

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

During the six months ended 31 January 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable 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 ("**Listing Rules**") throughout the six months ended 31 January 2017 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 (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. 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 set out in Rule 3.13 of the Listing Rules. 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 the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2017, the accounting principles and practices adopted by the Company, and the internal control and financial reporting matters.

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

Hong Kong, 27 March 2017

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.