CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2017

RESULTS

The board of directors ("**Board**" and "**Directors**" respectively) of Crocodile Garments Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries ("**Group**") for the financial year ended 31 July 2017 together with the comparative figures for the previous financial year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 July 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*3*	**264,119**	313,217
Cost of sales		**(95,027)**	(126,383)
Gross profit		**169,092**	186,834
Fair value gains on investment properties		**114,721**	39,444
Other income	*4*	**32,981**	38,244
Selling and distribution expenses		**(155,361)**	(197,661)
Administrative expenses		**(60,179)**	(65,167)
Other gains and (losses)	*5*	**(11,667)**	7,002
Finance costs	*6*	**(12,573)**	(12,105)
Share of profit of an associate		**9,852**	2,843
PROFIT (LOSS) BEFORE TAX	*7*	**86,866**	(566)
Income tax credit	*8*	**1,252**	1,021
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**88,118**	455
OTHER COMPREHENSIVE EXPENSE			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,988)**	(11,388)
Other comprehensive expense for the year		**(1,988)**	(11,388)
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**86,130**	(10,933)
		HK cents	*HK cents*
EARNINGS PER SHARE	*10*		
— Basic		**9.30**	0.05
— Diluted		**9.30**	0.05

Consolidated Statement of Financial Position
As at 31 July 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**128,280**	138,924
Investment properties		**1,745,655**	1,632,793
Land lease prepayments		**12,556**	13,318
Amount due from an associate		**12,639**	12,038
Interest in an associate		**40,296**	30,444
Rental and utility deposits		**8,876**	11,102
Deposits for land lease prepayments	*11*	**16,034**	16,172
		1,964,336	1,854,791
Current assets			
Inventories		**48,054**	73,336
Trade and other receivables, deposits and prepayments	*12*	**71,118**	67,587
Financial assets at fair value through profit or loss		**153,982**	140,299
Amounts due from a related company		**77**	—
Pledged bank deposits		**14,199**	4,367
Bank balances and cash		**125,908**	152,787
		413,338	438,376
Current liabilities			
Bank borrowings	*13*	**324,057**	295,572
Margin loans payable		**11,588**	22,990
Trade and other payables and deposits received	*14*	**73,034**	61,004
Other current liability		**15,000**	15,000
Amounts due to related companies		**25,601**	42,412
Tax payable		**20,262**	20,436
		469,542	457,414
Net current liabilities		**(56,204)**	(19,038)
Total assets less current liabilities		**1,908,132**	1,835,753
Non-current liabilities			
Bank borrowings	*13*	**263,431**	276,764
Provision for long service payments		**2,315**	2,882
Deferred tax liabilities		**3,471**	4,723
		269,217	284,369
Net assets		**1,638,915**	1,551,384
Capital and reserves			
Share capital		**332,323**	332,323
Reserves		**1,306,592**	1,219,061
Total equity		**1,638,915**	1,551,384

Notes to the Consolidated Financial Statements

For the year ended 31 July 2017

(1) BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 July 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for 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 consolidated 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$56,204,000 as at 31 July 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 consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31 July 2017 and 31 July 2016 included in this preliminary announcement of annual results for the year ended 31 July 2017 does not constitute the Company's statutory annual consolidated financial statements for those years but 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 2016 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 2017 in due course.

The independent auditor has reported on these financial statements of the Group for both years. The independent auditor's reports were 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) APPLICATION OF HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to Hong Kong Accounting Standard ("**HKAS**") 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

New and amendments to HKFRSs and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued by the HKICPA but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(International Financial Reporting Interpretation Committee ("**IFRIC**")) — Interpretation ("**Int**") 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfer of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2014 - 2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

(3) SEGMENT INFORMATION

The Group has three operating segments and reportable segments which are managed separately as each business line offers different products and services and requires different business strategies.

(a) Segment revenues and results

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**208,811**	259,438	**55,308**	53,779	**—**	—	**264,119**	313,217
Other income from external customers *(Note)*	**23,153**	35,356	**9,459**	2,571	**—**	—	**32,612**	37,927
Group's total revenue and other income *(Note)*	**231,964**	294,794	**64,767**	56,350	**—**	—	**296,731**	351,144
Reportable segment (loss) profit	**(57,081)**	(49,560)	**182,391**	93,173	**10,827**	8,935	**136,137**	52,548
Unallocated corporate income							**369**	317
Unallocated corporate expenses							**(37,067)**	(41,326)
Finance costs							**(12,573)**	(12,105)
Profit (loss) before tax							**86,866**	(566)

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**278,015**	316,342	**1,805,570**	1,679,372	**153,982**	140,299	**2,237,567**	2,136,013
Unallocated corporate assets							**140,107**	157,154
Total consolidated assets							**2,377,674**	2,293,167
LIABILITIES								
Segment liabilities	**84,317**	89,892	**16,633**	16,406	**11,588**	22,990	**112,538**	129,288
Unallocated corporate liabilities							**626,221**	612,495
Total consolidated liabilities							**738,759**	741,783

(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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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:								
Interest in an associate	**—**	—	**40,296**	30,444	**—**	—	**40,296**	30,444
Additions to non-current assets *(Note)*	**6,868**	5,495	**17**	—	**—**	—	**6,885**	5,495
Depreciation and amortisation	**14,077**	15,496	**279**	288	**—**	—	**14,356**	15,784
Provision for onerous contract	**11,000**	—	**—**	—	**—**	—	**11,000**	—
Provision for doubtful debts	**9,267**	1,977	**—**	—	**—**	—	**9,267**	1,977
(Reversal of provision for) provision for slow-moving inventories	**(2,586)**	1,589	**—**	—	**—**	—	**(2,586)**	1,589
Impairment loss recognised in respect of property, plant and equipment	**2,300**	—	**—**	—	**—**	—	**2,300**	—
Loss on disposal of property, plant and equipment	**376**	48	**—**	—	**—**	—	**376**	48
Write-off of other receivables	**1,156**	—	**—**	—	**—**	—	**1,156**	—
Fair value gains on investment properties	**—**	—	**(114,721)**	(39,444)	**—**	—	**(114,721)**	(39,444)
Net gain on financial assets at fair value through profit or loss ("**FVTPL**")	**—**	—	**—**	—	**(10,827)**	(8,935)	**(10,827)**	(8,935)
Share of profit of an associate	**—**	—	**(9,852)**	(2,843)	**—**	—	**(9,852)**	(2,843)
Interest income from an associate	**—**	—	**(601)**	(574)	**—**	—	**(601)**	(574)

Note: Non-current assets include property, plant and equipment.

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**251,122**	271,970	**1,826,064**	1,708,363
The People's Republic of China ("**PRC**")	**12,997**	41,247	**125,633**	134,390
	264,119	313,217	**1,951,697**	1,842,753

Note: Non-current assets exclude financial instruments.

(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

	2017	2016
	HK$'000	*HK$'000*
Royalty income	**22,894**	35,045
Bank interest income	**369**	317
Interest income on amount due from an associate	**601**	574
Return on capital contribution to investees	**8,615**	—
Others	**502**	2,308
	32,981	38,244

(5) OTHER GAINS AND (LOSSES)

	2017	2016
	HK$'000	*HK$'000*
Provision for onerous contract	**(11,000)**	—
Provision for doubtful debts on trade and other receivables	**(9,267)**	(1,977)
Write-off of other receivables	**(1,156)**	—
Impairment loss recognised in respect of property, plant and equipment	**(2,300)**	—
Loss on disposal of property, plant and equipment	**(376)**	(48)
Net gain on financial assets at FVTPL	**10,827**	8,935
Exchange gain, net	**293**	39
Others	**1,312**	53
	(11,667)	7,002

(6) FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**11,259**	10,175
Amount due to a related company	**1,314**	1,930
	12,573	12,105

(7) PROFIT (LOSS) BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**14,038**	15,449
Amortisation of land lease prepayments (included in administrative expenses)	**318**	335
(Reversal of provision for) provision for slow-moving inventories (included in cost of sales)	**(2,586)**	1,589

(8) INCOME TAX CREDIT

	2017	2016
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(1,252)**	(1,021)
Income tax credit	**(1,252)**	(1,021)

No current tax has been provided for the years ended 31 July 2017 and 2016 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.

(9) DIVIDEND

No dividend was paid or declared during the year ended 31 July 2017 (2016: Nil) nor has any dividend been proposed by the Company since the end of the reporting period (2016: Nil).

(10) 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:

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**88,118**	455

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**947,543,695**	947,342,056
Effect of dilutive potential ordinary shares:		
— Options	**89,016**	36,838
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**947,632,711**	947,378,894

(11) 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$17,076,000 (2016: HK$17,224,000)) to the Vendor (the "**Vendor Deposit**") and RMB13,822,000 (equivalent to HK$16,034,000 (2016: HK$16,172,000)) 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**").

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

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.

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 during the year ended 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 as a result of the assessment of the financial position of the Vendor.

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 2017 and 31 July 2016.

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**17,860**	14,825
Less: Allowance for doubtful debts	**(9,854)**	(7,394)
	8,006	7,431
Other receivables *(Note (a))*	**71,833**	62,764
Less: Allowance for doubtful debts	**(28,613)**	(21,871)
	43,220	40,893
Deposits and prepayments *(Note (b))*	**28,768**	30,365
	79,994	78,689
Less: Rental and utility deposits shown under non-current assets	**(8,876)**	(11,102)
	71,118	67,587

Notes:

(a) As at 31 July 2017, royalty receivables of the Group of approximately HK$40,052,000 (2016: HK$37,076,000) is included in the other receivables, where payments are required semi-annually.

(b) As at 31 July 2017, land lease prepayments of the Group of approximately HK$324,000 (2016: HK$327,000) 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**6,221**	4,173
91 to 180 days	**1,249**	2,114
181 to 365 days	**536**	1,144
	8,006	7,431

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

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:

	2017	2016
	HK\$'000	*HK\$'000*
At the beginning of the year	**29,265**	29,175
Allowance provided, net	**9,267**	1,977
Exchange realignment	**(65)**	(1,887)
At the end of the year	**38,467**	29,265

Included in allowance for doubtful debts of the Group are individually impaired trade and other receivables with an aggregate balance of approximately HK\$38,467,000 (2016: HK\$29,265,000). The impaired trade and other receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

(13) BANK BORROWINGS

	2017		2016	
	HK\$'000	**Effective interest rates (%) p.a.**	*HK\$'000*	Effective interest rates (%) p.a.
Bank loans, secured	**576,277**	**1.63 - 2.73**	561,247	1.49 - 2.30
Trust receipt loans, secured	**11,211**	**2.33 - 2.47**	11,089	2.13 - 2.17
	587,488		572,336	

	2017	2016
	HK\$'000	*HK\$'000*
Carrying amount repayable *(Note)*:		
Within one year	**324,057**	295,572
Beyond one year, but not exceeding two years	**13,394**	13,338
Beyond two years, but not exceeding five years	**238,830**	250,416
Beyond five years	**11,207**	13,010
	587,488	572,336
Less: Amounts shown under current liabilities	**(324,057)**	(295,572)
Amounts shown under non-current liabilities	**263,431**	276,764

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 1.30% to 1.75% (2016: 1.30% to 1.75%).

During the reporting year, in respect of a bank loan with a carrying amount of approximately HK\$446,841,000 as at 31 July 2017 ("**Bank Loan**"), the Group complied with the terms of the Bank Loan except for certain terms which are primarily related to the current ratio and quick ratio of the Group. The Group had informed the relevant bank and obtained waiver of the above mentioned exceptions.

(14) 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:

	2017	2016
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**9,268**	6,180
91 to 180 days	**118**	—
181 to 365 days	**915**	431
Over 365 days	**2,166**	2,236
	12,467	8,847
Advance from customers	**5,115**	6,511
Provision for onerous contract	**11,000**	—
Deposits received	**14,008**	13,141
Other payables and accruals	**30,444**	32,505
	73,034	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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The revenue of the Group for the year ended 31 July 2017 was HK$264,119,000 (2016: HK$313,217,000) and the gross profit of the Group was HK$169,092,000 (2016: HK$186,834,000).

The retail environment of the "Garment and Related Accessories Business" segment with bases in Hong Kong and Macau was gloomy in the year ended 31 July 2017. The segment revenue slumped by 20% to HK$208,811,000 (2016: HK$259,438,000) with a loss of HK$57,081,000 (2016: HK$49,560,000). The increase in loss amid a drop of revenue was mitigated by the tight cost control and improvement in operational efficiency.

The rental revenue generated by the "Property Investment and Letting Business" segment was HK$55,308,000 for the year ended 31 July 2017 (2016: HK$53,779,000). As the ambience of the property market resumed its momentum after the last year's consolidation, the fair value gains on investment properties increased significantly to HK$114,721,000 as at 31 July 2017 (2016: HK$39,444,000).

Having taken into account the results of the two business segments above with the share of profit of an associate of HK$9,852,000 (2016: HK$2,843,000) and the exchange loss arising on translation of foreign operations of HK$1,988,000 (2016: HK$11,388,000), the total comprehensive income attributable to the owners of the Company was HK$86,130,000 for the year ended 31 July 2017 (2016: expense of HK$10,933,000).

Operations in Hong Kong and Macau

Though the recent governmental statistics showed glimmers of recovery in the retail sector, the "Garment and Related Accessories Business" segment faced difficulties in the year ended 31 July 2017.

Following the appreciation of United States dollars from November 2016 to February 2017, spending more "expensive" Hong Kong currency, under the pegging system, became less attractive to both Hong Kong and overseas customers. Coupled with the factors of an early Lunar New Year and a pretty warm weather during the winter time, it dampened the sales of winter merchandises with high margins of the "Garment and Related Accessories Business" segment in the traditional golden retail period.

To pare the above adversities, the Group continued to enhance its operational efficiencies. The Group has reorganised its shop portfolio and enhanced the ratio of sales-to-rent through bargaining with the landlords upon lease renewals. As at 31 July 2017, the Group operated 18 (2016: 21) shops for Crocodile line and 8 (2016: 6) shops for Lacoste line. The Group has also streamlined the back-office structure and workflow to rein the overheads.

On the other hand, the Group rationalised its merchandise mix to cater for the changes in market appetite as a result of tourist weighting shifted from the Mainland of China ("**Mainland**") to other regions, such as Southeast and Northern Asia.

The "Property Investment and Letting Business" segment generated rental revenue of HK$55,308,000 (2016: HK$53,779,000) for the year ended 31 July 2017 and the fair value gains on investment properties were HK$114,721,000 as at 31 July 2017 (2016: HK$39,444,000).

Operations in the Mainland

Against the backdrop of rapidly changing consumer habits and economic conditions in the Mainland for the recent years, the "Garment and Related Accessories Business" segment had gone through an erratic and choppy period. Accordingly, the Group has implemented an overwhelming sales channel restructuring. Non-performing shops have been closed, and the franchisee network and e-commerce platforms have been reorganised. As at 31 July 2017, there were a total of 16 (2016: 41) shops in the Mainland, including self-operated shops of 3 (2016: 7) and those operated by the Group's franchisees of 13 (2016: 34). The revenue from this segment was decreased to HK$11,830,000 for the year ended 31 July 2017 (2016: HK$40,507,000). To counter the negative side-effect of transforming the sales framework, the Group had simplified its product mix and design to strengthen the procurement flow and shorten the inventory turnover period.

Benefitting from the licensing of the prestige brand "Crocodile" in the Mainland, royalty income of over HK$20 million was generated for the year ended 31 July 2017 and was the major other income.

Prospects

The worldwide economic condition remains challenging. Any trade confrontations between the United States and the Mainland, the world's top two economies, will hit the global economic growth and the consumer sentiment severely. The Group's "Garment and Related Accessories Business" segment will suffer from the plunge in spending desires of Hong Kong local people and visitors. The shrinking in its massive balance sheet by the United States Federal Reserve and the tapering of stimulus measures of the European Union will stifle the fuel for property and financial markets and cause a downside adjustment in the values of investment properties and financial assets held by the Group. Consequentially, the performances of the Group's segments on "Property Investment and Letting Business" and "Others" will deteriorate. Moreover, the geopolitical tension in Northeast Asia, the lingering doubt on debt default by the United States government, and the possible hard Brexit could result in far-reaching and enormous rippling effects, to name but a few lurches which could shake the whole world unexpectedly.

To overcome the hurdles in front of the "Garment and Related Accessories Business" segment, the Group will adhere to its long-term strategy of fortifying "Crocodile" as a premier brand by developing high value-for-money merchandises of distinctive functionalities and personalities. In the medium-term strategy, the Group pursues to orchestrate the sales network to magnify operational efficiency and streamline the supply chain to restrain the inventory level.

Having the supply of office premises in Eastern Kowloon, Hong Kong accelerated recently, the Groups' rental income will be under pressure. The Group will improve the leasing potential of its investment properties to optimise the rental income of its "Property Investment and Letting Business" segment.

Encountering the drainage of liquidity emanated from the United States and European Union, the Group will cautiously manage the investment portfolios of its "Property Investment and Letting Business" and "Others" segments to monitor the risk exposure.

The Group will also solidify its financial capability to maintain its vibrancy under any mind-bogging complexities of the volatile international capital markets.

Contingent Liabilities

As at 31 July 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, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 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$125,908,000 as at 31 July 2017 (2016: HK$152,787,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$14,199,000 (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 July 2017 were equivalent to HK$33,035,000 (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 July 2017, the total outstanding borrowings including margin loans of the Group amounted to HK$599,076,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$11,211,000, secured bank mortgage loan of HK$23,447,000, secured margin loans of HK$11,588,000, secured long-term bank loan of HK$253,320,000 and secured short-term bank revolving loans of HK$299,510,000. 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$2,656,000 repayable within one year and long-term portion of HK$20,791,000 repayable in the second to eleventh 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 year ended 31 July 2017.

As at 31 July 2017, the Group had mortgaged certain of its investment properties with carrying values of HK$1,685,000,000 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 2017 was 37%, 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, the Group will consider any funding sources available in order to keep its gearing at a reasonable level and control its interest expenses while further developing its business.

As at 31 July 2017, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,009,000 and acquisition and construction of property, plant and equipment in the Mainland of HK$2,088,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals in the year ended 31 July 2017.

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

During the year ended 31 July 2017, 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 ("**Listing Rules**" and "**Stock Exchange**", respectively).

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 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 ("**AGM**") (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 ANNUAL 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 consolidated financial statements of the Company for the year ended 31 July 2017 including the accounting principles and practices adopted by the Company 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 2017 as set out in this preliminary results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("**DTT**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by DTT 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 DTT on this preliminary results announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Monday, 18 December 2017. Notice of such AGM together with the Company's Annual Report for the year ended 31 July 2017 will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in about mid-November 2017.

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

Hong Kong, 27 October 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.