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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

VOLUNTARY ANNOUNCEMENT IN RELATION TO A SUMMONS RECEIVED BY A PRC SUBSIDIARY OF THE COMPANY

This announcement is a voluntary announcement made by the Company to update Shareholders and potential investors in relation to a summons received by a PRC subsidiary of the Company.

The Board announces that the Purchaser has received a summons issued by the Court dated 31 October 2017 enclosed with the Petition filed by the Local Government Company dated 10 October 2017 requiring the Purchaser to attend the hearing for the summons on 21 November 2017. In the Petition, the Local Government Company pleaded with the Court to grant the orders, among other things, (i) the Agreements and the Acquisition contemplated thereunder to be null and void on the ground that the land use rights certificate of the subject land has not yet been obtained up to the date of the Petition; and (ii) the Local Government Company shall only return the Government Deposit to the Purchaser.

This announcement is a voluntary announcement made by the Company to update Shareholders and potential investors in relation to a summons received by a PRC subsidiary of the Company.

References are made to (1) the announcement of the Company dated 27 June 2006; (2) the circular of the Company dated 18 July 2006 and (3) Note 21 in relation to the Agreements.

The Board announces that the Purchaser has received a summons issued by the Court dated 31 October 2017 enclosed with the Petition filed by the Local Government Company dated 10 October 2017 (“**Petition**”) requiring the Purchaser to attend the hearing for the summons on 21 November 2017 (“**Hearing**”). In the Petition, the Local Government Company pleaded with the Court to grant the orders, among other things, (i) the Agreements and the Acquisition contemplated thereunder to be null and void on the ground that the land use rights certificate of the subject land has not yet been obtained up to the date of the Petition; and (ii) the Local Government Company shall only return the Government Deposit to the Purchaser.

Through various negotiation with the Local Government during the past few years as disclosed in Note 21, the Local Government had agreed that it would return the Government Deposit and the Vendor Deposit on behalf of the Vendor together with interest to the Purchaser if the land use rights certificate of the acquired land cannot be obtained by the Group.

The Company will rigorously defend against the Petition. Having consulted the Group's legal advisors, the Group filed the defence and counter-claims upon the Hearing, among other things, that:

- (A) the Agreements and the Acquisition contemplated thereunder continued to be legally valid;
- (B) the Local Government Company shall compensate the Purchaser for the financial loss during the period from the date of receipt of the Government Deposit to the date of discharge of all the Local Government's obligations stipulated under the Agreements ("**Government Compensation**") (*Note: with reference to the amount of Government Deposit of RMB13,822,000 and the lending rates quoted by the People's Bank of China during the relevant periods, the Government Compensation up to 31 October 2017 was calculated to be approximately RMB10,033,000*); and
- (C) the Vendor shall compensate the Purchaser for the financial loss during the period from the date of receipt of the Vendor Deposit to the date of discharge of all the Vendor's obligations stipulated under the Agreements ("**Vendor Compensation**") (*Note: with reference to the amount of Vendor Deposit of RMB14,721,000 and the lending rates quoted by the People's Bank of China during the relevant periods, the Vendor Compensation up to 31 October 2017 was calculated to be approximately RMB10,774,000*).

After hearing the pleadings of the Local Government Company, the Purchaser and the Vendor today, the Court adjourned the Hearing until further notice for the parties to collect additional documentary evidences.

As at the date of this announcement, the Group has paid RMB14,721,000 (equivalent to approximately HK\$17,143,000) to the Vendor and RMB13,822,000 (equivalent to approximately HK\$16,096,000) to the Local Government Company as deposits for land lease prepayments in respect of the Acquisition. As disclosed in Note 21, an impairment loss on the Vendor Deposit had been provided and charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 July 2013 due to the Group's option to recover the Vendor Deposit 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.

The Board is of the opinion that the above litigation will not have any material adverse impact on the business, operations or financial condition of the Group as the Petition will not cause the Group to incur any material outlays and losses. The Company will keep the Shareholders and potential investors informed of any further material development in connection with the legal proceedings by way of further announcement(s) as and when necessary or appropriate.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the land use rights of a piece of land known as “Ping Pu”* (平埔) located at Wu Shi Village, Sanxiang Town, Zhongshan City, Guangdong Province, the PRC with an area of 164.5527 mu (approximately 109,701.8 square metres) at a consideration of RMB31,999,013 (equivalent to approximately HK\$37,263,000) pursuant to the terms and conditions of the Agreements;
“Agreements”	the agreements dated 22 June 2006 entered into between the Purchaser, the Vendor and the Local Government in respect of the Acquisition;
“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 of Hong Kong Limited (Stock Code: 122);
“Court”	the Zhongshan City Court* (廣東省中山市第一人民法院);
“Director(s)”	the director(s) of the Company;
“Government Deposit”	the payment of RMB13,822,000 (equivalent to approximately HK\$16,096,000) to a company owned by the Local Government by the Purchaser;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Note 21”	Note 21 “ <i>Deposits for Land Lease Prepayments</i> ” to the consolidated financial statement contained in the Annual Report 2016-2017 of the Company for the year ended 31 July 2017;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Local Government”	Zhongshan Sanxiang Town Local Government* (中山市三鄉鎮人民政府);
“Local Government Company”	Zhongshan Sanxiang Town Industry Company* (中山市三鄉鎮工業公司), a company owned by the Local Government;
“Purchaser”	Zhongshan Crocodile Garments Limited* (中山鱷魚恤服飾有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the duly registered holder(s) of the shares of the Company;
“Vendor”	Zhongshan Hong Feng Real Property Consultancy Company Limited* (中山市宏豐房地產諮詢服務有限公司);
“Vendor Deposit”	the payment of RMB14,721,000 (equivalent to approximately HK\$17,143,000) to the Vendor by the Purchaser; and
“%”	per cent.

** Denotes English translation of Chinese names and address and is provided for identification purpose only*

For the purpose of illustration only and unless otherwise stated, translation of RMB into HK\$ in this announcement is based on the exchange rate of RMB1.00 to HK\$1.1645. Such translation should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate(s).

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

Hong Kong, 21 November 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.