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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

DISCLOSEABLE TRANSACTION: Termination of the Land Acquisition in Zhongshan City

The Board announces that on 29 January 2018 (after trading hours), an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Share Disposal Agreement, pursuant to which the parties have mutually agreed the Group to dispose of its entire equity interest in the Purchaser to the Vendor. Accordingly, all rights, obligations and duties of the Group under the Agreements and the Acquisition contemplated thereunder will be transferred to the Vendor.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Share Disposal Agreement is more than 5% but less than 25%, the Share Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

References are made to (i) the announcement of the Company dated 27 June 2006; (ii) the circular of the Company dated 18 July 2006; (iii) Note 21 and (iv) the Voluntary Announcement.

SHARE DISPOSAL AGREEMENT

The Board announces that on 29 January 2018 (after trading hours), an indirect wholly-owned subsidiary of the Company and the Vendor entered into the Share Disposal Agreement, pursuant to which the parties have mutually agreed the Group to dispose of its entire equity interest in the Purchaser to the Vendor ("**Share Disposal**"). Accordingly, all rights, obligations and duties of the Group under the Agreements and the Acquisition contemplated thereunder will be transferred to the Vendor.

Pursuant to the Share Disposal Agreement, the Vendor will deposit the sum of RMB28,543,404.30 ("**Consideration**") to the lawyer of the Purchaser within 7 working days after signing of the Share Disposal Agreement ("**Deposit**"). The parties also agreed that the release of the Consideration to the Group, hence the completion of the Share Disposal, is conditional upon the approval of the corresponding PRC authorities for all the consequential changes in, including but not limited to, shareholder, legal representative, directors and manager of the Purchaser.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE DISPOSAL AGREEMENT

As disclosed in the Voluntary Announcement, the Group has paid RMB14,721,000 (equivalent to approximately HK\$18,254,000 to the Vendor and RMB13,822,000 (equivalent to approximately HK\$17,139,000 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 had assessed the recoverability of the Government Deposit and no impairment loss was considered necessary by the Directors.

Any gain on disposal of a subsidiary (i.e. the Purchaser) will be recognised by the Group upon actual receipt(s) of the amount of the Consideration. Should the full amount of the Consideration be received, the Group expects to recognise in its consolidated income statement an estimated gain of RMB14,719,737 (equivalent to approximately HK\$18,252,000) before taking into account any reclassification of exchange differences arising on translation of this foreign operation and transaction costs for the year ending 31 July 2018.

The Board considers the terms of the Share Disposal Agreement, are fair and reasonable and on normal commercial terms after arm's length negotiations between the relevant parties, and the entering into of the Share Disposal Agreement is in the best interests of the Company and the Shareholders as a whole. The Board is of the view that without the support of the Local Government now, it is even more difficult for the Group to obtain the land use rights certificate of the acquired land which has been dragged on for more than 11 years upon signing of the Agreements, therefore the entering into of the Share Disposal Agreement and the transactions contemplated thereunder will not have any material adverse impact on the business, operations or financial condition of the Group as the Company can direct the Consideration to other investment opportunities.

As disclosed in the Voluntary Announcement, after hearing the pleadings of the Local Government Company, the Purchaser and the Vendor on 21 November 2017, the Court adjourned the Hearing until further notice for the parties to collect additional documentary evidences. In the Share Disposal Agreement, the parties mutually acknowledged that the Vendor will solely take up all the rights and obligations related to the Petition upon completion of the Share Disposal. The Group will rescind the counter-claims within 5 working days after receiving the Deposit.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Share Disposal Agreement is more than 5% but less than 25%, the Share Disposal Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

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\$39,679,000) 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 Company 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 (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\$17,139,000) to a company owned by the Local Government by the Purchaser;
“Group”	the Company and its subsidiaries;
“Hearing”	the hearing for the summons on 21 November 2017;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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;

“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;
“Petition”	a petition filed by the Local Government Company to the Court on 10 October 2017 pleading with the Court to grant the orders, among other things, (i) the Agreements and the Acquisition contemplated thereunder to be null and void; and (ii) the Local Government Company shall only return the Government Deposit to the Purchaser;
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes the Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules;
“Share Disposal Agreement”	the share disposal agreement dated 29 January 2018 entered into between an indirect wholly-owned subsidiary of the Company and the Vendor to dispose of the entire equity interest in the Purchaser and transfer all rights, obligations and duties of the Purchaser under the Agreements and the Acquisition contemplated thereunder to the Vendor;
“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\$18,254,000) to the Vendor by the Purchaser;
“Voluntary Announcement”	the announcement of the Company dated 21 November 2017 in relation to a summons received 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\$1.24. 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
Ko Ming Kin
Chief Financial Officer and
Company Secretary

Hong Kong, 29 January 2018

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.