CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2018

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 2018 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 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	*3*	**265,004**	264,119
Cost of sales		**(84,532)**	(95,027)
Gross profit		**180,472**	169,092
Fair value gains on investment properties		**184,054**	114,721
Other income	*4*	**5,329**	32,981
Selling and distribution expenses		**(145,512)**	(155,361)
Administrative expenses		**(64,318)**	(60,179)
Other gains (losses), net	*5*	**3,674**	(11,667)
Finance costs	*6*	**(14,572)**	(12,573)
Share of profit of an associate		**12,876**	9,852
PROFIT BEFORE TAX	*7*	**162,003**	86,866
Income tax credit	*8*	**490**	1,252
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**162,493**	88,118
OTHER COMPREHENSIVE EXPENSE			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**157**	(1,988)
Translation reserve released upon disposal of a subsidiary		**(2,959)**	—
Other comprehensive expense for the year		**(2,802)**	(1,988)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**159,691**	86,130
		HK cents	*HK cents*
EARNINGS PER SHARE	*10*		
— Basic		**17.15**	9.30
— Diluted		**17.15**	9.30

Consolidated Statement of Financial Position
At 31 July 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**123,033**	128,280
Investment properties		**1,888,489**	1,745,655
Land lease prepayments		**12,127**	12,556
Available-for-sale investment		**33,000**	—
Amount due from an associate		**13,271**	12,639
Interest in an associate		**50,622**	40,296
Rental and utility deposits		**11,679**	8,876
Deposits for land lease prepayments	*11*	**—**	16,034
		2,132,221	1,964,336
Current assets			
Inventories		**39,660**	48,054
Trade and other receivables, deposits and prepayments	*12*	**35,215**	71,118
Financial assets at fair value through profit or loss		**450,777**	153,982
Amounts due from related companies		**88**	77
Pledged bank deposits		**7,169**	14,199
Bank balances and cash		**104,031**	125,908
		636,940	413,338
Current liabilities			
Bank borrowings	*13*	**551,471**	324,057
Margin loans payable		**50,526**	11,588
Trade and other payables and deposits received	*14*	**74,855**	73,034
Other current liability		**15,000**	15,000
Amounts due to related companies		**2,266**	25,601
Tax payable		**20,087**	20,262
		714,205	469,542
Net current liabilities		**(77,265)**	(56,204)
Total assets less current liabilities		**2,054,956**	1,908,132
Non-current liabilities			
Bank borrowings	*13*	**250,048**	263,431
Provision for long service payments		**2,336**	2,315
Deferred tax liabilities		**2,981**	3,471
		255,365	269,217
Net assets		**1,799,591**	1,638,915
Capital and reserves			
Share capital		**332,323**	332,323
Reserves		**1,467,268**	1,306,592
Total equity		**1,799,591**	1,638,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2018

(1) BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 July 2018 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$77,265,000 as at 31 July 2018.

Subsequent to the end of the reporting period, the Group received a letter from one of the Group's principal bankers indicating that the bank expected to renew the facility granted to the Group expiring in early 2019 for another year. The Directors considered that it is highly probable that the Group would be successful in renewing the facility.

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 2018 and 31 July 2017 included in this preliminary announcement of annual results for the year ended 31 July 2018 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 2017 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 2018 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

In the current year, the Group has applied the following amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**"), issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 39 to the consolidated financial statements in the annual report. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 39 to the consolidated financial statements in the annual report, the Directors considered that these amendments have had no impact on the Group's consolidated financial statements.

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

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 19	Employee Benefits[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]

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 1 January 2021
4 Effective date not yet been determined

The Directors anticipate that, except as described below, the application of the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

(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		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**207,814**	208,811	**57,190**	55,308	**—**	—	**265,004**	264,119
Other income from external customers *(Note)*	**2,910**	23,153	**1,808**	9,459	**—**	—	**4,718**	32,612
Group's total revenue and other income *(Note)*	**210,724**	231,964	**58,998**	64,767	**—**	—	**269,722**	296,731
Reportable segment (loss) profit	**(40,398)**	(57,081)	**252,028**	182,391	**5,446**	10,827	**217,076**	136,137
Unallocated corporate income							**611**	369
Unallocated corporate expenses							**(41,112)**	(37,067)
Finance costs							**(14,572)**	(12,573)
Profit before tax							**162,003**	86,866

Note: The income exclude bank interest income and other interest income.

(b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**218,827**	278,015	**1,955,357**	1,805,570	**450,777**	153,982	**2,624,961**	2,237,567
Unallocated corporate assets							**144,200**	140,107
Total consolidated assets							**2,769,161**	2,377,674
LIABILITIES								
Segment liabilities	**59,490**	84,317	**19,967**	16,633	**50,526**	11,588	**129,983**	112,538
Unallocated corporate liabilities							**839,587**	626,221
Total consolidated liabilities							**969,570**	738,759

(3) SEGMENT INFORMATION *(continued)*

(c) Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Trading of securities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**—**	—	**50,622**	40,296	**—**	—	**50,622**	40,296
Additions to non-current assets *(Note)*	**9,697**	6,868	**53**	17	**—**	—	**9,750**	6,885
Depreciation and amortisation	**13,544**	14,077	**286**	279	**—**	—	**13,830**	14,356
(Reversal of) provision for onerous contracts	**(2,375)**	11,000	**—**	—	**—**	—	**(2,375)**	11,000
Provision for doubtful debts	**26,612**	9,267	**—**	—	**—**	—	**26,612**	9,267
Reversal of provision for slow-moving inventories	**(4,579)**	(2,586)	**—**	—	**—**	—	**(4,579)**	(2,586)
Impairment loss recognised in respect of property, plant and equipment	**1,032**	2,300	**—**	—	**—**	—	**1,032**	2,300
(Gain) loss on disposal of property, plant and equipment	**(14)**	376	**—**	—	**—**	—	**(14)**	376
Gain on disposal of investment property	**—**	—	**2,855**	—	**—**	—	**2,855**	—
Gain on disposal of a subsidiary	**19,525**	—	**—**	—	**—**	—	**19,525**	—
Write-off of trade and other receivables	**58**	1,156	**—**	—	**—**	—	**58**	1,156
Fair value gains on investment properties	**—**	—	**(184,054)**	(114,721)	**—**	—	**(184,054)**	(114,721)
Net gain on financial assets at fair value through profit or loss ("**FVTPL**")	**—**	—	**—**	—	**(5,446)**	(10,827)	**(5,446)**	(10,827)
Share of profit of an associate	**—**	—	**(12,876)**	(9,852)	**—**	—	**(12,876)**	(9,852)
Interest income from an associate	**—**	—	**(632)**	(601)	**—**	—	**(632)**	(601)

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

(3) SEGMENT INFORMATION *(continued)*

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**252,432**	251,122	**1,980,932**	1,826,064
The People's Republic of China ("**PRC**")	**12,572**	12,997	**105,018**	125,633
	265,004	264,119	**2,085,950**	1,951,697

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

	2018	2017
	HK$'000	*HK$'000*
Royalty income	**908**	22,894
Bank interest income	**223**	369
Interest income on amount due from an associate	**632**	601
Other interest income	**388**	—
Others	**3,178**	9,117
	5,329	32,981

(5) OTHER GAINS (LOSSES), NET

	2018	2017
	HK$'000	*HK$'000*
Reversal of provision (provision) for onerous contract	**2,375**	(11,000)
Provision for doubtful debts on trade and other receivables	**(26,612)**	(9,267)
Write-off of trade and other receivables	**(58)**	(1,156)
Impairment loss recognised in respect of property, plant and equipment	**(1,032)**	(2,300)
Gain (loss) on disposal of property, plant and equipment	**14**	(376)
Net gain on financial assets at FVTPL	**5,446**	10,827
Gain on disposal of investment property *(Note)*	**2,855**	—
Gain on disposal of a subsidiary *(Note 15)*	**19,525**	—
Exchange gain, net	**25**	293
Others	**1,136**	1,312
	3,674	(11,667)

Note: The gain was arisen from the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance as disclosed in the Company's announcement dated 19 January 2018.

(6) FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**13,722**	11,259
Amount due to a related company	**850**	1,314
	14,572	12,573

(7) PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**13,494**	14,038
Amortisation of land lease prepayments (included in administrative expenses)	**336**	318
Reversal of provision for slow-moving inventories (included in cost of sales)	**(4,579)**	(2,586)

(8) INCOME TAX CREDIT

	2018	2017
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(490)**	(1,252)
Income tax credit	**(490)**	(1,252)

No current tax has been provided for the years ended 31 July 2018 and 2017 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 2018 (2017: Nil).

Subsequent to the end of the reporting period, a final dividend of HK$0.01 per share of the Company has been proposed by the Directors in respect of the year ended 31 July 2018 (2017: Nil) and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company to be held on Monday, 17 December 2018.

(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:

	2018 *HK$'000*	2017 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**162,493**	88,118

	2018	2017
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**947,543,695**	947,543,695
Effect of dilutive potential ordinary shares:		
— Share options	**—**	89,016
Number of ordinary shares for the purposes of diluted earnings per share	**947,543,695**	947,632,711

For the year ended 31 July 2018, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of the share options were higher than the average market price of shares.

(11) DEPOSITS FOR LAND LEASE PREPAYMENTS

In accordance with the agreements dated 22 June 2006 (the "**Agreements**") entered into by Zhongshan Crocodile Garments Limited ("**ZSCGL**"), a then wholly-owned subsidiary of the Company, Zhongshan Hong Feng Real Property Consultancy Company Limited (中山市宏豐房地產諮詢服務有限公司) ("**Zhongshan Hong Feng**"), an independent third party, and Zhongshan Sanxiang Town Local Government (the "**Local Government**"), the Group paid RMB14,721,000 (equivalent to HK$17,076,000 as at 31 July 2017) to Zhongshan Hong Feng (the "**Vendor Deposit**") and RMB13,822,000 (equivalent to HK$16,034,000 as at 31 July 2017) 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**").

In October 2012, Zhongshan Hong Feng 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 Zhongshan Hong Feng 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.

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

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 Zhongshan Hong Feng 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 Zhongshan Hong Feng because the negotiation with the Local Government and Zhongshan Hong Feng 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. Zhongshan Hong Feng 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 Zhongshan Hong Feng 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 Zhongshan Hong Feng.

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.

As further detailed in Note 15 and the Company's announcements dated 29 January 2018 and 24 August 2018, the Company's entire equity interest in ZSCGL was disposed of to Zhongshan Hong Feng during the year ended 31 July 2018 and the relevant deposits were derecognised by the Group thereafter.

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**13,415**	17,860
Less: Allowance for doubtful debts	**(9,684)**	(9,854)
	3,731	8,006
Other receivables *(Notes (a) and (b))*	**74,318**	71,833
Less: Allowance for doubtful debts	**(54,453)**	(28,613)
	19,865	43,220
Deposits and prepayments *(Note (c))*	**23,298**	28,768
	46,894	79,994
Less: Rental and utility deposits shown under non-current assets	**(11,679)**	(8,876)
	35,215	71,118

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

Notes:

(a) *As at 31 July 2018, royalty receivables of the Group of approximately HK$8,050,000 (2017: HK$40,052,000), net of allowance for doubtful debt approximately HK$54,450,000 (2017: HK$28,609,000) is included in the other receivables, where payments are required semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year, the Group made provision for impairment of approximately HK$26,705,000 (2017: HK$6,795,000).*

(b) *As at 31 July 2018, land lease prepayments of the Group of approximately HK$321,000 (2017: HK$324,000) are included in the current portion of deposits and prepayments.*

(c) *As at 31 July 2018, included in other receivables of the Group as advance of HK$7,000,000 (2017: nil) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable within 1 year from the drawdown date.*

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**3,379**	6,221
91 to 180 days	**81**	1,249
181 to 365 days	**271**	536
	3,731	8,006

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:

	2018	2017
	HK$'000	*HK$'000*
At the beginning of the year	**38,467**	29,265
Allowance provided, net	**26,612**	9,267
Exchange realignment	**(942)**	(65)
At the end of the year	**64,137**	38,467

Included in allowance for doubtful debts of the Group are individually impaired trade and other receivables with an aggregate balance of approximately HK$64,137,000 (2017: HK$38,467,000). 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

	2018 HK$'000	2018 Effective interest rates (%) p.a.	2017 HK$'000	2017 Effective interest rates (%) p.a.
Bank loans, secured	**792,157**	1.42 - 3.65	576,277	1.63 - 2.73
Trust receipt loans, secured	**9,362**	2.81 - 3.29	11,211	2.33 - 2.47
	801,519		587,488	

	2018 HK$'000	2017 HK$'000
Carrying amount repayable *(Note)*:		
On demand or within one year	**551,471**	324,057
Beyond one year, but not exceeding two years	**234,737**	13,394
Beyond two years, but not exceeding five years	**5,948**	238,830
Beyond five years	**9,363**	11,207
	801,519	587,488
Less: Amounts shown under current liabilities	**(551,471)**	(324,057)
Amounts shown under non-current liabilities	**250,048**	263,431

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 1.25% to 1.75% (2017: 1.30% to 1.75%).

(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:

	2018 HK$'000	2017 HK$'000
Trade payables:		
0 to 90 days	**8,413**	9,268
91 to 180 days	**187**	118
181 to 365 days	**527**	915
Over 365 days	**2,292**	2,166
	11,419	12,467
Advance from customers	**5,217**	5,115
Provision for onerous contracts	**8,625**	11,000
Deposits received	**14,864**	14,008
Payable for acquisition of available-for-sale investment	**2,070**	—
Other payables and accruals	**32,660**	30,444
	74,855	73,034

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.

(15) DISPOSAL OF A SUBSIDIARY

On 29 January 2018, the Group entered into a sale and purchase agreement with Zhongshan Hong Feng, for the disposal of its entire equity interest in ZSCGL for a cash consideration of approximately RMB28,543,000 (equivalent to HK$32,824,000). The transaction was completed in June 2018.

The assets and liabilities of ZSCGL at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over control was lost:	
Deposit for prepaid land lease payments	15,896
Bank balance and cash	1
Other payables	(160)
Net assets disposed of	15,737
Cumulative exchange differences on translation of foreign subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	(2,959)
Gain on disposal of a subsidiary *(Note 5)*	19,525
Transaction cost	521
Total cash consideration	32,824
Net cash inflow arising on disposal of	
Cash consideration received	32,824
Cash and cash equivalents disposed of	(1)
	32,823

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's financial statements for the year ended 31 July 2018 are as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 July 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements in the annual report which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK1 cent per share for the year ended 31 July 2018 (2017: Nil) to the shareholders of the Company ("**Shareholders**") whose names will appear on the register of members of the Company ("**Register of Members**") on Monday, 24 December 2018, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 17 December 2018 ("**AGM**"). If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around Wednesday, 30 January 2019.

No interim dividend was declared during the year (2017: Nil).

Closure of Register of Members

In order to be eligible to attend and vote at the AGM, Shareholders should ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 11 December 2018.

The record date for the proposed final dividend is at the close of business on Monday, 24 December 2018. The Register of Members will be closed from Friday, 21 December 2018 to Monday, 24 December 2018 (both days inclusive), during which period no transfer of shares will be registered, in order to ascertain Shareholders' entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 20 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

There revenue of the Group for the year ended 31 July 2018 was steady of HK$265,004,000 (2017: HK$264,119,000). Albeit the revenue remained at similar level, the gross profit of the Group increased by about 7% to HK$180,472,000 (2017: HK$169,092,000), which was mainly attributable to the improvement in margin earned by the "Garment and Related Accessories Business" segment.

The retail markets of Hong Kong and Macau, the principal places of operation of the "Garment and Related Accessories Business" segment, showed signs of recovery in the year ended 31 July 2018. The overall segment revenue, including the Mainland of China ("**Mainland**"), dipped slightly by 0.5% to HK$207,814,000 (2017: HK$208,811,000) with a loss of HK$40,398,000 (2017: HK$57,081,000). The reduction in loss amid a drop of revenue was attributed to the tight cost control and enhancement in operational efficiency.

The rental revenue generated by the "Property Investment and Letting Business" segment was HK$57,190,000 for the year ended 31 July 2018 (2017: HK$55,308,000). As the uptrend of the property market in Hong Kong kept on, the revaluation of the investment properties held by the Group resulted in fair value gains of HK$184,054,000 as at 31 July 2018 (2017: HK$114,721,000). Moreover, there was a gain of HK$2,855,000 on disposal of an investment property situated in Hong Kong, the details of which were disclosed in the Company's announcement dated 19 January 2018.

Aggregating the results of the two business segments above with the share of profit of an associate of HK$12,876,000 (2017: HK$9,852,000), the exchange differences arising on translation of foreign operations of gain of HK$157,000 (2017: loss of HK$1,988,000) and reclassification of translation reserve released upon disposal of a subsidiary of HK$2,959,000 (2017: nil), the total comprehensive income attributable to the owners of the Company was HK$159,691,000 for the year ended 31 July 2018 (2017: HK$86,130,000).

"Garment and Related Accessories Business" Segment

Hong Kong and Macau

On the rebound of retail market generally, because of the increase in overseas visitors and the upbeat employment and income scenario of local customers; and better utilisation of social media for promotion by the Group, the performance of "Garment and Related Accessories Business" segment improved in the year ended 31 July 2018. Also, the Group's effort on rationalising its merchandise mix to cater for the changes in clientele and restraining inventory level has materialised in term of growth in gross margin. However, its sustainability is still uncertain under the prevailing bleak environments of mounting trade tension between the United States and the Mainland and the chain of derivative problems therefrom.

As an on-going corporate goal of fostering its operational efficiency, the Group has realigned the sales points by locating new shops of reasonable rentals with satisfactory footfall and closing down under-performing ones. As at 31 July 2018, the Group operated 16 (2017: 18) shops for "Crocodile" brand and 6 (2017: 8) shops for "Lacoste" brand. Furthermore, the Group has streamlined the back-office structure and workflow as part of its stringent cost control measures.

The Mainland

The restructuring of the Group's sales channels, as a long term strategy to tackle the tough operating conditions of exorbitant rents and rising wages in the Mainland, is nearly finished. As at 31 July 2018, there were a total of 16 (2017: 16) shops in the Mainland, including self-operated shops of 6 (2017: 3) and those operated by the Group's franchisees of 10 (2017: 13). The revenue was HK$11,424,000 for the year ended 31 July 2018 (2017: HK$11,830,000). During the period of restructuring, the Group had simplified its merchandise mix and product design, consolidated the supplier chains and centralised the inventory processing to defuse the negative impacts of the corresponding slide in revenue.

The accelerated slowdown of economic growth and the continuous deleveraging in the Mainland has tightened the liquidity. Consequently, it confounded the Group's licensing business of the brand "Crocodile" and the recoverability of the royalty income from the licensees. For the year ended 31 July 2018, the royalty income was HK$908,000 (2017: HK$22,894,000) and the relevant provision for doubtful debts was HK$26,705,000 (2017: HK$6,795,000).

Seasonality

As its track record shows, the sales and results of the "Garment and Related Accessories Business" segment has heavily correlated with seasonality. In general, more than 50% of this segment's annual sales are derived from the first half of the financial year in which there are launching of fall/winter collections of higher values and margins, and season holidays of Christmas and New Year.

"Property Investment and Letting Business" segment

The investment properties in Hong Kong and the Mainland, respectively generated rental revenue for the year ended 31 July 2018 of HK$56,042,000 (2017: HK$54,141,000) and HK$1,148,000 (2017: HK$1,167,000); and as at that date, the fair value gains on investment properties in Hong Kong were HK$183,500,000 (2017: HK$114,800,000) whereas in the Mainland were HK$554,000 (2017: loss of HK$79,000).

The Group's investment property portfolio had remained intact since the end of last financial year, except for the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance, Chapter 545 of the Laws of Hong Kong, as disclosed in the Company's announcement dated 19 January 2018. The gain arising from the disposal was HK$2,855,000 as calculated by deducting the fair value of the investment property at the date of completion of the disposal (i.e. 22 January 2018) and the transaction costs from the final apportioned sale proceeds of HK$43,836,445.30.

On the other hand, the Group entered into a share disposal agreement ("**Share Disposal Agreement**") with the effect of termination of the acquisition of a piece of land situated in Zhongshan City, the Mainland, the details of which were contained in the Company's announcement dated 29 January 2018. Pursuant to the Share Disposal Agreement, the counter-party had deposited the consideration of disposal ("**Consideration**") into the lawyer ("**Lawyer**") of the relevant subsidiary of the Company ("**Relevant Subsidiary**") to be disposed of ("**Share Disposal**") and, accordingly, the Group rescinded the counter-claims. Subsequently, the Group received the Consideration and the confirmation of the Lawyer that all the necessary approvals of the corresponding authorities of the People's Republic of China were obtained, hence the Share Disposal was duly and fully completed as disclosed in the Company's announcement dated 24 August 2018. Accordingly, the gain of the Share Disposal after taking into account of the reclassification of the exchange differences arisen on translation of this foreign operation and transaction costs of HK$19,525,000 was recognised in the year ended 31 July 2018.

Prospects

Trade conditions remain to be significant concerns for the future. Fears of a hit to global trade from the Unites States' "America First" protectionist policies have kept the markets in a state of heightened anxiety for much of this year. The tit-for-tat tariffs are the latest escalation in lingering trade tension between the United States and Mainland. The world's two biggest economies showed no signs of backing down from an increasingly bitter trade dispute that is expected to dampen global economic growth. Even worse is that the confrontation seemed to spill over from trade to political arena.

The global economic outlook is gloomy and Hong Kong, the Group's base of business, is in a vulnerable position as an externally oriented economy. Local and overseas customers are becoming more cautious of their spending in the downturn of global economy. The consumption power of higher proportion of the customers from the Mainland, the major source of visitors, has been declining during the past few years. It was further deteriorated by the recent sharp devaluation of Renminbi and securities in the stock markets of the Mainland.

All these factors dim the performance of the "Garment and Related Accessories Business" segment. The Group is confident that launching high value-for-money fashion of various functionalities in well-chosen fabrics and distinctive personalities by outstanding designs under the prestige brand "Crocodile" is the cornerstone of overcoming any challenges ahead. Moreover, the restructure of sales network will be pursued to foster operational efficiency and the staff training on product knowledge and etiquette will be enhanced to offer quality services and shopping experience to our patrons.

On the other hand, the volatility of the capital market has been intensified as investors worry that the Federal Reserve of the United States may move too far — given that it is using two tools at the same time — interest rate hikes and balance sheet normalisation. It has been signaled by the unexpected routs in the major stock markets worldwide triggered by the big selloff in the United States in early October 2018 and the disorder in money shifts in certain emerging countries.

As a precaution against any potential turbulent fund flow around the world which will ruin the values of its investments, the Group will refine and diversify the portfolios of its "investment properties" and "financial assets at fair value through profit and loss", respectively to secure their market values within calculated risk range. Specifically, in view of the pressure on rental income of the "Property Investment and Letting Business" segment coming from the increase in supply of office premises in Eastern Kowloon, Hong Kong, the Group will polish the appeal of its investment properties to ramp up their leasing potentials.

Contingent Liabilities

As at 31 July 2018, 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 rate and foreign exchange exposures. 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 2018.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. 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$104,031,000 as at 31 July 2018 (2017: HK$125,908,000) and were mostly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$7,169,000 (2017: HK$14,199,000) represented 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 2018 were equivalent to HK$35,666,000 (2017: HK$33,035,000) 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 2018, the total outstanding borrowings including margin loans of the Group amounted to HK$852,045,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$9,362,000, secured bank mortgage loans of HK$20,796,000, secured margin loans of HK$50,526,000, secured long-term bank loan of HK$242,640,000 and secured short-term bank revolving loans of HK$528,721,000. 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$2,708,000 repayable within one year and long-term portion of HK$18,088,000 repayable in the second to tenth years.

Interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2018.

As at 31 July 2018, the Group had mortgaged certain of its investment properties with carrying values of HK$1,865,500,000 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 2018 was 47%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. Against the backdrop of the uncertain worldwide economic environment and the coming further rises in interest rates in Hong Kong, the Group will be vigilant for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Major Investments, Acquisitions and Disposals

Save for the disposals of the investment property in Hong Kong and the Relevant Subsidiary as disclosed in the Company's announcements dated 19 January 2018 and 24 August 2018, respectively, the Group had no other significant investments, material acquisitions or disposals in the year ended 31 July 2018.

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

During the year ended 31 July 2018, 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 2018 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 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 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 2018 including the accounting principles and practices adopted by the Company as well as the risk management and 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 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited ("**SHINEWING**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING 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 SHINEWING on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Monday, 17 December 2018. Notice of such AGM together with the Company's Annual Report for the year ended 31 July 2018 will be published on the respective websites of the Stock Exchange and the Company and despatched to the Shareholders in mid-November 2018.

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

Hong Kong, 29 October 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.