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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY

The Board announces that on 18 June 2019 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Provisional Agreement with the Purchaser to dispose of the Property at a consideration of HK\$56,150,000.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal 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.

THE DISPOSAL

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THE PROVISIONAL AGREEMENT

The main particulars of the Provisional Agreement are set out as follows:

- (i) Date of Agreement: 18 June 2019
- (ii) Purchaser: Top Dynasty Limited
- (iii) Vendor: Keepower Limited
- (iv) Property: Ground Floor, Hennessy Road Court, 219 Hennessy Road, Hong Kong
- (v) Consideration: HK\$56,150,000

- (vi) Payment terms: An initial deposit of HK\$2,807,500 in cash was received by the Vendor upon signing of the Provisional Agreement and a further deposit of HK\$2,807,500 in cash will be received by the Vendor upon signing of the formal sale and purchase agreement on or before 27 June 2019. The balance of the Consideration, being HK\$50,535,000, will be received by the Vendor in cash upon the Completion, which is scheduled to take place on or before 12 September 2019.
- (vii) Security Money: Upon Completion, the Vendor shall deposit a sum of HK\$800,000 (“**Security Money**”) with the Vendor’s solicitors. If within one year from the Completion, the Purchaser shall receive any notice or order issued by the management company of the building at which the Property situated (“**Building**”) concerning the Property relating to three orders issued by the Hong Kong Government existing at the date of the Provisional Agreement (“**Three Existing Orders**”) which require the Purchaser as owner of the Property to pay any definite sum of repair contribution (“**Repair Contribution**”), the Repair Contribution shall after the consent of the Vendor and the Purchaser be paid out of the Security Money to the management company. Upon the first anniversary of the Completion, the Security Money (or the balance thereof) shall be released immediately by the Vendor’s solicitors to the Vendor. For avoidance of doubt, if any notice or order is issued after the first anniversary of the Completion or within one year from the Completion but does not relate to the Three Existing Orders, all charges shall be borne by the Purchaser.

Except for the Three Existing Orders, if before the Completion the Vendor shall receive any notice or order relating to the Property issued by the Hong Kong Government and/or the management company, owners’ incorporation and/or management committee of the Building requiring the Vendor to pay any definite sum of repair contribution, the said definite sum of repair contribution shall be borne by the Vendor and after the Completion, all charges shall be borne by the Purchaser.

The Consideration was arrived at after arm’s length negotiation between the Vendor and the Purchaser having considered the market value of the commercial properties nearby.

Information on the Property

The Property is an investment property of the Group. Rental incomes attributable to the Property for the two financial years ended 31 July 2018 and 31 July 2017 were HK\$1,029,811 and HK\$1,019,516, respectively. The carrying values of the Property as at 31 January 2019 and 31 July 2018 were the same at HK\$50,000,000.

Conditions

The Disposal is conditional upon (i) the entering into of the formal sale and purchase agreement, and (ii) the receipt by the Vendor of the further deposit of HK\$2,807,500. If the Disposal becomes unconditional, the Completion will take place on or before 12 September 2019. The rental deposit under the existing tenancy agreement for the Property will be transferred to the Purchaser upon the Completion.

FINANCIAL IMPACT ON THE DISPOSAL AND USE OF PROCEEDS

The Disposal is expected to enable the Group to recognise a gain of HK\$6,150,000, being the premium of the Consideration over the carrying value of the Property before (i) any expenses, (ii) the Repair Contribution and (iii) sharing of 50% of the gain/loss after expenses with the individual who provided the Perpetual Loan to the Company pursuant to the Loan Agreement as disclosed in the Company's announcement dated 6 February 2015. The actual gain in connection with the Disposal will be assessed after the Completion and is subject to audit.

The proceeds from the Disposal are intended to be applied for repayment of the relevant bank mortgage loan and Perpetual Loan, and general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Property was acquired by the Group in 2013 and it has been classified as investment property of the Group as the Group has been leasing the Property out to generate rental income for years. The Directors undertake strategic review of the Group's assets from time to time with a view to maximising returns to the Shareholders. Having regard to the prevailing market conditions, the Directors are of the view that the Disposal provides an opportunity for the Group to realise a capital gain from the Property and generate additional working capital for the Group. In view of the above, the Directors consider that the terms of the Provisional Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and that the Disposal is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE VENDOR AND THE GROUP

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in property investment and letting.

The principal activities of the Group include the manufacture, retail and wholesale of fashions in Hong Kong, Macau and Mainland China, as well as property investment and letting in Hong Kong and Mainland China.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability. To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser is principally engaged in property investment, and the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal 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:

“Board”	the board of Directors;
“Company”	Crocodile Garments Limited (鱷魚恤有限公司), 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);
“Completion”	the completion of the Disposal which is scheduled to take place on or before 12 September 2019;
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules;
“Consideration”	HK\$56,150,000, being the total consideration payable by the Purchaser to the Vendor for the Disposal;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Property by the Vendor pursuant to the Provisional Agreement;
“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 People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	an agreement dated 5 April 2013 entered into between the Company and an Independent Third Party pursuant to which the Independent Third Party agreed to lend the Perpetual Loan to the Company subject to the terms and conditions thereof;

“Perpetual Loan”	a loan in the sum of HK\$15,000,000 provided by an Independent Third Party to the Company pursuant to the Loan Agreement, which is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposes of the Property;
“Property”	the property situated on the Ground Floor, Hennessy Road Court, 219 Hennessy Road, Hong Kong with a total gross floor area of about 1,170 square feet;
“Provisional Agreement”	the provisional agreement for sale and purchase dated 18 June 2019 entered into between the Vendor and the Purchaser for the sale and purchase of the Property;
“Purchaser”	Top Dynasty Limited (太德有限公司);
“Shareholder(s)”	the duly registered holder(s) of the ordinary share(s) 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;
“Vendor”	Keepower Limited (保勁有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

By Order of the Board
Crocodile Garments Limited
Ko Ming Kin
*Chief Financial Officer and
Company Secretary*

Hong Kong, 18 June 2019

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.