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DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF LAND IN HONG KONG

Financial Adviser to the Company

Platinum Securities Company Limited



SALE AND PURCHASE AGREEMENT

The Board announces that on 19 June 2023, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Land which is an open land located in Mai Po, Yuen Long, New Territories, Hong Kong with a total area of 9,358 square feet at a consideration of HK\$22 million.

LISTING RULES IMPLICATIONS

Discloseable transaction

As one of the applicable percentage ratios as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

The Vendor is a majority-controlled company held directly and indirectly by Ms. Lam, an executive director and a substantial shareholder of the Company, together with her family members, as to 83.33% and is thus an associate of Ms. Lam and a connected person pursuant to Rule 14A.07(4) of the Listing Rules. As such, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio is more than 5% and the Consideration exceeds HK\$10 million, the Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, passing the ordinary resolution to approve the Acquisition. Ms. Lam and her associates will abstain from voting in the EGM in relation to the Acquisition.

Platinum Securities Company Limited has been appointed by the Company as financial adviser to advise the Company in respect of the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Quam Capital Limited has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iii) recommendations of the Independent Board Committee to the Independent Shareholders, together with the notice of the EGM is expected to be despatched to the Shareholders on or before 11 July 2023.

Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, therefore the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

THE ACQUISITION

The Board announces that on 19 June 2023, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Land at a consideration of HK\$22 million.

The principal terms and conditions of the Sale and Purchase Agreement are set out as follows:

Date	19 June 2023
Parties:	<p>(1) the Vendor, which is a majority-controlled company held by Ms. Lam together with her family members and Ms. Lam Suk Ying, Diana; and</p> <p>(2) the Purchaser, which is a wholly-owned subsidiary of the Company</p>
Consideration and payment terms:	<p>The Consideration for the Acquisition is HK\$22 million.</p> <p>A deposit of HK\$2,200,000 in cash was paid by the Purchaser upon the signing of the Sale and Purchase Agreement. The balance of the Consideration, being HK\$19,800,000, will be payable by the Purchaser in cash upon Completion.</p> <p>The stamp duty chargeable on the Sale and Purchase Agreement and on the subsequent assignment of the Land shall be paid by the Purchaser.</p> <p>The Consideration is and will be financed by the internal resources of the Group.</p>
Basis of the Consideration:	<p>The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the valuation of the Land as at 31 May 2023, being approximately HK\$23,500,000, as appraised by the Independent Valuer, representing a discount of approximately 6.38%.</p> <p>In the valuation of the Land prepared by the Independent Valuer, the Independent Valuer adopted the market approach for the valuation of the Land.</p>

Conditions precedent: Completion is conditional upon (i) the passing of the ordinary resolution by the Independent Shareholders at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with requirements under the Listing Rules; (ii) the demolition of any unauthorised or illegal structures on, in or at the Land and the Vendor making good all damages thereto; and (iii) the completion to the satisfaction of the Purchaser of the due diligence on title to the Land.

If the above conditions precedent are not fulfilled on or before the business day immediately prior to the Completion Date, the Vendor shall forthwith return to the Purchaser all deposit and any part payment of the Consideration paid by the Purchaser under the Sale and Purchase Agreement without any interest, cost or compensation, whereupon the Sale and Purchase Agreement shall terminate and cease to be of effect, and neither the Purchaser nor the Vendor shall be liable to each other under the Sale and Purchase Agreement save for any antecedent breach.

Completion: Subject to fulfillment of the above conditions precedent, completion shall take place on or before 3 October 2023, unless otherwise agreed by the parties to the Sale and Purchase Agreement.

INFORMATION ON THE LAND

The Land is situated in Mai Po of Yuen Long District of the New Territories southeast to the junction of Kam Pok Road and Fairview Park Boulevard, with a total area of 9,358 square feet (869.38 square meters) and is owned by the Vendor. The Land is an open land currently used as a temporary open car park subject to an existing monthly tenancy with rental of HK\$25,000 per month. The Land lies within an area designated “Commercial/Residential” zoning.

The Land was acquired by the Vendor in August 1978 at the consideration of HK\$70,000.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company, which is principally engaged in property investment.

The principal activities of the Group include garment and related accessories business in Hong Kong, Macau and Mainland China, property investment and letting business in Hong Kong and Mainland China, and treasury management.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability. It is a majority-controlled company held as to 83.33% of its issued shares, directly and indirectly through another company, by Ms. Lam together with her family members, namely Mr. Lam Howard, Ms. Lam Wai Kei, Vicky and Ms. Lam Wai Ting (being siblings of Ms. Lam). The remaining 16.67% of the issued shares of the Vendor is held by Ms. Lam Suk Ying, Diana, who is a non-executive Director. The Vendor is principally engaged in property investment and share investment.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in garment and related accessories business, property investment and letting business and treasury management. The Land is situated in Yuen Long, New Territories, Hong Kong near long established low-rise residential estates and village houses, and is located approximately 4 kilometers to the northeast of Yuen Long Town Centre. The Land is in an area with dining places, estate agencies and stores in the vicinity. With the designated commercial/residential zoning and the favorable location of the Land, the Group believes that there is great potential in developing the Land to be rented out in the future which will be in line with the letting business of the Group, and that the Acquisition represents an investment opportunity for the Company to raise the Shareholders' value. In view of the location and the designated zoning, the Land is expected to achieve high investment value after completion of the development of the Land, and thus increase the rental income and expand the Group's property portfolio, thereby generating stable and satisfactory revenue and profit to the Group. The Group will review and conduct further studies and analysis at a later stage when the Completion has taken place to determine the planning for the development and assess how to maximise the value of this land bank investment.

The Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) are of the view that the Acquisition is in the ordinary and usual course of business of the Group, and the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Discloseable transaction

As one of the applicable percentage ratios as set out in the Listing Rules in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

The Vendor is a majority-controlled company held directly and indirectly by Ms. Lam, an executive director and a substantial shareholder of the Company, together with her family members as to 83.33%. As such, the Vendor is an associate of Ms. Lam under Rule 14A.12(2) (b) and this a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio is more than 5% and the Consideration exceeds HK\$10 million, the Acquisition is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Lam and Ms. Lam Suk Ying, Diana have material interests in the Acquisition and had abstained from voting on the resolutions of the Board approving the Sale and Purchase Agreement. Save as aforesaid, none of the Directors has a material interest in the Acquisition and hence no other Directors were required to abstain from voting on such Board resolution.

GENERAL

An EGM will be held for the Independent Shareholders to consider, and if thought fit, passing the ordinary resolution to approve the Acquisition. Ms. Lam and her associates will abstain from voting in the EGM in relation to the Acquisition.

Platinum Securities Company Limited has been appointed by the Company as financial adviser to advise the Company in respect of the Acquisition.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable and whether the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular including, among other information, (i) a letter from the Board containing further information on the Acquisition; (ii) a letter from the Independent Financial Adviser containing its advice in connection with the aforesaid; and (iii) recommendations of the Independent Board Committee to the Independent Shareholders, together with the notice of the EGM is expected to be despatched to the Shareholders on or before 11 July 2023.

Shareholders and potential investors of the Company should be aware that as the Completion is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement, therefore the Acquisition may or may not proceed. 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 by the Purchaser from the Vendor under the Sale and Purchase Agreement
“associate”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day”	a day other than a Saturday, Sunday, public holiday and on which banks are open for inter-bank clearing of cheques in Hong Kong
“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”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which shall be on or before 3 October 2023, unless otherwise agreed by the parties to the Sale and Purchase Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules

“Consideration”	the consideration for the Acquisition in the amount of HK\$22,000,000
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition
“family members”	has the meaning ascribed to such term under Rule 14A.12(2) (a) of the Listing Rules
“Financial Adviser”	Platinum Securities Company Limited, a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser appointed by the Company to advise the Company in respect of Acquisition
“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 Board Committee”	the independent board committee of the Board comprising Mr. Leung Shu Yin, William, Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang, being the independent non-executive Directors appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition
“Independent Financial Adviser”	Quam Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than Ms. Lam and her associates

“Independent Valuer”	Vincorn Consulting and Appraisal Limited, an independent professional valuer appointed by the Company for the valuation of the Land
“Land”	the Remaining Portion of Sub-section 12 of Section B of Lot No.3250 in Demarcation District No. 104, which is situated in Yuen Long, New Territories, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“majority-controlled company”	has the meaning as defined in Chapter 14A of the Listing Rules
“Ms. Lam”	Ms. Lam Wai Shan, Vanessa, the Chairman and Chief Executive Officer of the Company and an executive Director and a substantial shareholder of the Company
“Purchaser”	Kin Estate Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 June 2023 entered into between the Vendor and the Purchaser in relation to the Acquisition
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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”	has the meaning as ascribed to it under the Listing Rules

“Vendor” Kin Ying Company Limited, a company incorporated in Hong Kong with limited liability

“%” per cent

By order of the Board
Crocodile Garments Limited
Lam Wai Shan, Vanessa
Chairman, Executive Director
and Chief Executive Officer

Hong Kong, 19 June 2023

As at the date of this announcement, the Board comprises three Executive Directors, namely, Ms. Lam Wai Shan, Vanessa (Chairman and Chief Executive Officer), Dr. Lam Kin Ngok, Peter and Mr. Lam Kin Hong, Matthew; two Non-executive Directors, namely Mr. Chow Bing Chiu and Ms. Lam Suk Ying, Diana; and three Independent Non-executive Directors, namely Mr. Leung Shu Yin, William (Deputy Chairman), Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang.