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## **SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF LAND IN HONG KONG**

Reference is made to the announcement of the Company dated 19 June 2023, the circular of the Company dated 11 July 2023 in relation to the Acquisition (the “**Circular**”), and the prospectus of the Company on its rights issue published on 7 November 2022 (the “**Prospectus**”). Unless otherwise defined herein, all the capitalized terms used herein shall have the same meaning as those adopted in the Circular and the Prospectus.

The Company would like to provide the following supplemental information in relation to the Acquisition as disclosed in the Circular:–

### **VALUATION OF THE LAND**

In the valuation report for the Land, the text of which was set out in Appendix I to the Circular, the Independent Valuer referred to the site unit rate (HKD/sq. ft.) of the four comparables set out in note 8 (on page I-7 of the Circular) (the “**Comparables**”) instead of the maximum plot ratio and the permitted floor area of the Comparables, for comparison with the Land due to the reason that the nature of those lands are agricultural lands. Further explications for this type of land are set out below.

Agricultural lands in Hong Kong are generally governed by 3-tier development controls, namely planning, lease and building controls. Prevailing government policies are also important factors affecting the relevant individual developments. For agricultural land located within a zone in which development is permissible under the planning perspective, applications for lease modification subject to payment of premium and submission of building plans for approval by government are still required before the piece of land can be developed. The Land and the Comparables all belong to agricultural land specified under leases and situated within commercial or residential zones but they have not obtained approvals of lease modifications nor settled premium payments and thus none of them are readily available for development.

In the opinion of the Independent Valuer, when determining the Market Value of a piece of agricultural land that is not readily available for development, it is standard practice to compare and analyse the unit rates of the subject and comparables on the basis of their site areas. On the other hand, if the concerned land is a building lot which is ready for development, the unit rates in terms of the maximum gross floor areas, of the subject building and comparables should be compared and analysed.

Considering that the Land as well as the Comparables are not readily available for development, the unit rates on the basis of site areas of the Land and Comparables had been compared and analysed in the course of the valuation, adopting the standard practice in valuation.

The Independent Valuer has applied the Market Approach in determining the Market Value of the Land. In the course of valuation by Market Approach, the land sale transactions with the same nature as the Land, which are both specified as agricultural land under leases and situated within commercial or residential zones, have been collected on an exhaustive basis and adopted as the relevant comparables. As both the Land and the Comparables possess development potential from planning perspective but have not obtained approvals of lease modifications nor settled premium payments, the development potential under the planning perspective of the Land had been taken into account during the process of valuation by Market Approach.

Based on discussion with the Independent Valuer, the Independent Financial Adviser noted that the Land is a piece of agricultural land that is not readily available for development as at the valuation date, and it is a standard practice to compare and analyse the unit rates of comparable land transactions based on site area for valuation of this type of land. The Independent Financial Adviser has also conducted independent research on the land transactions of listed companies in Hong Kong and noted that such valuation approach (i.e. based on site area instead of the maximum gross floor area of comparable land transactions) is commonly adopted in the valuation of agricultural land in Hong Kong. Based on the above and considering that, among others, the nature and particulars of the comparable transactions chosen are appropriate and relevant, the Independent Financial Adviser is of the view that the valuation basis and assumptions adopted by the Independent Valuer are fair and reasonable.

## **FUNDING OF THE ACQUISITION**

More than six months prior to entering into the Sale and Purchase Agreement which would be funded by internal resources of the Group, the Company carried out the Rights Issue which was completed in November 2022.

The total net proceeds of the Rights Issue, after deduction of rights issue expenses, was approximately HK\$42.3 million. Up to 30 June 2023, 58% of the net proceeds from the Rights Issue had been used as follows:

- (i) as to approximately HK\$10.4 million for repayment of the principals of the bank borrowings; and
- (ii) as to approximately HK\$14.3 million for opening new retail shops and day-to-day operations of the Group.

The remaining net proceeds of the Rights Issue of approximately HK\$17.6 million (42%) will be used according to the intended uses as set out in the Prospectus.

As disclosed in the Prospectus, the Group had Readily Deployable Current Assets of approximately HK\$28.5 million as of 31 July 2022. While this shows that the Group would have had financial resources for financing the consideration of the Proposed Acquisition had it been carried out before the Rights Issue, it was disclosed in the Prospectus that the Group at the time of carrying out the Rights Issue had to cater for the needs for payment of interest on bank loans and of retail shops' rental related expenses, and for potential repayment of short-term revolving bank loans which were repayable on demand. Accordingly, the Board's view that it was desirable for the Company to raise further funds when the Rights Issue was considered was justified by the then financial situation of the Group.

Subsequent to the carrying out of the Rights Issue, the Company's internal resources have been enhanced as a result of:

- (i) the disposal of certain investments from the Group's portfolio classified as current portion of financial assets at fair value through profit or loss (FVTPL), reducing the carrying value from HK\$164 million as of 31 July 2022 to approximately HK\$135 million as of 31 January 2023, according to the condensed consolidated statement of financial position as at 31 January 2023 of the Company contained in its interim report for the six months ended 31 January 2023 (the Group carried out the aforesaid disposals in the ordinary course of its treasury management business in December 2022 and January 2023 in response to market changes taking advantage of the market recovery at that time from the global market downturn earlier in 2022, which was considered by the Board to be in the interest of the Company and its Shareholder as a whole);
- (ii) the renewal of majority of revolving loans during the financial year ending 31 July 2023; and

(iii) the Group having been able to shorten the collection time from trade debtors which has reduced the balance of trade and other receivables, deposits and prepayments from approximately HK\$29 million as of 31 July 2022 to approximately HK\$23 million as of 31 January 2023 (according to the condensed consolidated statement of financial position as at 31 January 2023 of the Company contained in its interim report for the six months ended 31 January 2023);

and the Company's internal resources are capable of funding the Proposed Acquisition.

The Proposed Acquisition can be viewed as a transformation of part of the Group's investments in financial assets at FVTPL into investment in a piece of land bank.

This announcement is supplemental to and should be read in conjunction with the Circular.

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

Hong Kong, 24 July 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.