

**CROCODILE GARMENTS LTD :
THE SILENCE OF THE LAMS !
PITY THE MINORITY SHAREHOLDERS !**

The results of publicly listed Crocodile Garments Ltd for the Financial Year, ended July 31, 1999, are much worse than appears at first glance of the 1999 Annual Report – even though the Company reported a Loss Attributable to Shareholders of about \$HK196.35 million.

This is because, out of desperation rather than choice, the Company had to sell its interests in Star House and Sun Hing Building, during the last Financial Year.

This was executed, clearly, in order to retire some debt, these property sales bringing in about \$HK76 million, net of expenses.

The property sales were consummated in the certain knowledge, by the way, that they were being sold at a loss of about \$HK8 million to the Book Cost.

All this is clearly evincible on careful reading of the recently released 1999 Annual Report.

Had it not been for these property sales, Crocodile Garments would have had to service even more debt to its bankers in 1999 -- thus increasing losses even further than the reported \$HK196.35 million.

As at July 31, 1999, the Crocodile Group of Companies had Total Bank Borrowings, amounting to about \$HK84.01 million, down from the 1998 figure of about \$HK174.87 million.

It seems apparent that, with no way to service such a large debt burden, Crocodile Garments decided to bite the bullet and to sell its properties, even at a loss, in order to make debt manageable.

One may speculate, in fact, whether or not debt was becoming so unmanageable that the property sales could have been said to be a force majeure situation.

In the last Financial Year, the Company paid out about \$HK8.40 million on the (then) outstanding borrowings. This was a \$HK10.12-million reduction in the amount of debt service, lashed out in the 1998 Year.

If it had not been for the property sales, the Loss Attributable to Shareholders would have been at least \$HK206 million, TARGET has calculated.

A Little History

Crocodile Garments is an old and very well established manufacturer and retailer of garments, originally founded in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Today, it has more than a little presence in the PRC, proper.

However, since 1997, the Company has fallen on bad times, with the 1999 Financial Year, being the worst period on record.

The following statistics are taken, directly, out of the 1999 Annual Report:

	Year Ended July 31
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	<i>(All Figures Are Denominated in \$HK'000)</i>				
	1999	1998	1997	1996	1995
Turnover	652,546	906,675	1,046,868	1,031,313	951,245
Operating Profit/(Loss) Before Exceptional Items	(169,721)	(99,473)	38,222	6,646	(5,812)
Exceptional Items	(25,248)	(41,084)	Nil	Nil	40,978
Profit/(Loss) Before Taxation	(194,969)	(140,557)	38,222	6,546	35,166
Taxation	(1,376)	(1,218)	(6,219)	(5,592)	(5,305)
Net Profit/(Loss) Attributable to Shareholders	(196,345)	(141,775)	32,003	954	29,861

Even in the best Year out of the past 5 Years, in terms of Gross Sales, the Company only managed to turn in a Net Profit Attributable to Shareholders of about \$HK32 million.

This, therefore, would indicate that, in the best of times, one could only expect to see the Company achieve a Net Profit Margin about 3.06 percent.

It seems only too apparent that the present Management of Crocodile Garments is inept, to be very polite and kind, and that it would be just as well for Chairman Lim Por Yen to find somebody to purchase the Company in order to give a fair shake to minority shareholders – because his Management is incapable of doing justice to this home-grown manufacturer with a worldwide reputation (Chairman Lim Por Yen did not found Crocodile, but purchased it from the Founder, Mr Chan Shun and his family, back in September 1987).

The Lai Sun Group of Companies paid nearly \$HK800 million for control of Crocodile Garments in 1987 when Mr Lim Por Yen agreed to pay the Chan Family members \$HK11 per Crocodile Garment share. This transaction gave Mr Lim a 60-percent stake in the Company.

Looking back on the takeover, the Chan Family must be laughing, all the way to their bankers.

In view of the dismal performance of the Company, it is only too clear that there are serious problems in the management of this publicly listed Company.

Since 1995, it is clear that the incestuous nature of the Crocodile Management structure is ... [CLICK TO ORDER FULL ARTICLE](#)