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ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2022

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of Crocodile Garments Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2022 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the six months ended 31 January 2022

		Six months ended 31 January	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	64,211	59,455
Cost of sales		<u>(20,389)</u>	<u>(17,917)</u>
Gross profit		43,822	41,538
Fair value losses on investment properties		(97)	(3,965)
Other income	4	9,333	11,164
Selling and distribution expenses		(24,476)	(23,759)
Administrative expenses		(23,339)	(24,445)
Other (losses) gains, net	5	(1,113)	16,902
Finance costs	6	(5,296)	(5,658)
Share of gain (loss) of an associate		<u>1,774</u>	<u>(1,365)</u>
Profit before tax	7	608	10,412
Income tax expenses	8	<u>—</u>	<u>—</u>
Profit for the period attributable to owners of the Company		608	10,412
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>1,365</u>	<u>6,802</u>
Total comprehensive income for the period attributable to owners of the Company		<u>1,973</u>	<u>17,214</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10		
— Basic		<u>0.06</u>	<u>1.10</u>
— Diluted		<u>0.06</u>	<u>1.10</u>

Condensed Consolidated Statement of Financial Position
As at 31 January 2022

		31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		66,689	67,944
Investment properties		1,726,216	1,725,948
Right-of-use assets		50,711	48,932
Financial asset at fair value through profit or loss (“FVTPL”)		27,696	29,457
Amount due from an associate		8,339	8,135
Interest in an associate		51,696	49,921
Rental and utility deposits	<i>11</i>	659	3,344
		<u>1,932,006</u>	<u>1,933,681</u>
Current assets			
Inventories		14,981	29,134
Trade and other receivables, deposits and prepayments	<i>11</i>	43,296	29,135
Financial assets at FVTPL		125,225	160,239
Amount due from a related company		45	45
Pledged bank deposits		11,185	7,432
Bank balances and cash		41,969	40,953
		<u>236,701</u>	<u>266,938</u>
Current liabilities			
Bank borrowings	<i>12</i>	328,758	349,198
Margin loans payable		13,425	4,396
Trade and other payables and deposits received	<i>13</i>	40,290	47,465
Amounts due to related companies		1,145	338
Lease liabilities		18,149	25,510
Tax payable		21,713	21,357
		<u>423,480</u>	<u>448,264</u>
Net current liabilities		<u>(186,779)</u>	<u>(181,326)</u>
Total assets less current liabilities		<u>1,745,227</u>	<u>1,752,355</u>
Non-current liabilities			
Bank borrowings	<i>12</i>	201,555	206,034
Deposits received	<i>13</i>	4,194	5,829
Provision for long service payments		538	350
Lease liabilities		5,446	8,621
Deferred tax liabilities		—	—
		<u>211,733</u>	<u>220,834</u>
Net assets		<u>1,533,494</u>	<u>1,531,521</u>
Capital and reserves			
Share capital		332,323	332,323
Reserves		1,201,171	1,199,198
Total equity		<u>1,533,494</u>	<u>1,531,521</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2022

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”) and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These financial statements have been prepared under the historical cost convention, except for the investment properties and financial instruments which have been measured at fair values.

These financial statements are presented in Hong Kong dollars (“**HK\$**”) except otherwise indicated.

In preparing the consolidated financial statements of the Company, the Directors has 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\$186,779,000 as at 31 January 2022.

The COVID-19 outbreak and the subsequent quarantine and distancing measures imposed by the Government of the Hong Kong Special Administrative Region have had a negative impact on the operations of the Group. The financial performance of the shop outlets might not be fully returned to the level before the COVID-19 in the upcoming financial year.

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 year ended 31 July 2021 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; included a reference to material uncertainty related to going concern to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

(2) PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 January 2022 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2021.

In the current interim period, the Group has applied, for the first time, the following amendment to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that is relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2
HKFRS 7, HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

(3) SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses in types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely (i) garment and related accessories business, (ii) property investment and letting business, and (iii) treasury management (formerly titled as "securities trading"). The operating segments are managed separately as each business line offers different products and services and requires different business strategies.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Treasury management (formerly titled as "Securities trading")		Total	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from external customers	37,388	32,603	26,823	26,852	—	—	64,211	59,455
Other income from external customers (Note)	8,688	10,286	205	431	—	—	8,893	10,717
Group's total revenue and other income (Note)	<u>46,076</u>	<u>42,889</u>	<u>27,028</u>	<u>27,283</u>	<u>—</u>	<u>—</u>	<u>73,104</u>	<u>70,172</u>
Reportable segment profit (loss)	<u>1,056</u>	<u>(91)</u>	<u>24,032</u>	<u>17,211</u>	<u>(5,565)</u>	<u>12,114</u>	<u>19,523</u>	<u>29,234</u>
Unallocated corporate income							440	447
Unallocated corporate expenses							(14,059)	(13,611)
Finance costs							(5,296)	(5,658)
Profit before tax							<u>608</u>	<u>10,412</u>

Note: The income excludes bank interest income and interest income on advances to independent third parties.

(3) **SEGMENT INFORMATION** *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, interest income on advances to independent third parties, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(4) **OTHER INCOME**

	Six months ended 31 January	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Royalty income	5,777	3,354
Bank interest income	20	27
Interest income on amount due from an associate	205	209
Interest income on advance to independent third parties	420	420
Government grants	—	4,047
Covid-19-related rent concessions	2,894	2,799
Others	17	308
	<u>9,333</u>	<u>11,164</u>

(5) **OTHER (LOSSES) GAINS, NET**

	Six months ended 31 January	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Net reversal of provision for impairment on trade and other receivables	130	4,561
Reversal of provision for value-added tax	6,185	—
Net (losses) gains on financial assets at FVTPL	(7,326)	10,728
Exchange losses, net	(256)	(1,083)
Gain on early termination of leases	62	2,220
Others	92	476
	<u>(1,113)</u>	<u>16,902</u>

(6) **FINANCE COSTS**

	Six months ended 31 January	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	4,784	4,707
Lease liabilities	512	951
	<u>5,296</u>	<u>5,658</u>

(7) PROFIT BEFORE TAX

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

	Six months ended 31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	<u>3,200</u>	<u>2,889</u>
Depreciation of right-of-use assets	<u>2,305</u>	<u>2,392</u>
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories)	<u>20,137</u>	<u>17,515</u>

(8) INCOME TAX EXPENSES

	Six months ended 31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	—	—
Deferred tax	—	—
	<u>—</u>	<u>—</u>

No current tax has been provided for the six months ended 31 January 2022 (2021: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

Under the Law of the People's Republic of China ("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, declared or proposed during the six months ended 31 January 2022. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2021: Nil).

(10) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the periods is based on the following data:

	Six months ended 31 January	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>608</u>	<u>10,412</u>

(10) EARNINGS PER SHARE *(continued)*

	Six months ended	
	31 January	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	947,543,695	947,543,695

There were no outstanding share options for the period ended 31 January 2022 as all the outstanding share options lapsed on 27 March 2021.

For the period ended 31 January 2021, 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 prices of the Company's shares.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January	31 July
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
	<i>Notes</i>	
Trade receivables	19,014	17,049
Less: Allowance for impairment	(12,110)	(11,111)
	6,904	5,938
Other receivables	43,584	41,143
Less: Allowance for impairment	(29,188)	(29,725)
	14,396	11,418
Deposits and prepayments	22,655	15,123
	43,955	32,479
Less: Rental and utility deposits shown under non-current assets	(659)	(3,344)
	43,296	29,135

Notes:

- (i) *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.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*Notes: *(continued)**(ii) The following is an aging analysis of trade receivables (net of allowance for impairment), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting periods:*

	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
0 to 90 days	4,667	3,641
91 to 180 days	1,249	648
181 to 365 days	988	1,649
	6,904	5,938

(12) BANK BORROWINGS

	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
Bank loans, secured	530,313	555,232
Carrying amount repayable:		
On demand or within one year	328,758	349,198
Beyond one year, but not exceeding two years	201,555	206,034
	530,313	555,232
Less: Amounts shown under current liabilities	(328,758)	(349,198)
Amounts shown under non-current liabilities	201,555	206,034

(13) 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 deposits received, other payable and accruals:

	31 January 2022 (Unaudited) HK\$'000	31 July 2021 (Audited) HK\$'000
Trade payables:		
0 to 90 days	1,228	1,263
91 to 180 days	106	254
181 to 365 days	1,015	821
Over 365 days	3,125	2,811
	5,474	5,149
Other deposits	18,543	17,923
Other payables and accruals	20,467	30,222
	44,484	53,294
Less: Deposits received shown under non-current liabilities	(4,194)	(5,829)
	40,290	47,465

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.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group increased by 8% to HK\$64,211,000 (2021: HK\$59,455,000) and the gross profit edged up by 5%, to HK\$43,822,000 (2021: HK\$41,538,000).

The “Garment and related accessories business” segment experienced a recovery when the situation of the COVID-19 pandemic was stabilised gradually in Hong Kong during the six months ended 31 January 2022, save for the spread of Omicron strain in January 2022. Against the above choppy backdrop, the “Garment and related accessories business” segment of the Group logged an increment of revenue by 15% to HK\$37,388,000 (2021: HK\$32,603,000); and a profit of HK\$1,056,000 (2021: loss of HK\$91,000).

The “Property investment and letting business” segment remained to generate steady rental income of HK\$26,823,000 for the six months ended 31 January 2022 (2021: HK\$26,852,000). The revaluation of the investment properties held by the Group notched fair value losses of HK\$97,000 as at 31 January 2022 (2021: HK\$3,965,000).

Inflation has soared globally for the six months ended 31 January 2022 due to the bottlenecks of supply chains aggravated by the nagging COVID-19 epidemic. The Federal Reserve of the United States (“**Federal Reserve**”) signaled to taper its monetary policy while certain major central banks were more hesitant to shift so decisively. The crackdown on the gigantic property developers in the Mainland of China (“**Mainland**”) clobbered the relevant equity and bond markets severely. The “Treasury management” (formerly titled as “Securities trading”) segment of the Group encountered a bumpy ride and suffered a loss of HK\$5,565,000 in the six months ended 31 January 2022 (2021: profit of HK\$12,114,000).

Taking into account the performances of the above three business segments with the share of gain of an associate of HK\$1,774,000 (2021: loss of HK\$1,365,000) and the exchange differences arising on translation of foreign operations of gain of HK\$1,365,000 (2021: HK\$6,802,000), the total comprehensive income attributable to the owners of the Company was HK\$1,973,000 for the six months ended 31 January 2022 (2021: HK\$17,214,000).

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

The negative impact of the COVID-19 pandemic seemed to be tempered during the six months ended 31 January 2022 as the Hong Kong community was gradually adapting to the “new normal” in its daily operations. Local customers became more willing to consume, including apparel, amid anti-pandemic travel restrictions were still in force which curbed retailing with visitors. Unfortunately, the sudden outbreak of Omicron variant in January 2022 could halt the respite completely.

To cope with the uncertain operating environment, the “Garment and related accessories business” segment refined its strategy to boost sales by focusing on local customer preferences when procuring and marketing its merchandises; and relocated certain shops to more rent-efficient sites. As at 31 January 2022, the Group operated 14 (2021: 14) “Crocodile” shops and 3 (2021: 6) “Lacoste” shops.

In addition, the Group continued to constrain inventory level, rein in operational and administrative outlays by streamlining the workflows of different departments.

“Garment and Related Accessories Business” Segment *(continued)*

The Mainland

The rebound of COVID-19 pandemic was fierce, under the Omicron variant, which led to lockdowns of many provinces in December 2021 and January 2022. Compounded with the already existing broad regulatory strengthening in the Mainland, the market ambience was deeply impeded further.

In view of the maze, the Group monitored its own sales channels and scale of operation cautiously. As at 31 January 2022, there was a total of 13 (2021: 14) shops in the Mainland, including self-operated shops of 7 (2021: 7) and those operated by the Group’s consignees of 6 (2021: 7). The revenue was HK\$4,226,000 for the six months ended 31 January 2022 (2021: HK\$4,825,000).

Royalty Income

The Group’s licensing business of the brand “Crocodile” in Hong Kong, Macau and the Mainland contributed royalty income of HK\$5,777,000 for the six months ended 31 January 2022 (2021: HK\$3,354,000); and accredited to the endeavor to chase the settlement of royalty income, there was a net reversal of provision for doubtful debts due from licensees of HK\$956,000 (2021: HK\$4,696,000).

Seasonality

As its track record shows, the sales and performances of the “Garment and related accessories business” segment bear heavy correlation 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 fall/winter collections of higher values and margins are rolled out, coupling with festive holidays – Christmas, New Year and occasionally, Lunar New Year.

“Property Investment and Letting Business” Segment

The Group’s investment property portfolio remained intact since 31 July 2021.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the six months ended 31 January 2022 of HK\$26,072,000 (2021: HK\$26,366,000) and HK\$751,000 (2021: HK\$486,000), respectively. The commercial property markets in Hong Kong and the Mainland for the six months ended 31 January 2022 were relatively stable. The fair values of the investment properties held by the Group on revaluations notched no changes as at 31 January 2022 (2021: loss of HK\$3,000,000) in Hong Kong and losses of HK\$97,000 (2021: HK\$965,000) in the Mainland.

“Treasury Management” (formerly titled as “Securities Trading”) Segment

To steer the economy through the disarray of the COVID-19 pandemic and swelling inflation, the Federal Reserve determined to stall its asset purchases and start to raise the interest rates soon, even when certain major central banks were not hard to follow.

Mindful of the above circumstances and the massive regulatory tightening in the Mainland, the Group took a vigilant approach to managing its portfolios of financial assets at fair value through profit and loss. Notwithstanding that, the Group’s “Treasury management” segment recorded a loss of HK\$5,565,000 for the six months ended 31 January 2022 (2021: profit of HK\$12,114,000).

Prospects

The exponential increment in diagnosed cases of COVID-19 in Hong Kong engulfs the whole community. With the retailing model comprising mainly of brick-and-mortar shops, the “Garment and related accessories business” segment of the Group pursues to rationalise its sales network by closing down underperforming shops and opening new ones of rational rents, preferably pegging with the sales therefrom at certain percentage. For existing shops, the Group continues to negotiate rent concessions with landlords for sustainability in the prevailing headwind.

The Group will gear up its effort to improving its merchandise mix to cater for local customer preferences, fortifying its gross margin and containing its inventory level.

On the other hand, the termination of the distribution in respect of the “Lacoste” brand was completed in February 2022; and did not have any material adverse impacts on the “Garment and related accessories business” segment as anticipated.

The supply of new office premises in Eastern Kowloon, Hong Kong where most of the Group’s investment properties situated, has been increased for the recent years but with a downside demand as the business trend of work-from-home is becoming more popular. The “Property investment and letting business” segment of the Group has been offering competitive lease terms to solicit and retain valuable tenants for securing the rental income and the value of its portfolio of investment properties.

The Group has consolidated its office premises to spare one own-used property to investment property for earning rental income in February 2022; and will incessantly reorganise its own-use and investment properties for optimising the overall usages and maximising the return.

Global sentiment has turned to be risk averse on the recent geopolitical confrontation which stokes turbulence in the financial markets worldwide. Meanwhile, bracing for the towering inflation and the expected hike in the United States interest rates, large central banks pave their exits for loose monetary policies, though at quite different paces, however, the Mainland authority is on opposite track.

That could set the stage for a choppy Year 2022. The “Treasury management” (formerly titled as “Securities trading”) segment of the Group will bolster its value-oriented strategy in overseeing its financial assets at fair value through profit and loss for achieving satisfactory returns.

In addition, the Group has been retrenching its back-office costs and expenditures with an aim to attaining administrative efficacy.

All the colleagues of the Group are looking forward to celebrating 70th anniversary of “Crocodile” in the apparel business with our prestige customers and shareholders in the Year 2022. The Group is confident that, underpinned by this solid foundation established for seventy years, any difficulties will be overcome eventually and “Crocodile” future is prosperous and encouraging.

Contingent Liabilities

As at 31 January 2022, the Group had no material contingent liabilities.

Liquidity, Financial Resources and Foreign Exchange Risk Exposure

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 restrain the financial risks effectively.

The Group maintains a conservative approach in financial management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss and fixed interest rate arrangement, the Group has not employed other financial instruments for the six months ended 31 January 2022.

The Group earns revenue and incurs cost mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. The Group considers the foreign exchange risk is not high as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and trading of overseas securities.

Cash and cash equivalents held by the Group amounted to HK\$41,969,000 as at 31 January 2022 (31 July 2021: HK\$40,953,000) and were mainly denominated in Hong Kong dollars, United States dollars, Japanese Yen and Renminbi. The pledged bank deposits of approximately HK\$11,185,000 (31 July 2021: HK\$7,432,000) represent 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 January 2022 were equivalent to HK\$11,468,000 (31 July 2021: HK\$13,108,000) which is not freely convertible into other currencies. However, under the regulations on foreign exchange controls of the Mainland, 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 January 2022, the total outstanding borrowings including margin loans of the Group amounted to HK\$543,738,000. The total outstanding borrowings comprised secured margin loans of HK\$13,425,000, secured bank term loan of HK\$210,513,000 of which HK\$8,958,000 was short-term, and secured short-term bank revolving loans of HK\$319,800,000. Short-term bank loans were repayable within a period not exceeding one year.

Interests on bank borrowings are charged at fixed and floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. Save for the fixed interest rate arrangement, no financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2022.

Charges on Assets

As at 31 January 2022, the Group has charged certain of its assets, mainly including own-use properties, investment properties and right-of-use assets with total carrying values of HK\$1,712,925,000, to its bankers to secure banking facilities granted to the Group.

Gearing

The Group's gearing revealed by the debt to equity ratio as at 31 January 2022 was 35%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. In view of the volatile worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Capital Commitments

The Group had no material capital commitments as at 31 January 2022.

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals in the six months ended 31 January 2022.

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

During the six months ended 31 January 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable 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**”) throughout the six months ended 31 January 2022 save for the deviations disclosed below:

Code provision C.2.1 (previous code provision A.2.1) in respect of the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Board is collectively responsible for the management and operations of the Company. Ms. Lam Wai Shan, Vanessa (“**Ms. Vanessa Lam**”) was appointed the chairman of the Board (“**Chairman**”) and the chief executive officer of the Company (“**CEO**”) since January 2021. As the Chairman, Ms. Vanessa Lam provides leadership to the Board to ensure the Board works effectively and performs its responsibilities. As the CEO, Ms. Vanessa Lam has in-depth experience in the garment and retail industry. Coupled with her extensive business network and connections and numerous awards in the industry, she is responsible for leading the development and execution of long-term strategies for the Company's business. Hence, the Board believes that it is in the best interest of the Company for Ms. Vanessa Lam to assume the roles of both the Chairman and the CEO.

Code provision B.3.1 (previous code provision A.5.1) in respect of the nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.

To fulfil code provision B.3.1 and Rule 3.27A of the Listing Rules, the Board resolved to establish the nomination committee of the Company (“**Nomination Committee**”) with written terms of reference in January 2022. The Nomination Committee comprises Ms. Vanessa Lam (executive Director, Chairman and CEO) as the chairman, Mr. Fung Cheuk Nang, Clement (“**Mr. Clement Fung**”) and Mr. Woo King Hang (“**Mr. KH Woo**”), two independent non-executive Directors (“**INEDs**”) as members. Majority members of the Nomination Committee are INEDs.

Before the establishment of the Nomination Committee, the Board assumed its functions in accordance with the nomination policy of the Company and other duties set out in the CG Code.

CORPORATE GOVERNANCE *(continued)*

Previous code provision A.4.1 (deleted on 1 January 2022) in respect of non-executive directors should be appointed for a specific term, subject to re-election.

The Board notices that none of the existing non-executive Directors (“**NEDs**”, including the INEDs) is appointed for a specific term. However, pursuant to the Articles of Association of the Company (“**Articles of Association**”), all Directors are subject to the retirement provisions 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 of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (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 annual general meeting of the Company (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 previous 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. The Board considers that the relevant retirement provisions in the Articles of Association and the CG Code are sufficient to meet the underlying objective of the previous code provision A.4.1.

Following the amendments to the CG Code which took effect on 1 January 2022, NEDs are no longer required to be appointed for a specific term.

Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and paragraph 2 of each of the terms of reference of the Audit Committee and the Remuneration Committee in respect of the Board must have at least three INEDs, must appoint INEDs representing at least one-third of the Board, the Audit Committee must comprise a minimum of three members and majority of its members must be INEDs and the Remuneration Committee must comprise a majority of INEDs.

After the resignation of Mr. Yeung Sui Sang as an INED and ceased a member of each of the audit committee and the remuneration committee of the Company (“**Audit Committee**” and “**Remuneration Committee**”, respectively) with effect from 1 November 2021, the number/majority of INEDs and members of the Audit Committee and the Remuneration Committee fell below the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and paragraph 2 of each of the terms of reference of the Audit Committee and the Remuneration Committee. Following the appointment of Mr. KH Woo on 28 January 2022, the Company has complied with the said rules and terms of reference.

REVIEW OF INTERIM RESULTS

The Audit Committee, currently comprises three INEDs, namely Mr. Leung Shu Yin, William (Chairman), Mr. Clement Fung and Mr. KH Woo, has reviewed the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2022, the accounting principles and practices adopted by the Company as well as the financial reporting matters.

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

Hong Kong, 28 March 2022

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