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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 JULY 2024

RESULTS

The board of directors (“**Board**” and “**Directors**” respectively) of Crocodile Garments Limited (“**Company**”) announces the unaudited condensed consolidated second interim results of the Company and its subsidiaries (“**Group**”) for the twelve months ended 31 July 2024 together with the audited comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss

For the twelve months ended 31 July 2024

| | | Twelve months ended 31 July | |
|--|--------------|---------------------------------|-------------------------------|
| | | 2024 (Unaudited) HK\$'000 | 2023 (Audited) HK\$'000 |
| | <i>Notes</i> | | |
| Revenue | 4 | 95,329 | 86,876 |
| Cost of sales | | <u>(16,951)</u> | <u>(14,044)</u> |
| Gross profit | | 78,378 | 72,832 |
| Other income | 5 | 18,342 | 16,206 |
| Selling and distribution expenses | | (46,962) | (44,683) |
| Administrative expenses | | (53,977) | (50,132) |
| Fair value losses on investment properties | | (14,740) | (73,408) |
| Other gains, net | 6 | 11,379 | 7,777 |
| Finance costs | 7 | (46,389) | (36,550) |
| Share of profit/(loss) of an associate | | <u>160</u> | <u>(1,680)</u> |
| Loss before tax | 8 | (53,809) | (109,638) |
| Income tax credit | 9 | <u>19,971</u> | <u>852</u> |
| Loss for the period attributable to owners of the Company | | <u>(33,838)</u> | <u>(108,786)</u> |
| | | HK cents | HK cents |
| Loss per share attributable to owners of the Company | <i>11</i> | | |
| – Basic | | <u>(2.38)</u> | <u>(8.31)</u> |
| – Diluted | | <u>(2.38)</u> | <u>(8.31)</u> |

Condensed Consolidated Statement of Comprehensive Income
For the twelve months ended 31 July 2024

| | Twelve months ended | |
|--|----------------------------|------------------------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Loss for the period | <u>(33,838)</u> | <u>(108,786)</u> |
| Other comprehensive income/(expenses) | | |
| <i>Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | (2,896) | (8,913) |
| Reclassification adjustments of foreign operations deregistered during the period | <u>(3,307)</u> | <u>–</u> |
| | <u>(6,203)</u> | <u>(8,913)</u> |
| <i>Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss:</i> | | |
| Revaluation gain on transfer of property, plant and equipment to investment properties | – | 84,715 |
| Income tax effect | <u>–</u> | <u>(21,179)</u> |
| | <u>–</u> | <u>63,536</u> |
| Other comprehensive income/(expenses) for the period, net of tax | <u>(6,203)</u> | <u>54,623</u> |
| Total comprehensive expenses for the period attributable to the owners of the Company | <u><u>(40,041)</u></u> | <u><u>(54,163)</u></u> |

Condensed Consolidated Statement of Financial Position

31 July 2024

| | | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 46,630 | 47,301 |
| Investment properties | | 1,688,336 | 1,705,884 |
| Right-of-use assets | | 93,693 | 93,496 |
| Financial assets at fair value through profit or loss | | 43,632 | 45,963 |
| Interest in an associate | | 50,297 | 50,137 |
| Amount due from an associate | | 7,750 | 8,126 |
| Deposits and prepayments | 12 | 4,025 | 5,756 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,934,363 | 1,956,663 |
| Current assets | | | |
| Inventories | | 17,378 | 14,537 |
| Trade and other receivables, deposits and prepayments | 12 | 12,456 | 20,287 |
| Amount due from a related company | | 100 | 503 |
| Financial assets at fair value through profit or loss | | 97,953 | 121,850 |
| Pledged bank deposits | | 1,535 | 579 |
| Cash and cash equivalents | | 165,076 | 229,445 |
| | | <hr/> | <hr/> |
| Total current assets | | 294,498 | 387,201 |
| Current liabilities | | | |
| Trade payables, other payables and deposits received | 14 | 29,035 | 31,081 |
| Financial liabilities at fair value through profit or loss | | 1,975 | 8,565 |
| Interest-bearing bank borrowings | 13 | 170,180 | 201,133 |
| Margin loans payable | | – | 3,544 |
| Lease liabilities | | 13,998 | 8,923 |
| Tax payable | | – | 19,303 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 215,188 | 272,549 |
| | | <hr/> | <hr/> |
| Net current assets | | 79,310 | 114,652 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 2,013,673 | 2,071,315 |

| | | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current liabilities | | | |
| Other payables and deposits received | <i>14</i> | 10,391 | 10,699 |
| Interest-bearing bank borrowings | <i>13</i> | 531,341 | 549,368 |
| Provision | | 1,173 | 1,135 |
| Lease liabilities | | 9,576 | 8,209 |
| Deferred tax liabilities | | 19,656 | 20,327 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 572,137 | 589,738 |
| | | <hr/> | <hr/> |
| Net assets | | 1,441,536 | 1,481,577 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 374,636 | 374,636 |
| Reserves | | 1,066,900 | 1,106,941 |
| | | <hr/> | <hr/> |
| Total equity | | 1,441,536 | 1,481,577 |
| | | <hr/> <hr/> | <hr/> <hr/> |

NOTES

For the twelve months ended 31 July 2024

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the twelve months ended 31 July 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the unaudited condensed consolidated interim financial information also comply with 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 assets/(liabilities) at fair value through profit or loss which have been measured at fair values.

The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except otherwise indicated.

The financial information relating to the year ended 31 July 2023 that is included in the condensed consolidated interim financial information 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 2023 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 for the year ended 31 July 2023. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

(2) CHANGE OF FINANCIAL YEAR END DATE

On 27 March 2024, the Company has resolved to change the financial year end date of the Company from 31 July to 31 December. The forthcoming financial year end date of the Company will be 31 December 2024 and the next audited consolidated financial statements of the Company will cover a period of 17 months from 1 August 2023 to 31 December 2024. Accordingly, the condensed consolidated second interim financial information of the Company covers the twelve months ended 31 July 2024 with comparative figures cover the twelve months ended 31 July 2023.

(3) CHANGE IN ACCOUNTING POLICY

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the twelve months ended 31 July 2024 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2023.

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

| | |
|---|---|
| HKFRS 17 | <i>Insurance Contracts</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to HKAS 12 | <i>International Tax Reform—Pillar Two Model Rules</i> |
| Amendments to HKFRS 16 | <i>Lease Liability in a Sale and Leaseback (early adopted)</i> |
| Amendments to HKAS 1 | <i>Classification of liabilities as Current or Non-current (early adopted)</i> |
| Amendments to HKAS 1 | <i>Non-current Liabilities with Covenants (early adopted)</i> |
| Amendments to HKAS 7 and HKFRS 7 | <i>Supplier Finance Arrangements (early adopted)</i> |

The application of the new and revised 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 information.

(4) OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (i) the garment and related accessories business;
- (ii) the property investment and letting business; and
- (iii) treasury management.

Segment revenues and results

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that finance costs, certain other income and corporate expenses are excluded from such measurement.

(4) OPERATING SEGMENT INFORMATION (continued)

For the twelve months ended 31 July

| | Garment and related accessories business | | Property investment and letting business | | Treasury Management | | Total | |
|--|--|-----------------------|--|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | (Unaudited) HK\$'000 | (Audited) HK\$'000 | (Unaudited) HK\$'000 | (Audited) HK\$'000 | (Unaudited) HK\$'000 | (Audited) HK\$'000 | (Unaudited) HK\$'000 | (Audited) HK\$'000 |
| Revenue from external customers | 41,441 | 39,894 | 53,888 | 46,982 | - | - | 95,329 | 86,876 |
| Other income from external customers | 8,665 | 8,114 | 489 | 437 | - | - | 9,154 | 8,551 |
| Group's total revenue and other income | <u>50,106</u> | <u>48,008</u> | <u>54,377</u> | <u>47,419</u> | <u>-</u> | <u>-</u> | <u>104,483</u> | <u>95,427</u> |
| Reportable segment profit/(loss) before loss on non-current financial instruments at fair value through profit or loss ("FVTPL"), gain on disposal of a property, property revaluation and share of an associate's results | (12,430) | (15,937) | 42,702 | 37,244 | 7,942 | 7,625 | 38,214 | 28,932 |
| Gain/(loss) on non-current financial instruments at FVTPL | - | - | (4,673) | 2,000 | - | - | (4,673) | 2,000 |
| Gain on disposal of a property | - | - | 4,050 | - | - | - | 4,050 | - |
| Fair value losses on investment properties | - | - | (14,740) | (73,408) | - | - | (14,740) | (73,408) |
| Share of profit/(loss) of an associate | - | - | 160 | (1,680) | - | - | 160 | (1,680) |
| Reportable segment profit/(loss) | <u>(12,430)</u> | <u>(15,937)</u> | <u>27,499</u> | <u>(35,844)</u> | <u>7,942</u> | <u>7,625</u> | <u>23,011</u> | <u>(44,156)</u> |
| Unallocated corporate income | | | | | | | 9,188 | 7,655 |
| Unallocated corporate expenses | | | | | | | (39,619) | (36,587) |
| Finance costs | | | | | | | (46,389) | (36,550) |
| Loss before tax | | | | | | | <u>(53,809)</u> | <u>(109,638)</u> |

(5) OTHER INCOME

| | Twelve months ended | |
|---|---------------------|---------------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Royalty income | 8,612 | 7,548 |
| Bank interest income | 6,904 | 6,632 |
| Interest income on amount due from an associate | 474 | 435 |
| Others | 2,352 | 1,591 |
| | <u>18,342</u> | <u>16,206</u> |

(6) OTHER GAINS, NET

An analysis of other gains, net is as follows:

| | Twelve months ended | |
|--|---------------------|--------------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Gain on disposal of a property | 4,050 | – |
| Impairment of trade and other receivables | – | (1) |
| Gain on disposal of items of plant and equipment | 4 | 30 |
| Gain on early termination of leases | – | 214 |
| Net gain on financial instruments at FVTPL | 3,269 | 9,625 |
| Net gain on deregistration of foreign operations | 8,389 | – |
| Impairment of right-of-use assets | (3,109) | (1,303) |
| Impairment of property, plant and equipment | (1,158) | (524) |
| Foreign exchange differences, net | (13) | 20 |
| Write-off of other payables | – | 155 |
| Others | (53) | (439) |
| | <u>11,379</u> | <u>7,777</u> |

(7) **FINANCE COSTS**

An analysis of finance costs is as follows:

| | Twelve months ended | |
|-------------------------------|----------------------------|------------------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Interest on bank borrowings | 45,178 | 35,901 |
| Interest on lease liabilities | 1,211 | 649 |
| | <hr/> | <hr/> |
| | 46,389 | 36,550 |
| | <hr/> <hr/> | <hr/> <hr/> |

(8) **LOSS BEFORE TAX**

The Group's loss before tax is arrived at after charging/(crediting):

| | Twelve months ended | |
|--|----------------------------|------------------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold | 15,511 | 15,973 |
| Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties | 3,384 | 3,571 |
| Provision/(reversal of provision) for slow-moving inventories | 598 | (3,014) |
| Depreciation of property, plant and equipment | 6,175 | 3,701 |
| Depreciation of right-of-use assets | 16,479 | 11,184 |
| | <hr/> | <hr/> |
| | 16,479 | 11,184 |
| | <hr/> <hr/> | <hr/> <hr/> |

(9) INCOME TAX

No current tax has been provided for the twelve months ended 31 July 2024 (2023: 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.

| | Twelve months ended | |
|---------------------------------|----------------------------|-----------|
| | 31 July | |
| | 2024 | 2023 |
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Current tax—Mainland China | | |
| Over provision in prior periods | (19,291) | – |
| Deferred | (680) | (852) |
| | (19,971) | (852) |

(10) DIVIDEND

The Board does not recommend the payment of any dividend in respect of the twelve months ended 31 July 2024 (2023: Nil).

(11) LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 1,421,315,542 (2023: 1,309,130,819) in issue during the period.

No adjustment has been made to the basic loss per share amounts presented for the twelve months ended 31 July 2024 and 2023 in respect of a dilution as the Company had no dilutive potential ordinary shares in issue.

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|--------------------------|--|--|
| | <i>Note</i> | |
| Trade receivables | 8,825 | 9,053 |
| Impairment | (6,707) | (6,946) |
| | 2,118 | 2,107 |
| Other receivables | 35,390 | 38,334 |
| Impairment | (30,655) | (33,134) |
| | 4,735 | 5,200 |
| Deposits and prepayments | 9,628 | 18,736 |
| | 16,481 | 26,043 |
| Analysed into: | | |
| Non-current portion | 4,025 | 5,756 |
| Current portion | 12,456 | 20,287 |
| | 16,481 | 26,043 |

Note:

- (a) For the retail business, other than cash sales made at retail shops of the Group, the Group allows credit periods of 30 to 60 days for receivables from department stores in which sales counters are located while the average credit period on credit cards sales and sales by other electronic payment methods is 7 days. For the property investment and letting business, monthly rentals are payable in advance by tenants in accordance with the leases. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral over these balances. Trade receivables are non-interest-bearing. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

Note: (continued)

(a) *(continued)*

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|-----------------|--|--|
| 0 to 90 days | 729 | 1,073 |
| 91 to 180 days | 305 | 224 |
| 181 to 365 days | 759 | 507 |
| Over 365 days | 325 | 303 |
| | <u>2,118</u> | <u>2,107</u> |

(13) INTEREST-BEARING BANK BORROWINGS

| | 31 July 2024 (Unaudited) | | | 31 July 2023 (Audited) | | |
|--------------------|--|-------------------------|-----------------|-----------------------------------|-------------------------|----------------|
| | Effective interest rate (%) | Maturity | HK\$'000 | Effective interest rate (%) | Maturity | HK\$'000 |
| Current | | | | | | |
| Bank loans—secured | 5.60-6.25 | On demand/ 2024-2025 | 170,180 | 6.03-6.77 | On demand/ 2023-2024 | 201,133 |
| Non-current | | | | | | |
| Bank loans—secured | 6.13 | 2025-2042 | <u>531,341</u> | 6.72 | 2024-2042 | <u>549,368</u> |
| | | | <u>701,521</u> | | | <u>750,501</u> |

| | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|--|--|--|
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year or on demand | 170,180 | 201,133 |
| In the second year | 18,476 | 16,396 |
| In the third to fifth years, inclusive | 62,716 | 56,328 |
| Beyond five years | 450,149 | 476,644 |
| | <u>701,521</u> | <u>750,501</u> |

(14) TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

| | | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|-----------------------------|--------------|--|--|
| | <i>Notes</i> | | |
| Trade payables | <i>(a)</i> | 6,374 | 4,359 |
| Other payables and accruals | <i>(b)</i> | 18,318 | 24,513 |
| Deposits received | | 14,734 | 12,908 |
| | | 39,426 | 41,780 |
| Less: Non-current portion | | (10,391) | (10,699) |
| Current portion | | 29,035 | 31,081 |

Notes:

- (a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 31 July 2024 (Unaudited) HK\$'000 | 31 July 2023 (Audited) HK\$'000 |
|-----------------|--|--|
| 0 to 90 days | 2,846 | 2,875 |
| 91 to 180 days | 2,015 | – |
| 181 to 365 days | 1,250 | 1,221 |
| Over 365 days | 263 | 263 |
| | 6,374 | 4,359 |

Trade payables are non-interest-bearing and are normally settled on terms between 30 and 90 days.

- (b) Other payables are non-interest-bearing and have an average term of three months.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the twelve months ended 31 July 2024 (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group improved by 10% to HK\$95 million (2023: HK\$87 million). While maintaining a high gross margin of 82% (2023: 84%), the gross profit increased to HK\$78 million (2023: HK\$73 million).

During the first six months of review period, the Group experienced a double-digit percentage growth on same-store “Crocodile” sales with the help of return of tourism post COVID-19 pandemic. However, the strengthening of the Hong Kong dollar against Renminbi, and the continued trend of northbound consumption created a huge challenge on the entire Hong Kong retail market in early 2024. The slowdown of the recovery momentum resulted in a slight improvement of 4% on the revenue of “Garment and Related Accessories Business” to HK\$41 million during the twelve months ended 31 July 2024 (2023: HK\$40 million). After the Group’s efforts on improving shop profitability, the segment loss for the period narrowed down by 22% to HK\$12 million as compared to last period (2023: loss of HK\$16 million).

For the twelve months ended 31 July 2024, “Property Investment and Letting Business” segment recorded an increase in rental income to HK\$54 million (2023: HK\$47 million). The growth was attributable by enhancing the occupancy rate, as well as by exploring alternative uses for the properties that align with market demand to increase the unit rent rate. The revaluation of the investment properties held by the Group notched fair value losses of HK\$15 million during the period (2023: loss of HK\$73 million).

During the review period, the global economy faced both positive developments and significant challenges shaping investment strategies. The Chinese property sector continued to struggle despite government support, leading to reduced consumer confidence. Persistent inflation triggered aggressive monetary tightening by the U.S. Federal Reserve, resulting in a strong U.S. dollar and complicating China’s economic support measures due to concerns over Renminbi depreciation.

As the U.S. presidential election approaches, markets anticipate that neither candidate will pursue fiscal tightening, potentially leading to long-term deficit challenges. Rising global tensions may affect key commodity markets, but the impact on living costs could be mitigated by strategic reserves. The delicate U.S.-China relationship remains a concern, with additional investment restrictions imposed. In view of this complex environment, the Group took a cautious approach to portfolio management, recording a gain of HK\$8 million in its “Treasury Management” segment for the twelve months ended 31 July 2024, which is at the similar level of last corresponding period (2023: HK\$8 million).

Under the interest rate hike cycle, the Group faced higher finance costs of HK\$46 million over the past 12 months (2023: HK\$37 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Performance *(continued)*

Combining the results of the three business segments and finance costs mentioned above with the net unallocated expenses of HK\$30 million (2023: HK\$29 million) and a reversal of income tax payable upon deregistration of a Mainland China branch with the amount of HK\$19 million, the total comprehensive expenses attributable to the owners of the Company was HK\$40 million for the twelve months ended 31 July 2024 (2023: HK\$54 million).

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

During the period, the Hong Kong and Macau retail sector encountered a series of unique and complex challenges. Consumer behavior was significantly affected by various external factors, such as geopolitical tensions, rising interest rates due to the U.S. rate hike cycle, and declines in the financial and property markets. As the COVID-19 pandemic subsided and daily life returned to normal, a surge in outbound travel emerged after the full reopening of boundary control points. Consequently, many residents began traveling abroad during weekends and public holidays, leading to a decline in local consumption. Additionally, evening foot traffic and spending levels have yet to recover to pre-pandemic standards, indicating that Hong Kong citizens have likely adjusted to the lifestyle changes resulting from the pandemic. In response to these challenges, the Group has worked diligently to optimise its shop network and improve the profitability of each shop. As of 31 July 2024, the Group operated a total of 11 retail shops, unchanged from 31 July 2023. During the period, two new shops were opened, while two existing shops were closed. Considering the gradual recovery of customer spending power after the pandemic and the ongoing offset from northbound consumption, overall retail revenue in Hong Kong and Macau saw a slight increase from HK\$37 million in 2023 to HK\$38 million in 2024.

The Mainland

In response to the evolving post-COVID-19 landscape, the Group has implemented strategic measures to optimise its operations, including the deliberate closure of unprofitable shops in the Mainland. As of 31 July 2024, the Group’s presence in the Mainland consists of 4 self-operated shops, reflecting a significant reduction from the prior corresponding period, which included 6 self-operated shops and 6 consignee shops at most. Notably, despite operating a smaller number of locations, overall retail revenue in the Mainland experienced a modest increase to HK\$3.4 million, compared to HK\$3.3 million in 2023. The remaining shops also serve a critical function as “showrooms” for other franchisees, contributing to the maintenance of royalty income, which is the key stream of other income sourced in the Mainland.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

Royalty Income

The Group’s licensing business for the “Crocodile” brand in Hong Kong, Macau, and the Mainland generated royalty income of HK\$9 million for the period, compared to HK\$8 million in 2023. This increase in royalty income indicates a positive response to the strategic measures implemented in the Mainland.

“Property Investment and Letting Business” Segment

The Group’s investment property portfolio has remained stable since 31 July 2023. For the twelve months ended 31 July 2024, the Group’s investment properties in Hong Kong and the Mainland generated rental revenue of HK\$54 million, reflecting a significant 15% increase from the previous period’s revenue of HK\$47 million. This was contributed by enhancing utilisation of available spaces to improve the occupancy rates and increasing the proportion of service retail tenants within its investment properties to increase in the rental unit rates. As such, the revaluation of the investment properties held by the Group recorded a lower level of fair value losses of HK\$15 million, as compared to the fair value losses of HK\$73 million in last corresponding period.

“Treasury Management” Segment

During the period, the global economy experienced a blend of favorable developments and challenges that influenced investment strategies worldwide. Notably, the Chinese property sector faced persistent difficulties despite government support measures, leading to a decline in consumer confidence and exerting pressure on the broader economy.

Macroeconomically, the global landscape was marked by enduring inflationary pressures, triggering one of the most rapid and robust monetary tightening cycles in recent memory. The U.S. Federal Reserve adopted an assertive stance in tightening monetary policy, resulting in a significant appreciation of the U.S. dollar. Consequently, China faced limitations in providing further economic support due to concerns over potential depreciation of the Renminbi currency.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

“Treasury Management” Segment *(continued)*

Moreover, the relationship between China and the U.S. remained delicate, with the U.S. imposing additional investment restrictions on China. Mindful of this dynamic and complex global economic environment, the Group took a cautious approach to managing its portfolios of financial instruments at FVTPL to generate favorable returns for shareholders. As a result of this prudent strategy, the Group’s “Treasury Management” segment achieved a gain of HK\$8 million for the twelve months ended 31 July 2024, with the same level of gain as the previous period.

Prospects

Looking ahead, given the ongoing slowdown in global economic growth, various sectors are poised to face considerable uncertainties. To effectively navigate these challenges, the Group will undertake regular assessments and adjustments of its business strategies. Also, the Group remains committed to implementing internal reforms that will help preserve its competitive advantage in the marketplace.

For the retail business, the Group has been committed to maintaining an optimal scale within its shop network and managing inventory levels effectively. However, in light of the permanent shifts in customer behavior, it is essential for the Group to reassess its retail back-office operations and marketing expenses amid the current downturn in the retail environment.

Striking a balance among the size of the shop network, inventory levels and corporate expenses will be critical for enhancing overall profitability in our retail business.

As a landlord of investment properties, the “Property Investment and Letting Business” segment plays a vital role in generating stable rental income and cash flow to support the Group’s operations. Following the successful introduction of a travel floor in our core investment property, we are actively exploring other potential alternatives for leased units approaching expiration, aiming to identify opportunities that could yield higher returns.

In addition, the Group is strategically capitalising on the opportunity to dispose of certain non-core properties. By divesting these assets, the Group aims to generate additional cash inflow that can be utilised to strengthen our overall financial position. This decision aligns with our ongoing efforts to streamline our portfolio by focusing on properties that enhance our core business objectives and support sustainable growth. During this period, the Group successfully generated cash inflow and a net profit of HK\$4 million through the disposal of a non-core loading and unloading space.

The Group’s approach to treasury management emphasises caution and prudence, maintaining this stance until there is clear evidence of improved market conditions. This strategy involves a thorough evaluation of the investment portfolio, facilitating necessary adjustments to optimize returns while minimizing risk. Rather than focusing on debt or equity securities from a single company, the Group opts to invest a larger proportion of its investment portfolio in global funds, which offer diversified risks across various geographies and industries. This strategy aims to secure a safer yet potentially higher investment return.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects (continued)

In view of high financing costs and global economic uncertainty, the Group seeks to diminish its reliance on debt financing in the current market. While awaiting the stabilisation of interest rates at more reasonable levels, the Group will explore opportunities for equity fund-raising, if feasible, to support its future development and operations. Additionally, the Group is considering entering into interest rate swap arrangements for hedging purposes to mitigate the burden of financing costs.

Despite the uncertainties mentioned, the Group remains optimistic about the recovery of its core business, supported by effective cash and cost management during these challenging times.

Contingent Liabilities

As at 31 July 2024, the Group had no material contingent liabilities.

Rights Issue

The rights issue announced by the Company in October 2022 on the basis of one rights share for every two existing shares of the Company at a subscription price of HK\$0.1 each (the “**Rights Issue**”) was completed in November 2022. Upon completion of the Rights Issue, the Company received net proceeds (after deduction of rights issue expenses) of approximately HK\$42.3 million (“**Net Proceeds**”). The Company intended to apply the Net Proceeds as to: (i) approximately 50% (i.e. about HK\$21.15 million) for repayment of principals of bank loans with committed repayment schedule; and (ii) approximately 50% (i.e. about HK\$21.15 million) for business development of opening new retail shops and general working capital for day-to-day operations of the Group. As of 31 January 2024 and 31 July 2024, the entire Net Proceeds had been used in accordance with the intended uses, including the purposes and timeline as disclosed in the Rights Issue prospectus of the Company dated 7 November 2022. The intended and actual uses of the Net Proceeds under the Rights Issue up to 31 July 2024 are set out below:

| | Intended use of the Net Proceeds as disclosed in the prospectus dated 7 November 2022 HK\$' million | Actual use of the Net Proceeds up to year end date of 31 July 2023 HK\$' million | Actual use of the Net Proceeds during the twelve months ended 31 July 2024 HK\$' million | Unutilised Net Proceeds as of 31 July 2024 HK\$' million | Intended and actual timeline for the use of the Net Proceeds |
|--|--|--|---|--|--|
| Repayment of principals of bank loans | Approximately 21.15 | Approximately 11.70 | Approximately 9.45 | Nil | From December 2022 to November 2023 |
| Business development of opening new retail shops and general working capital for day-to-day operations of the Group | Approximately 21.15 | Approximately 16.80 | Approximately 4.35 | Nil | From December 2022 to November 2023 |

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 and liabilities at FVTPL, the Group has not employed other financial instruments as of 31 July 2024.

The Group earns revenue and incurs cost mainly in Hong Kong dollars, Renminbi and United States dollars. 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\$165 million as at 31 July 2024 (31 July 2023: HK\$229 million) and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Decrease was mainly due to the principal repayment of bank and margin loans with the aggregated amount of HK\$60 million. The pledged bank deposits of approximately HK\$2 million (31 July 2023: HK\$1 million) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalents denominated in Renminbi as at 31 July 2024 were equivalent to HK\$9 million (31 July 2023: HK\$6 million) 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 July 2024, the total outstanding borrowings including margin loans of the Group amounted to HK\$702 million (31 July 2023: HK\$754 million). The total outstanding borrowings comprised secured bank term loan of HK\$549 million of which HK\$17 million was short-term, and secured short-term bank revolving loans of HK\$153 million.

As at 31 July 2024, interests on bank borrowings are charged at floating rates. The bank borrowings and margin loans payable of the Group are denominated principally in Hong Kong dollars. No financial instruments for interest rate hedging purposes were employed by the Group during the twelve months ended 31 July 2024.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Charges on Assets

As at 31 July 2024, the Group has charged certain of its assets, including own-use properties, investment properties, right-of-use assets, financial assets at FVTPL and pledged bank deposits, with total carrying values of HK\$1,672 million (31 July 2023: HK\$1,740 million), to its bankers to secure the borrowings, margin loans payable and banking facilities granted to the Group.

Gearing

The Group's gearing revealed by the debt to equity ratio (expressed as a percentage of total bank borrowings and margin loans payable of total net assets) as at 31 July 2024 was approximately 49% (31 July 2023: 51%). 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 July 2024.

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals during the twelve months ended 31 July 2024.

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 105 as at 31 July 2024 (31 July 2023: 108). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

The Company currently operates a share option scheme (the “**2015 Scheme**”) that was adopted on 15 December 2015, under which share options may be granted to employees, directors, officers or consultants of the Group. As at 31 July 2024, there were no share options which had been granted under the 2015 Scheme that remained outstanding (31 July 2023: Nil).

Apart from the 2015 Scheme, the Company does not operate any other share incentive schemes. The Company does not have and in the past did not have any share award scheme.

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

During the twelve months ended 31 July 2024 (“**Period**”), 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 contained in Appendix C1 (formerly Appendix 14) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Period save for the deviation disclosed below:

Code provision C.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 was appointed the Chairman of the Board (“**Board Chairman**”) and the chief executive officer of the Company (“**CEO**”) since January 2021. As the Board Chairman, Ms. Lam provides leadership to the Board to ensure the Board works effectively and performs its responsibilities. As the CEO, Ms. 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. Lam to assume the roles of both the Board Chairman and the CEO.

REVIEW OF SECOND INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee of the Company, currently comprises three Independent Non-executive Directors, namely Mr. Leung Shu Yin, William (Chairman), Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang, has reviewed the unaudited second interim results (including the unaudited condensed consolidated interim financial information) of the Group for the Period, 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, 25 September 2024

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