Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2019

RESULTS

The board of directors ("**Board**" and "**Directors**" respectively) of Crocodile Garments Limited ("**Company**") announces the consolidated results of the Company and its subsidiaries ("**Group**") for the financial year ended 31 July 2019 together with the comparative figures for the previous financial year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 July 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*3*	**235,348**	265,004
Cost of sales		**(72,014)**	(84,532)
Gross profit		**163,334**	180,472
Fair value gains on investment properties		**57,414**	184,054
Other income	*4*	**4,719**	5,329
Selling and distribution expenses		**(131,761)**	(145,512)
Administrative expenses		**(61,789)**	(64,318)
Other gains, net	*5*	**11,523**	3,674
Finance costs	*6*	**(17,052)**	(14,572)
Share of profit of an associate		**3,528**	12,876
PROFIT BEFORE TAX	*7*	**29,916**	162,003
Income tax credit	*8*	**691**	490
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**30,607**	162,493
OTHER COMPREHENSIVE (EXPENSE) INCOME			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,958)**	157
Translation reserve released upon disposal of a subsidiary		**—**	(2,959)
Other comprehensive expense for the year		**(1,958)**	(2,802)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**28,649**	159,691
		HK cents	*HK cents*
EARNINGS PER SHARE	*10*		
— Basic		**3.23**	17.15
— Diluted		**3.23**	17.15

Consolidated Statement of Financial Position

As at 31 July 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**114,482**	123,033
Prepayment for the acquisition of property, plant and equipment		**2,490**	—
Investment properties		**1,889,349**	1,888,489
Land lease prepayments		**11,600**	12,127
Available-for-sale investment		**—**	33,000
Financial asset at fair value through profit or loss ("**FVTPL**")		**32,013**	—
Amount due from an associate		**8,878**	13,271
Interest in an associate		**53,650**	50,622
Rental and utility deposits		**13,833**	11,679
		2,126,295	2,132,221
Current assets			
Inventories		**48,437**	39,660
Trade and other receivables, deposits and prepayments	*11*	**28,353**	35,215
Financial assets at FVTPL		**163,826**	450,777
Amounts due from related companies		**—**	88
Pledged bank deposits		**37,559**	7,169
Bank balances and cash		**105,570**	104,031
		383,745	636,940
Asset classified as held-for-sale		**56,150**	—
		439,895	636,940
Current liabilities			
Bank borrowings	*12*	**581,083**	551,471
Margin loans payable		**23,206**	50,526
Trade and other payables and deposits received	*13*	**72,472**	67,500
Other current liability		**—**	15,000
Amounts due to related companies		**269**	2,266
Tax payable		**19,738**	20,087
		696,768	706,850
Liabilities associated with asset classified as held-for-sale		**20,615**	—
		717,383	706,850
Net current liabilities		**(277,488)**	(69,910)
Total assets less current liabilities		**1,848,807**	2,062,311
Non-current liabilities			
Bank borrowings	*12*	**15,329**	250,048
Deposits received	*13*	**10,157**	7,355
Provision for long service payments		**2,266**	2,336
Deferred tax liabilities		**2,290**	2,981
		30,042	262,720
Net assets		**1,818,765**	1,799,591
Capital and reserves			
Share capital		**332,323**	332,323
Reserves		**1,486,442**	1,467,268
Total equity		**1,818,765**	1,799,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2019

(1) BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 July 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") except otherwise indicated.

In preparing the consolidated financial statements of the Company, the Directors have 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$277,488,000 as at 31 July 2019.

Subsequent to the end of the reporting period, the Group received a letter from one of the Group's principal bankers indicating that the bank expected to renew the facility granted to the Group expiring in early 2020 for another year. The Directors considered that it is highly probable that the Group would be successful in renewing the facility.

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 years ended 31 July 2019 and 31 July 2018 included in this preliminary announcement of annual results for the year ended 31 July 2019 does not constitute the Company's statutory annual consolidated financial statements for those years 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 July 2019 in due course.

The Company's independent auditor has reported on these financial statements of the Group for both years. The independent auditor's reports were 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) APPLICATION OF HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRS which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations ("**Int(s)**"), issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 August 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings where appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and related interpretations. Details are described below.

The Group's accounting policies for its revenue streams will be disclosed in detail in note 4 to the consolidated financial statements in the annual report.

The impact of transition to HKFRS 15 was insignificant on the Group's retained profits as at 1 August 2018.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 August 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits as at 1 August 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets will be disclosed in detail in note 4 to the consolidated financial statements in the annual report.

Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 August 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(2) APPLICATION OF HKFRSs *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

HKFRS 9 Financial Instruments *(continued)*

Classification and measurement of financial instruments (continued)

Investment in unlisted investment previously classified as available-for-sale investment carried at fair value:

The unlisted investment amounting to HK$33,000,000 was reclassified to financial assets at FVTPL upon the initial application of HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under HKAS 39.

*Loss allowance for expected credit losses ("****ECL****")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 August 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

It is concluded that, as at 1 August 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

The table below illustrates the reclassification of certain financial assets under HKFRS 9 from HKAS 39 at the date of initial application, 1 August 2018.

	Available-for-sale investment *HK$'000*	**Financial assets at FVTPL** *HK$'000*
Closing balance at 31 July 2018		
— HKAS 39	33,000	450,777
Effect arising from initial application of HKFRS 9:		
Reclassification	(33,000)	33,000
Opening balance at 1 August 2018 under HKFRS 9	—	483,777

(2) APPLICATION OF HKFRSs *(continued)*

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and Int(s) that have been issued by the HKICPA but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that, except as described below, the application of the other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Int(s) when it becomes effective.

(2) APPLICATION OF HKFRSs *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 16 Leases *(continued)*

As at 31 July 2019, the Group has non-cancellable operating lease commitments of HK$120,445,000, in which the details will be disclosed in note 33 to the consolidated financial statements in the annual report, which are not reflected in the consolidated statement of financial position. Given that the total non-cancellable operating lease commitments account for 16% of the total liabilities of the Group as at 31 July 2019, the Directors expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial positions. Upon application of HKFRS16, the Group will recognise a right-of-use asset and the corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC) — Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK (IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits as of 1 August 2019 and that comparatives will not be restated. The Directors determine the amounts of right-of-use assets of approximately HK$116,773,000 and lease liabilities of approximately HK$104,817,000 to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. Based on the preliminary assessment, the Directors expect HKFRS 16 will have impact on the financial position as mentioned above with significant impact on the consolidated financial performance of the Group.

(3) SEGMENT INFORMATION

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

(a) Segment revenues and results

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2019 *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*	**2019** *HK$'000*	2018 *HK$'000*
Revenue from external customers	**178,048**	207,814	**57,300**	57,190	**—**	—	**235,348**	265,004
Other income from external customers *(Note)*	**2,700**	2,910	**915**	1,808	**—**	—	**3,615**	4,718
Group's total revenue and other income *(Note)*	**180,748**	210,724	**58,215**	58,998	**—**	—	**238,963**	269,722
Reportable segment (loss) profit	**(24,486)**	(40,398)	**110,838**	252,028	**5,857**	5,446	**92,209**	217,076
Unallocated corporate income							**1,104**	611
Unallocated corporate expenses							**(46,345)**	(41,112)
Finance costs							**(17,052)**	(14,572)
Profit before tax							**29,916**	162,003

Note: The income excludes bank interest income and other interest income.

(3) SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**208,553**	211,827	**2,011,669**	1,955,357	**163,826**	450,777	**2,384,048**	2,617,961
Unallocated corporate assets							**182,142**	151,200
Total consolidated assets							**2,566,190**	2,769,161
LIABILITIES								
Segment liabilities	**66,491**	59,490	**24,288**	19,967	**23,206**	50,526	**113,985**	129,983
Unallocated corporate liabilities							**633,440**	839,587
Total consolidated liabilities							**747,425**	969,570

(c) Other segment information

For the year ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**—**	—	**53,650**	50,622	**—**	—	**53,650**	50,622
Additions to non-current assets *(Note 1)*	**5,607**	9,697	**370**	53	**—**	—	**5,977**	9,750
Additions to prepayment for the acquisition of property, plant and equipment	**2,490**	—	**—**	—	**—**	—	**2,490**	—
Depreciation and amortisation	**11,970**	13,544	**372**	286	**—**	—	**12,342**	13,830
Provision (reversal of provision) for onerous contracts	**6,295**	(2,375)	**—**	—	**—**	—	**6,295**	(2,375)
(Reversal of) provision for doubtful debts	**(13,570)**	26,612	**—**	—	**—**	—	**(13,570)**	26,612
Provision (reversal of provision) for slow-moving inventories	**105**	(4,579)	**—**	—	**—**	—	**105**	(4,579)
Impairment loss recognised in respect of property, plant and equipment	**1,360**	1,032	**—**	—	**—**	—	**1,360**	1,032
Gain on disposal of property, plant and equipment	**—**	(14)	**—**	—	**—**	—	**—**	(14)
Gain on disposal of investment property	**—**	—	**—**	(2,855)	**—**	—	**—**	(2,855)
Gain on disposal of a subsidiary	**—**	(19,525)	**—**	—	**—**	—	**—**	(19,525)
Write-off of trade and other receivables	**159**	58	**—**	—	**—**	—	**159**	58
Fair value gains on investment properties	**—**	—	**(57,414)**	(184,054)	**—**	—	**(57,414)**	(184,054)
Net gain on financial assets at FVTPL *(Note 2)*	**—**	—	**—**	—	**(5,857)**	(5,446)	**(5,857)**	(5,446)
Share of profit of an associate	**—**	—	**(3,528)**	(12,876)	**—**	—	**(3,528)**	(12,876)
Interest income from an associate	**—**	—	**(607)**	(632)	**—**	—	**(607)**	(632)

Notes:

1. *Non-current assets exclude financial instruments.*
2. *The amount excludes loss from financial assets at FVTPL under non-current assets.*

(3) SEGMENT INFORMATION *(continued)*

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**224,015**	252,432	**1,972,603**	1,969,253
The People's Republic of China ("**PRC**")	**11,333**	12,572	**98,968**	105,018
	235,348	265,004	**2,071,571**	2,074,271

Note: Non-current assets exclude financial instruments.

(e) Information about major customers

None of the Group's customers contributed 10% or more of the Group's total revenue in both years.

(4) OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Royalty income	**740**	908
Bank interest income	**264**	223
Interest income on amount due from an associate	**607**	632
Interest income on advance to independent third parties	**840**	388
Others	**2,268**	3,178
	4,719	5,329

(5) OTHER GAINS (LOSSES), NET

	2019	2018
	HK$'000	*HK$'000*
(Provision) reversal of provision for onerous contracts	**(6,295)**	2,375
Reversal of provision (provision) for doubtful debts on trade and other receivables	**13,570**	(26,612)
Write-off of trade and other receivables	**(159)**	(58)
Impairment loss recognised in respect of property, plant and equipment	**(1,360)**	(1,032)
Gain on disposal of property, plant and equipment	**—**	14
Net gain on financial assets at FVTPL	**4,870**	5,446
Gain on disposal of investment property *(Note)*	**—**	2,855
Gain on disposal of a subsidiary	**—**	19,525
Exchange gain, net	**210**	25
Others	**687**	1,136
	11,523	3,674

Note: The gain was arisen from the disposal of an investment property in Hong Kong situated at Kwun Tong, Kowloon under the Order for Sale pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance as disclosed in the Company's announcement dated 19 January 2018.

(6) FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**17,052**	13,722
Amount due to a related company	**—**	850
	17,052	14,572

(7) PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**12,021**	13,494
Amortisation of land lease prepayments (included in administrative expenses)	**321**	336
Provision for (reversal of provision for) slow-moving inventories (included in cost of sales)	**105**	(4,579)

(8) INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(691)**	(490)
Income tax credit	**(691)**	(490)

No current tax has been provided for the years ended 31 July 2019 and 2018 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the year.

Under the Law of the 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

	2019	2018
	HK$'000	*HK$'000*
Final dividend of HK$0.01 per ordinary share paid in respect of the year ended 31 July 2018 (2018: no dividend paid in respect of the year ended 31 July 2017)	**9,475**	—

No dividend has been proposed by the Company since the end of the reporting period.

(10) EARNINGS PER SHARE

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

	2019 *HK$'000*	2018 *HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**30,607**	162,493

	2019	2018
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	**947,543,695**	947,543,695
Effect of dilutive potential ordinary shares:		
— Share options	**—**	—
Number of ordinary shares for the purposes of diluted earnings per share	**947,543,695**	947,543,695

For the years ended 31 July 2019 and 2018, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise prices of those share options were higher than the average market price of Company's shares.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**14,643**	13,415
Less: Allowance for doubtful debts	**(9,574)**	(9,684)
	5,069	3,731
Other receivables *(Notes (a) and (b))*	**51,040**	74,318
Less: Allowance for doubtful debts	**(40,010)**	(54,453)
	11,030	19,865
Deposits and prepayments *(Note (c))*	**28,577**	23,298
	44,676	46,894
Less: Rental and utility deposits shown under non-current assets	**(13,833)**	(11,679)
Less: Prepayment for acquisition of property, plant and equipment shown under non-current assets	**(2,490)**	—
	28,353	35,215

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

Notes:

(a) *As at 31 July 2019, net royalty receivables of the Group of Nil (2018: approximately HK$8,050,000), net of allowance for doubtful debt of approximately HK$40,007,000 (2018: HK$54,450,000) is included in the other receivables, where payments are required semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2019, the Group reversed provision for impairment of approximately HK$13,620,000 (2018: provision of HK$26,705,000).*

(b) *As at 31 July 2019, included in other receivables of the Group was advance of HK$7,000,000 (2018: HK$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2020 (2018: April 2019).*

(c) *As at 31 July 2019, land lease prepayments of the Group of approximately HK$316,000 (2018: HK$321,000) are included in the current portion of deposits and prepayments.*

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.

The following is an aging analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting periods:

	2019	2018
	HK$'000	*HK$'000*
Trade receivables:		
0 to 90 days	**4,297**	3,379
91 to 180 days	**597**	81
181 to 365 days	**175**	271
	5,069	3,731

The movements in the allowance for doubtful debts for trade and other receivables during the year, including both specific and collective loss components, are as follows:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**64,137**	38,467
(Reversal of) allowance provided, net	**(13,570)**	26,612
Exchange realignment	**(983)**	(942)
At the end of the year	**49,584**	64,137

As at 31 July 2018, included in allowance for doubtful debts of the Group are individually impaired trade and other receivables with an aggregate balance of approximately HK$64,137,000. The impaired trade and other receivables related to customers that were in financial difficulties and consequently, specific allowance for doubtful debts was fully recognised.

(12) BANK BORROWINGS

	2019		2018	
		Effective interest rates (%) p.a.		Effective interest rates (%) p.a.
	HK$'000		*HK$'000*	
Bank loans, secured	**587,058**	0.88 - 3.81	792,157	1.42 - 3.65
Trust receipt loans, secured	**9,354**	3.37 - 4.28	9,362	2.81 - 3.29
	596,412		801,519	

	2019	2018
	HK$'000	*HK$'000*
Carrying amount repayable *(Note)*:		
On demand or within one year	**581,083**	551,471
Beyond one year, but not exceeding two years	**2,297**	234,737
Beyond two years, but not exceeding five years	**5,529**	5,948
Beyond five years	**7,503**	9,363
	596,412	801,519
Less: Amounts shown under current liabilities	**(581,083)**	(551,471)
Amounts shown under non-current liabilities	**15,329**	250,048

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The borrowings of the Group bore interest at floating interest rates and were denominated in HK$.

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate plus 1.00% to 1.75% (2018: 1.25% to 1.75%).

(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 payables and accruals:

	2019 ***HK$'000***	2018 *HK$'000* (Restated)
Trade payables:		
0 to 90 days	**13,435**	8,413
91 to 180 days	**235**	187
181 to 365 days	**951**	527
Over 365 days	**903**	2,292
	15,524	11,419
Other deposits	**19,758**	20,081
Provision for onerous contracts	**14,920**	8,625
Payable for acquisition of unlisted equity investment	**1,342**	2,070
Other payables and accruals	**31,085**	32,660
	82,629	74,855
Less: Deposits received shown under non-current liabilities	**(10,157)**	(7,355)
	72,472	67,500

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.

(14) COMPARATIVE FIGURES

As at 31 July 2018, the Group had deposits received from tenants of its investment properties of HK$7,355,000 that were related to leases that will not expire within twelve months from the end of the reporting period and such amount was included in trade and other payables and deposits received under current liabilities. Such amount was reclassified to non-current liabilities to conform with the current year's presentation.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The auditor's opinion on the Group's financial statements for the year ended 31 July 2019 is as follows:

Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2019 (2018: HK$0.01 per ordinary share of the Company).

No interim dividend was declared during the year (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The revenue of the Group for the year ended 31 July 2019 slid to HK$235,348,000 (2018: HK$265,004,000), and the gross profit of the Group dropped by about 9%, to HK$163,334,000 (2018: HK$180,472,000).

Given Hong Kong as its principal place of operation, the "Garment and related accessories business" segment of the Group underwent a soggy path especially when the retail sector of Hong Kong deteriorated dramatically in gloomy markets in June and July 2019. The overall segment revenue, including the Mainland of China ("**Mainland**"), skid by 14% to HK$178,048,000 (2018: HK$207,814,000) with a loss of HK$24,486,000 (2018: HK$40,398,000). Albeit a decrease in revenue, the loss was mitigated by a net reversal of provision for doubtful debts on trade and other receivables, tightening cost controls and enhancement in operational efficiency.

The rental revenue generated by the "Property investment and letting business" segment was HK$57,300,000 for the year ended 31 July 2019 (2018: HK$57,190,000). The fair value gains on revaluation of the investment properties held by the Group were HK$57,414,000 as at 31 July 2019 (2018: HK$184,054,000), declined by 69%, as the robust uptrend of the property market in Hong Kong stalled.

In the first half of the financial year, the "Securities trading" segment suffered a loss of HK$4,059,000 under the volatile capital markets worldwide. Accredited to the Group's prompt reorganisation of the investment portfolios on hand and the unexpected shift of the monetary policy of the Federal Reserve of the United States ("**Federal Reserve**") thereafter, the performance of financial assets at fair value through profit and loss held by the Group greatly recovered since then. Finally, this segment recorded a profit of HK$5,857,000 for the year ended 31 July 2019 (2018: HK$5,446,000).

Aggregating the results of the above three business segments with the share of profit of an associate of HK$3,528,000 (2018: HK$12,876,000) and the exchange differences arising on translation of foreign operations of loss of HK$1,958,000 (2018: gain of HK$157,000), the total comprehensive income attributable to the owners of the Company was HK$28,649,000 for the year ended 31 July 2019 (2018: HK$159,691,000).

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

The spending ability and willingness of Hong Kong and overseas customers for the year ended 31 July 2019 dropped to nadir battered by various factors namely, the downturn of global economy, the devaluation of Renminbi, the absurd warm weather during the fall/winter season and the social chaos.

Under such a difficult and complex business environment of decades, the Group has persisted to realign the sales points by replacing under-performing shops with ones of reasonable rentals and footfall. As at 31 July 2019, the Group operated 21 (2018: 16) shops for “Crocodile” brand and 6 (2018: 6) shops for “Lacoste” brand. Moreover, the Group enhanced its merchandise mix with an aim of offering higher value-for-money apparels to our customers who have become more cautious at spending.

At the back-office aspect, the Group has streamlined the structure and workflow for saving administrative outlays.

The Mainland

The Mainland’s economic growth experienced the biggest slowdown in decades. The uncertain economic outlook, the trade war with the United States, the years-long deleveraging of the financial system and the crackdown on shadow banking, all these suffocated the circulation of credit flows, undermining governmental stimulus measures that were designed to cushion the impact of slowing demand. As a result, the spending atmosphere has been becoming more lackluster. Consequentially, the Group’s licensing business of the brand “Crocodile” in the Mainland was badly affected with royalty income of HK$740,000 for the year ended 31 July 2019 (2018: HK$908,000). On the other hand, the Group has deployed ample effort in chasing the recovery of royal income from the licensees, and it led to a net reversal of provision for doubtful debts due from licensees of HK$13,620,000 for the year ended 31 July 2019 (2018: provision of HK$26,705,000).

The Group’s yeas-long restructuring of its own sales channels effectively mollified the prevailing adversities. As at 31 July 2019, there were a total of 13 (2018: 16) shops in the Mainland, including self-operated shops of 5 (2018: 6) and those operated by the Group’s consignees and franchisees of 8 (2018: 10). The revenue of this segment was HK$10,052,000 for the year ended 31 July 2019 (2018: HK$11,424,000).

Seasonality

As its track record shows, the sales and results of the “Garment and related accessories business” segment bears 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 Lunar New Year.

“Property Investment and Letting Business” Segment

As disclosed in the Company’s announcement dated 18 June 2019, an indirect wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase with an independent third party to dispose of an investment property (“**Disposed Property**”) situated in Hong Kong (“**Disposal**”). As the Disposal was completed on 12 September 2019, after the current financial year end of 31 July 2019, any gain/loss on the Disposal would be realised thereafter. The rental income generated for the year ended 31 July 2019 by and the fair value gain on revaluation of the Disposed Property as at that date were included in the results for the year ended 31 July 2019.

The Group’s investment property portfolio as at 31 July 2019, including the Disposed Property, had remained intact since the end of last financial year. The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the year ended 31 July 2019 of HK$56,018,000 (2018: HK$56,042,000) and HK$1,282,000 (2018: HK$1,148,000), respectively.

Under the decelerating global economy, especially the Mainland, and the enduring Hong Kong governmental cooling measures, the upside momentum of Hong Kong property market withered, and as at 31 July 2019, the fair value gains on revaluation of investment properties in Hong Kong were HK$57,150,000 (2018: HK$183,500,000) whereas in the Mainland were HK$264,000 (2018: HK$554,000).

“Securities Trading” Segment

The global investment markets were in haphazard manners in the year ended 31 July 2019 compounded by the swinging trade relationship between China and the United States, the change in stance of the Federal Reserve on interest rates and balance sheet contraction, the deceleration of economic growths in the Mainland and Euro-zone and the dragging on of “Brexit”.

After incurring a loss of HK$4,059,000 for the first half of the financial year ended 31 July 2019 amid such market fluctuations, the Group took remedial measures swiftly by diversifying the portfolios of financial assets at fair value through profit and loss and increasing the proportion of securities of more defensive nature. Buoyed by the Federal Reserve’s looser monetary policy further, the Group’s “Securities trading” segment turned around and at last made a profit of HK$5,857,000 for the year ended 31 July 2019 (2018: HK$5,446,000).

Prospects

A truce of trade war is apparently on the way after the recent meeting between the world's two largest economies which have been in a vicious circle of slapping tariffs retaliatorily on each other's exports. Nevertheless, the Mainland has gradually shifted towards a domestic consumption-driven growth model to boost economy in recent years, especially when the trade war with the United States has caused the country's exports to drop sharply and investor sentiment to weaken. However, poor income growth, an uncertain employment outlook as well as high and rising levels of existing debt are some key obstacles holding back the middle-class from spending.

Investors still fear that the trade war will prove protracted enough to shove the world into recession and spill over into currency arena following the designation of the Mainland as currency manipulator by the United States. Global markets remain on edge after the flurry of tit-for-tat moves between the Mainland and the United States, together with the bleak economy of the Euro-zone and lingering "Brexit".

The above adversities combined with the social unrest in Hong Kong pose enormous challenges for the Group's business segments, however crisis creates opportunities. Facing the severe headwind toward the "Garment and related accessories business" segment, the Group, being well prepared, will endeavor to burnish the prestige brand image of "Crocodile" with unvarying commitments to providing high value-for-money merchandises on upgraded display and premier customer services to our patrons. In addition, the Group pursues to revamp its sales network and logistic structure in a bid for boosting the operational efficiency. The Group will closely monitor the market conditions in Hong Kong and the Mainland and will continue to evaluate opportunities to further expand the footprint.

The "Property investment and letting business" segment is sluggish both in terms of the market value under falling worldwide economy, and rental income in fierce competition for tenants upon the increase in supply of office premises in Eastern Kowloon, Hong Kong. In response, the Group will promote its investment properties by highlighting their individual specific merits, to secure steady and promising rental incomes which at the same serve as a support for their market values.

Having experienced the elusiveness of the international capital market in the year ended 31 July 2019, the Group will preserve the vigilant strategy in managing the portfolio of financial assets at fair value through profit and loss to prevent the performance of the "Securities trading" segment from going awry, despite the major central banks in the world adopt easing monetary policies in the coming year.

Contingent Liabilities

As at 31 July 2019, the Group had no material contingent liabilities.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments

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 manage the financial risks effectively.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments *(continued)*

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets at fair value through profit or loss, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the year ended 31 July 2019.

The Group mainly earns revenue and incurs cost 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 will not bear unforeseeable foreign currency exchange risks.

Cash and cash equivalents held by the Group amounted to HK$105,570,000 as at 31 July 2019 (2018: HK$104,031,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$37,559,000 (2018: HK$7,169,000) 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 2019 were equivalent to HK$38,714,000 (2018: HK$35,666,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, 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 2019, the total outstanding borrowings including margin loans of the Group amounted to HK$619,618,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$9,354,000, secured bank mortgage loans of HK$18,097,000, secured margin loans of HK$23,206,000, secured long-term bank loan of HK$231,960,000 and secured short-term bank revolving loans of HK$337,001,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loans above were repayable by instalments with its current portion of HK$2,768,000 repayable within one year and long-term portion of HK$15,329,000 repayable in the second to ninth years.

Interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. No financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2019.

As at 31 July 2019, the Group had mortgaged certain of its investment properties with carrying values of HK$1,866,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 July 2019 was 34%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the uncertain worldwide economic landscape, the Group continues to be prudent for business development to rein its gearing within a suitable range for controlling its risk exposure and finance costs.

Major Investments, Acquisitions and Disposals

Having the Disposal been completed on 12 September 2019, the Group had no major investments, acquisitions or disposals in the year ended 31 July 2019.

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

During the year ended 31 July 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and 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**" and "**Stock Exchange**", respectively).

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2019 save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company's operations and the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of both the Chairman and the Chief Executive Officer.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors ("**NEDs**", including the independent non-executive Directors ("**INEDs**")) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company, 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 ("**AGM**") (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 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. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

CORPORATE GOVERNANCE *(continued)*

Under code provision A.5.1, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the Executive Directors. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its board meeting held on 28 January 2019 for improving transparency around the nomination process. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 July 2019 including the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2019 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, SHINEWING (HK) CPA Limited ("**SHINEWING**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING on this preliminary results announcement.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Monday, 16 December 2019. Notice of such AGM together with the Company's Annual Report for the year ended 31 July 2019 will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crocodile.com.hk) and despatched to the Shareholders in mid-November 2019.

By Order of the Board
Crocodile Garments Limited
Lam Kin Ming
Chairman, Executive Director and
Chief Executive Officer

Hong Kong, 28 October 2019

As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Wan Edward Yee Hwa; one Non-executive Director, namely Ms. Lam Suk Ying, Diana; and three Independent Non-executive Directors, namely Messrs. Chow Bing Chiu, Leung Shu Yin, William and Yeung Sui Sang.