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**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 JANUARY 2020**

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of Crocodile Garments Limited (“**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2020 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 January 2020

		Six months ended 31 January	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	91,959	123,886
Cost of sales		(29,120)	(40,879)
Gross profit		62,839	83,007
Fair value (losses) gains on investment properties		(129,721)	51,262
Other income	4	2,583	2,582
Selling and distribution expenses		(65,224)	(65,393)
Administrative expenses		(29,071)	(29,214)
Other (losses) gains, net	5	(5,661)	4,321
Finance costs	6	(11,598)	(8,471)
Share of (loss) profit from an associate		(1,230)	3,202
(Loss) profit before tax	7	(177,083)	41,296
Income tax credit	8	406	314
(Loss) profit for the period attributable to owners of the Company		(176,677)	41,610
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(664)	2,234
Total comprehensive (expense) income for the period attributable to owners of the Company		(177,341)	43,844
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	10		
– Basic		(18.65)	4.39
– Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 31 January 2020

	<i>Notes</i>	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		113,078	114,482
Prepayment for the acquisition of property, plant and equipment		–	2,490
Investment properties		1,759,419	1,889,349
Right-of-use assets		67,096	–
Land lease prepayments		–	11,600
Financial asset at fair value through profit or loss ("FVTPL")		28,481	32,013
Amount due from an associate		9,104	8,878
Interest in an associate		52,420	53,650
Rental and utility deposits		12,320	13,833
		<u>2,041,918</u>	<u>2,126,295</u>
Current assets			
Inventories		55,576	48,437
Trade and other receivables, deposits and prepayments	11	27,937	28,353
Financial assets at FVTPL		157,679	163,826
Pledged bank deposits		36,900	37,559
Bank balances and cash		85,323	105,570
		<u>363,415</u>	<u>383,745</u>
Asset classified as held-for-sale		–	56,150
		<u>363,415</u>	<u>439,895</u>
Current liabilities			
Bank borrowings	12	558,895	581,083
Margin loans payable		34,587	23,206
Trade and other payables and deposits received	13	52,348	72,472
Amounts due to related companies		268	269
Lease liabilities		41,628	–
Tax payable		19,554	19,738
		<u>707,280</u>	<u>696,768</u>
Liabilities associated with asset classified as held-for-sale		–	20,615
		<u>707,280</u>	<u>717,383</u>
Net current liabilities		<u>(343,865)</u>	<u>(277,488)</u>
Total assets less current liabilities		<u>1,698,053</u>	<u>1,848,807</u>

Condensed Consolidated Statement of Financial Position *(continued)**As at 31 January 2020*

		31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings	12	–	15,329
Deposits received		10,159	10,157
Provision for long service payments		2,107	2,266
Lease liabilities		42,479	–
Deferred tax liabilities		1,884	2,290
		<hr/> 56,629	<hr/> 30,042
Net assets		<hr/> 1,641,424	<hr/> 1,818,765
Capital and reserves			
Share capital		332,323	332,323
Reserves		1,309,101	1,486,442
		<hr/> 1,641,424	<hr/> 1,818,765
Total equity		<hr/> 1,641,424	<hr/> 1,818,765

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2020

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“Companies Ordinance”) and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

In preparing the consolidated financial statements of the Company, the Directors 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\$343,865,000 as at 31 January 2020.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 July 2019 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2019 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

(2) PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 July 2019.

(2) PRINCIPAL ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 Leases (“**HKFRS 16**”) for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases those have a lease term of 12 months or less from the commencement date and do not contain an extension and termination option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

(2) **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Right-of-use assets *(continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

(2) **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Lease liabilities *(continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 August 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers (“**HKFRS 15**”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

(2) **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessor (continued)

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 August 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 August 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 August 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

(2) **PRINCIPAL ACCOUNTING POLICIES** *(continued)*

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(continued)*

Transition and summary of effects arising from initial application of HKFRS 16 *(continued)*

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.5%.

	At 1 August 2019 (Unaudited) <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 July 2019	120,445
Lease liabilities discounted at relevant incremental borrowing rates	(4,838)
Less: Recognition exemption – short-term leases	<u>(13,004)</u>
Lease liabilities as at 1 August 2019	<u><u>102,603</u></u>
Analysed as:	
Current	43,115
Non-current	<u>59,488</u>
	<u><u>102,603</u></u>

(2) **PRINCIPAL ACCOUNTING POLICIES** (continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 August 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets (Unaudited) <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		102,603
Reclassified from prepaid lease payments	<i>(a)</i>	11,916
Adjustments on the rent-free period at 1 August 2019	<i>(b)</i>	(937)
Adjustments on the provision for onerous contracts at 1 August 2019	<i>(c)</i>	(14,920)
		<u>98,662</u>
By class:		
Leasehold land		11,916
Staff quarters		2,984
Office		532
Shop outlets		83,230
		<u>98,662</u>

Notes:

- (a) *Upfront payments for leasehold lands in the People's Republic of China ("PRC") were classified as prepaid lease payments as at 31 July 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$316,000 and HK\$11,600,000, respectively, were reclassified to right-of-use assets.*
- (b) *It represents the accrued lease liabilities for leases where the lessor has provided rent-free period, and was adjusted to right-of-use assets on transition to HKFRS 16.*
- (c) *The provision for onerous contracts were made based on assessment of the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from garment and related accessories business. The provision was calculated based on discounted cash flows to the end of the lease period. As at 31 July 2019, the provision for onerous contracts was approximately HK\$14,920,000 and was adjusted to the right-of-use assets on transition to HKFRS 16.*

(2) **PRINCIPAL ACCOUNTING POLICIES** (continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 August 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 August 2019. However, effective 1 August 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The management considers the impact of the discounting effect as insignificant to the condensed consolidated financial statements.
- (c) Effective on 1 August 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 August 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 July 2019 (Audited) HK\$'000	Adjustments (Unaudited) HK\$'000	Carrying amounts under HKFRS 16 at 1 August 2019 (Unaudited) HK\$'000
Non-current Assets			
Land lease prepayments	11,600	(11,600)	–
Right-of-use assets	–	98,662	98,662
Current Assets			
Trade and other receivables, deposits and prepayments	28,353	(316)	28,037
Current Liabilities			
Trade and other payables and deposits received	72,472	(15,857)	56,615
Lease liabilities	–	43,115	43,115
Non-current Liabilities			
Lease liabilities	–	59,488	59,488

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 31 January 2020, movements in working capital have been computed based on opening statement of financial position as at 1 August 2019 as disclosed above.

(3) SEGMENT INFORMATION

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

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

Segment revenues and results

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

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from external customers	63,377	95,418	28,582	28,468	-	-	91,959	123,886
Other income from external customers	1,961	1,354	129	662	-	-	2,090	2,016
Group's total revenue and other income	<u>65,338</u>	<u>96,772</u>	<u>28,711</u>	<u>29,130</u>	<u>-</u>	<u>-</u>	<u>94,049</u>	<u>125,902</u>
Reportable segment (loss) profit	<u>(43,627)</u>	<u>(5,789)</u>	<u>(109,255)</u>	<u>77,923</u>	<u>6,022</u>	<u>(4,059)</u>	<u>(146,860)</u>	<u>68,075</u>
Unallocated corporate income							493	566
Unallocated corporate expenses							(19,118)	(18,874)
Finance costs							(11,598)	(8,471)
Loss (profit) before tax							<u>(177,083)</u>	<u>41,296</u>

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

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

(4) OTHER INCOME

	Six months ended 31 January	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Royalty income	366	358
Bank interest income	73	146
Interest income on amount due from an associate	226	340
Interest income in advance to independent third parties	420	420
Others	1,498	1,318
	<u>2,583</u>	<u>2,582</u>

(5) OTHER (LOSSES) GAINS, NET

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net reversal of provision for doubtful debts on trade and other receivables	2,733	9,994
Write-off of trade and other receivables	–	(159)
Loss on disposal of asset classified as held-for-sale	(538)	–
Net gain (loss) on financial assets at FVTPL	2,490	(5,948)
Exchange gain, net	6	87
Impairment loss in respect of right-of-use assets	(10,000)	–
Others	(352)	347
	<u>(5,661)</u>	<u>4,321</u>

(6) FINANCE COSTS

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on: Bank borrowings	<u>11,598</u>	<u>8,471</u>

(7) (LOSS) PROFIT BEFORE TAX

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

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	<u>6,088</u>	<u>5,970</u>
Depreciation of right-of-use assets	<u>22,260</u>	<u>–</u>
Amortisation of land lease prepayments (included in administrative expenses)	<u>–</u>	<u>159</u>
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK\$450,000 (2019: reversal of provision of HK\$235,000))	<u>28,720</u>	<u>40,542</u>

(8) INCOME TAX CREDIT

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax	–	–
Deferred tax	<u>(406)</u>	<u>(314)</u>
Income tax credit	<u>(406)</u>	<u>(314)</u>

No current tax has been provided for the six months ended 31 January 2020 (2019: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the period.

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

No dividend was paid, declared or proposed during the six months ended 31 January 2020. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2019: Nil).

(10) (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss) Earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	<u>(176,677)</u>	<u>41,610</u>
	Six months ended 31 January	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	947,543,695	947,543,695
Effect of dilutive potential ordinary shares:		
– Share options	<u>–</u>	<u>–</u>
Number of ordinary shares for the purpose of (loss) diluted earnings per share	<u>947,543,695</u>	<u>947,543,695</u>

For the periods ended 31 January 2020 and 2019, the computation of diluted (loss) earnings per share did not assume the exercise of the Company’s outstanding share options as the exercise prices of those share options are higher than the average market prices of the Company’s shares.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
	<i>Notes</i>		
Trade receivables	<i>(i) & (ii)</i>	14,828	14,643
Less: Allowance for doubtful debts		(9,524)	(9,574)
		5,304	5,069
Other receivables		49,198	51,040
Less: Allowance for doubtful debts		(36,863)	(40,010)
		12,335	11,030
Deposits and prepayments		22,618	28,577
		40,257	44,676
Less: Rental and utility deposits shown under non-current assets		(12,320)	(13,833)
Less: Prepayment for acquisition of property, plant and equipment shown under non-current assets		–	(2,490)
		27,937	28,353

Notes:

- (i) *Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has been set with a maximum credit limit. The Group does not hold any collateral over these balances.*

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

- (ii) *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:*

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	3,782	4,297
91 to 180 days	656	597
181 to 365 days	866	175
	5,304	5,069

(12) BANK BORROWINGS

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Bank loans, secured	549,157	587,058
Trust receipt loans, secured	9,738	9,354
	<u>558,895</u>	<u>596,412</u>
Carrying amount repayable:		
On demand or within one year	558,895	581,083
Beyond one year, but not exceeding two years	–	2,297
Beyond two years, but not exceeding five years	–	5,529
Beyond five years	–	7,503
	<u>558,895</u>	<u>596,412</u>
Less: Amounts shown under current liabilities	<u>(558,895)</u>	<u>(581,083)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>15,329</u>

(13) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an aging analysis of trade payables as at the end of the reporting periods, based on the date of receipt of goods, and the details of balances of deposits received, other payable and accruals:

	31 January 2020 (Unaudited) HK\$'000	31 July 2019 (Audited) HK\$'000
Trade payables:		
0 to 90 days	10,253	13,435
91 to 180 days	871	235
181 to 365 days	651	951
Over 365 days	1,278	903
	<u>13,053</u>	<u>15,524</u>
Other deposits	18,668	19,758
Provision for onerous contracts	–	14,920
Payable for acquisition of unlisted equity investment	1,342	1,342
Other payables and accruals	29,444	31,085
	<u>62,507</u>	<u>82,629</u>
Less: Deposits received shown under non-current liabilities	<u>(10,159)</u>	<u>(10,157)</u>
	<u>52,348</u>	<u>72,472</u>

The credit period for purchase of goods is between 30 and 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group tumbled by 26% to HK\$91,959,000 (2019: HK\$123,886,000) and the gross profit dropped by 24% to HK\$62,839,000 (2019: HK\$83,007,000).

The operating atmosphere of the “Garment and related accessories business” segment of the Group deteriorated materially during the six months ended 31 January 2020 in the midst of the continuous massive social event in Hong Kong and the Coronavirus epidemic during the Lunar New Year period, and as a result the revenue plunged by 34% to HK\$63,377,000 (2019: HK\$95,418,000). Being a mitigation, the Group continued to rationalise its retail network by closing down underperforming shops and negotiate with landlords for rent concessions to enhance its operational efficiency. Finally, the “Garment and related accessories business” segment recorded a loss of HK\$43,627,000 for the six months ended 31 January 2020 (2019: HK\$5,789,000).

Under such a difficult situation, the Group’s “Property investment and letting business” segment played an important role of stabilisation by generating steady rental income of HK\$28,582,000 for the six months ended 31 January 2020 (2019: HK\$28,468,000). However, the revaluation of the investment properties held by the Group recorded fair value losses of HK\$129,721,000 as at 31 January 2020 (2019: gains of HK\$51,262,000).

Albeit the global capital markets persisted to be highly volatile, accredited to the Group’s prompt reorganisation of the investment portfolios on hand, the “Securities trading” segment made a profit of HK\$6,022,000 in the six months ended 31 January 2020 (2019: loss of HK\$4,059,000).

Taking into account the performances of the above three business segments with the share of loss of an associate of HK\$1,230,000 (2019: gain of HK\$3,202,000) and the exchange differences arising on translation of foreign operations of loss of HK\$664,000 (2019: gain of HK\$2,234,000), the total comprehensive expense attributable to the owners of the Company was HK\$177,341,000 for the six months ended 31 January 2020 (2019: income of HK\$43,844,000).

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

The relentless social event in Hong Kong seriously disturbed the Group’s “Garment and related accessories business” segment as being forced to shorten business hours or even close up shops. The tense sentiment also deterred numerous tourists from visiting Hong Kong. Worsened by the escalation of the Sino-United States trade war, the absurd warm weather during the fall/winter season and the outbreak of Coronavirus, the consumer spending ability and desire were nosediving.

To tide over the above tough conditions, the Group endeavoured to offer high value-for-money apparel under the prestige brand “Crocodile” to maintain market adaptiveness, mindful of prevailing customer cautious spending manner. The Group pursued to restrain the inventory level to avoid any excessive stock which would jeopardise its gross margin when stock clearance became necessary; rationalise its retail network through the closure of underperforming stores or relocation; and bargain with its landlords for rent concessions. As at 31 January 2020, the Group operated 20 (2019: 18) “Crocodile” shops and 7 (2019: 6) “Lacoste” shops.

Besides, the Group has been implementing stringent cost control measures on sales and marketing activities and back-office structure.

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

The Mainland of China (“Mainland”)

The consumer spending power in the Mainland has been dampened by various reasons, namely the intensifying trade disputes with the United States, the consequentially slowing growth in economy, the weakening in its currency and the sweeping Coronavirus.

Attributed to the ongoing effort on restructuring of its own sales channels, the Group weathered the above adversity. As at 31 January 2020, there were a total of 14 (2019: 16) shops in the Mainland, including self-operated shops of 6 (2019: 6) and those operated by the Group’s consignees and franchisees of 8 (2019: 10). The revenue of this segment was HK\$4,464,000 for the six months ended 31 January 2020 (2019: HK\$5,899,000).

In respect of the Group’s licensing business of the brand “Crocodile”, the royalty income was HK\$366,000 for the six months ended 31 January 2020 (2019: HK\$358,000); and there was a net reversal of provision for doubtful debts due from licensees of HK\$2,733,000 (2019: HK\$9,994,000).

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

The Group’s investment property portfolio remained intact since 31 July 2019 save for the disposal of an investment property situated at Hennessy Road, Hong Kong as disclosed in the Company’s announcement dated 18 June 2019 (“Disposal”).

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the six months ended 31 January 2020 of HK\$27,933,000 (2019: HK\$27,949,000) and HK\$649,000 (2019: HK\$519,000), respectively. As the global economy ran out of steam, especially the Mainland, and the social unrest raged in Hong Kong, the revaluation of the investment properties held by the Group ticked fair value losses of HK\$129,721,000 as at 31 January 2020 (2019: gains of HK\$51,262,000), with the fair value losses of HK\$129,100,000 (2019: gains of HK\$51,000,000) on investment properties in Hong Kong and losses of HK\$621,000 (2019: gains of HK\$262,000) in the Mainland.

“Securities Trading” Segment

In most time span of the six months ended 31 January 2020, the global investment markets were on tenterhooks waiting mainly for the results of the Sino-United States trade negotiation and “Brexit” destination, amid the worse-than-anticipated deceleration of economic growths in the Mainland and the Euro-zone, and the expectation for the major central banks worldwide to adopt easing monetary policies.

Upon the entering into of the “Phase 1” agreement between the Mainland and the United States, and the return of a strong Conservative majority in the parliament after British general election, the respective risks of sharp escalation in the Sino-United States trade war tension, and Britain crashing out of the European Union without a deal were receding in mid-January 2020; and these had at that time offered a lift to global securities. Unfortunately, the all-of-sudden Coronavirus epidemic in late January 2020 shadowed the worldwide economy and financial market deeply.

“Securities Trading” Segment *(continued)*

In such complicated market circumstances, the Group took a prudent approach to diversify its portfolios of financial assets at fair value through profit and loss and focus more on securities of defensive nature. The Group’s “Securities trading” segment recorded a profit of HK\$6,022,000 for the six months ended 31 January 2020 (2019: loss of HK\$4,059,000).

Prospects

The pandemic of Coronavirus fanned worries about the downward spiral of global economic activities. The emergency slashes of interest by the Federal Reserve of the United States to near zero signed the fear that the spreading virus would stoke a looming recession worldwide. But the financial markets still cannot escape from plummet, and fall into the biggest turbulence since the 2008 financial crisis.

Notwithstanding the signing of the “Phase 1” agreement between the world’s two largest economies, and the accomplishment of “Brexit”, yet it might be too soon to declare an all-clear on the political front. The Sino-United States conflicts go beyond trade and will remain even after the signing of the “Phase 1” agreement and in the “Phase 2” negotiations, and may accelerate during the United States election in 2020; and the British government inclined to take a hard line on bilateral trade talks after Brexit.

The Mainland has relied on a strong services sector to offset manufacturing weakness. However, a broader economic slowdown since past years has limited the sector’s resilience needless to mention the setback of economic activities caused by Coronavirus. Hong Kong’s economy has been hit hard, first by social events and now the Coronavirus as tourist arrivals slump and residents steer clear of shops.

All the above factors had led to economic uncertainty and deteriorating consumer sentiment in the markets where the Group operates.

The Group is cautious about the outlook of business of the “Garment and related accessories business” segment in the second half of the financial year in light of the ongoing dour economic climates and uncertainties. The Group continues to capitalise on its prestige brand “Crocodile” to foster its market standing and launch excellent value-for-money merchandises and remarkable shopping experience to our patrons. To have greater vitality in the rapid-changing operating conditions ahead, the Group will prudently manage its retail network and restrain pile up of inventories, to improve its cash and financial positions.

The Group will further streamline its workflow so as to bolster its logistic efficiency, and rein in various outlays such as staff costs and marketing and advertising expenses to optimise its cost structure in the challenging landscape.

The property market in Hong Kong is foreseen to be stagnant in general. In addition, another challenge for the “Property investment and letting business” segment of the Group comes from the pressure on rentals upon the increase in supply of office premises in Eastern Kowloon, Hong Kong where most on the Group’s investment properties situated and the broad decrease in demand caused by the Coronavirus. To cope with this, the Group will polish the merits of its investment properties to attract and retain valuable tenants in order to secure steady and satisfactory rental income for the Group’s operation as well as a solid support of their market values. The Group will also consider to realign the portfolio by disposing of non-core investment properties aimed at optimising the returns and improving the liquidity.

The “Securities trading” segment has gone through the tumultuous investment market ambience for the past two years, and the Group will keep on its pragmatic stance in managing the portfolio of financial assets at fair value through profit and loss and increase the cash holding to achieve sustainable returns.

Contingent Liabilities

As at 31 January 2020, 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.

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 six months ended 31 January 2020.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi, United States dollars, Euro and Japanese Yens. 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 overseas investments, and will not bear unforeseeable foreign currency exchange risks.

Cash and cash equivalents held by the Group amounted to HK\$85,323,000 as at 31 January 2020 (31 July 2019: HK\$105,570,000) and were mainly denominated in Hong Kong dollars, Renminbi, United States dollars and Japanese Yens. The pledged bank deposits of approximately HK\$36,900,000 (31 July 2019: HK\$37,559,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2020 were equivalent to HK\$20,314,000 (31 July 2019: HK\$38,714,000) 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. On the other hand, the Group will consider to dispose of non-core investment properties and liquidate certain portions of financial assets at fair value through profit and loss in order to buttress the cash position when necessary.

As at 31 January 2020, the total outstanding borrowings including margin loans of the Group amounted to HK\$593,482,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK\$9,738,000, secured short-term bank mortgage loans of HK\$1,074,000, secured margin loans of HK\$34,587,000 and secured short-term bank revolving loans of HK\$548,083,000. Short-term bank loans were repayable within a period not exceeding one year.

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 Yens. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2020.

As at 31 January 2020, the Group had pledged certain of its own-use and investment properties with carrying values of HK\$1,777,231,000 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 January 2020 was 36%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. Considering the worldwide economic fluctuations, the Group continues to be vigilant for business advancement and contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Major Investments, Acquisitions and Disposals

Except for the Disposal which has been completed on 12 September 2019, the Group had no other significant investments, material acquisitions or disposals in the six months ended 31 January 2020.

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

During the six months ended 31 January 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) throughout the six months ended 31 January 2020 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 chairman and chief executive 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, 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 (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.

Under code provision A.5.1, a nomination committee comprising a majority of 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 INTERIM 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 unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2020, the accounting principles and practices adopted by the Company and financial reporting matters.

By Order of the Board
Crocodile Garments Limited
Lam Wai Shan, Vanessa
Executive Director and
Deputy Chief Executive Officer

Hong Kong, 27 March 2020

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.