CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2024

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 2024 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss
For the six months ended 31 January 2024

		Six months ended 31 January	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**48,916**	42,000
Cost of sales		**(8,852)**	(7,145)
Gross profit		**40,064**	34,855
Other income	*4*	**9,483**	9,122
Selling and distribution expenses		**(24,122)**	(22,289)
Administrative expenses		**(27,350)**	(23,569)
Fair value losses on investment properties		**(7,867)**	(69,707)
Other gains, net	*5*	**1,156**	10,435
Finance costs	*6*	**(24,693)**	(16,765)
Share of profit/(loss) of an associate		**58**	(1,829)
Loss before tax	*7*	**(33,271)**	(79,747)
Income tax credit	*8*	**19,291**	–
Loss for the period attributable to owners of the Company		**(13,980)**	(79,747)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	*10*		
– Basic		**(0.98)**	(6.65)
– Diluted		**(0.98)**	(6.65)

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2024

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(13,980)**	(79,747)
Other comprehensive income/(expenses)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**193**	(81)
Reclassification adjustments of exchange differences to profit or loss on deregistration of a mainland China branch	**(1,029)**	–
	(836)	(81)
Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss:		
Revaluation gain on transfer of property, plant and equipment to investment properties	**–**	84,715
Income tax effect	**–**	(21,179)
	–	63,536
Other comprehensive income/(expenses) for the period, net of tax	**(836)**	63,455
Total comprehensive expenses for the period attributable to the owners of the Company	**(14,816)**	(16,292)

Condensed Consolidated Statement of Financial Position
As at 31 January 2024

	Notes	31 January 2024 (Unaudited) HK$'000	31 July 2023 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**50,199**	47,301
Investment properties		**1,698,012**	1,705,884
Right-of-use assets		**100,019**	93,496
Financial assets at fair value through profit or loss (“**FVTPL**”)		**48,305**	45,963
Interest in an associate		**50,195**	50,137
Amount due from an associate		**8,366**	8,126
Deposits and prepayments	*11*	**3,252**	5,756
Total non-current assets		**1,958,348**	1,956,663
Current assets			
Inventories		**18,507**	14,537
Trade and other receivables, deposits and prepayments	*11*	**15,876**	20,287
Amount due from a related company		**–**	503
Financial assets at fair value through profit or loss		**105,523**	121,850
Pledged bank deposits		**1,806**	579
Cash and cash equivalents		**207,023**	229,445
Total current assets		**348,735**	387,201
Current liabilities			
Trade payables, other payables and deposits received	*13*	**34,494**	31,081
Financial liabilities at fair value through profit or loss		**1,737**	8,565
Interest-bearing bank borrowings	*12*	**199,438**	201,133
Margin loans payable		**5,508**	3,544
Lease liabilities		**12,417**	8,923
Tax payable		**–**	19,303
Total current liabilities		**253,594**	272,549
Net current assets		**95,141**	114,652
Total assets less current liabilities		**2,053,489**	2,071,315

	Notes	**31 January 2024 (Unaudited) *HK$'000***	31 July 2023 (Audited) *HK$'000*
Non-current liabilities			
Other payables and deposits received	*13*	**11,514**	10,699
Interest-bearing bank borrowings	*12*	**540,601**	549,368
Provision		**1,135**	1,135
Lease liabilities		**13,151**	8,209
Deferred tax liabilities		**20,327**	20,327
Total non-current liabilities		**586,728**	589,738
Net assets		**1,466,761**	1,481,577
Equity			
Equity attributable to owners of the Company			
Share capital		**374,636**	374,636
Reserves		**1,092,125**	1,106,941
Total equity		**1,466,761**	1,481,577

NOTES

For the six months ended 31 January 2024

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2024 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 at FVTPL which have been measured at fair values.

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

The financial information relating to the year ended 31 July 2023 that is included in the condensed consolidated interim financial 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 2023 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(3) OPERATING SEGMENT INFORMATION

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

(i) the garment and related accessories business;

(ii) the property investment and letting business; and

(iii) treasury management.

Segment revenues and results

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax.

During the six months ended 31 January 2024, the directors have reassessed the basis of adjusted loss before tax for reportable operating segments and considered that it is more appropriate to be measured consistently with the Group's loss before tax except that bank interest income, finance costs, certain other income and corporate expenses are excluded from such measurement. The directors believe that the current presentation could provide a better understanding to the users of the interim financial statements to evaluate the Group's operating performance. Accordingly, the comparative figures in segment results have been restated.

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**22,649**	18,494	**26,267**	23,506	**–**	–	**48,916**	42,000
Other income from external customers	**4,730**	5,572	**241**	210	**–**	–	**4,971**	5,782
Group's total revenue and other income	**27,379**	24,066	**26,508**	23,716	**–**	–	**53,887**	47,782
Reportable segment profit/(loss) before gain on disposal of a property, property revaluation and share of an associate's results	**(7,193)**	(6,949)	**20,605**	18,582	**(4,235)**	10,173	**9,177**	21,806
Gain on disposal of a property	**–**	–	**4,050**	–	**–**	–	**4,050**	–
Fair value losses on investment properties	**–**	–	**(7,867)**	(69,707)	**–**	–	**(7,867)**	(69,707)
Share of profit/(loss) of an associate	**–**	**–**	**58**	(1,829)	**–**	**–**	**58**	(1,829)
Reportable segment profit/(loss)	**(7,193)**	(6,949)	**16,846**	(52,954)	**(4,235)**	10,173	**5,418**	(49,730)
Unallocated corporate income							**4,512**	3,340
Unallocated corporate expenses							**(18,508)**	(16,592)
Finance costs							**(24,693)**	(16,765)
Loss before tax							**(33,271)**	(79,747)

(4) OTHER INCOME

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Royalty income	**4,686**	5,497
Bank interest income	**3,970**	3,340
Interest income on amount due from an associate	**240**	210
Others	**587**	75
	9,483	9,122

(5) OTHER GAINS, NET

An analysis of other gains, net is as follows:

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of a property	**4,050**	–
Net gains/(losses) on financial instruments at FVTPL	**(4,235)**	10,173
Net gain on deregistration of a mainland China branch	**1,357**	–
Foreign exchange differences, net	**(20)**	10
Gain on early termination of leases	**–**	214
Others	**4**	38
	1,156	10,435

(6) FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**24,116**	16,475
Interest on lease liabilities	**577**	290
	24,693	16,765

(7) LOSS BEFORE TAX

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

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**8,215**	8,623
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**1,732**	2,044
Provision/(reversal of provision) for slow-moving inventories	**197**	(1,903)
Depreciation of property, plant and equipment	**3,139**	1,701
Depreciation of right-of-use assets	**8,366**	4,933

(8) INCOME TAX

No current tax has been provided for the six months ended 31 January 2024 (2023: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both periods.

	Six months ended 31 January	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**–**	–
Current – Mainland China		
Charge for the period	**–**	–
Over provision in prior periods	**(19,291)**	–
Deferred	**–**	–
	(19,291)	–

(9) DIVIDEND

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

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 1,421,315,542 (2023: 1,198,775,195) in issue during the period.

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

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Note	**31 January 2024 (Unaudited) *HK$'000***	31 July 2023 (Audited) *HK$'000*
Trade receivables		**10,608**	9,053
Impairment		**(6,946)**	(6,946)
	(a)	**3,662**	2,107
Other receivables		**35,186**	38,334
Impairment		**(31,097)**	(33,134)
		4,089	5,200
Deposits and prepayments		**11,377**	18,736
		19,128	26,043
Analysed into:			
Non-current portion		**3,252**	5,756
Current portion		**15,876**	20,287
		19,128	26,043

Note:

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

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

	31 January 2024 (Unaudited) *HK$'000*	31 July 2023 (Audited) *HK$'000*
0 to 90 days	**2,246**	1,073
91 to 180 days	**333**	224
181 to 365 days	**891**	507
Over 365 days	**192**	303
	3,662	2,107

(12) INTEREST-BEARING BANK BORROWINGS

	31 January 2024 (Unaudited)			31 July 2023 (Audited)		
	Effective interest rate *(%)*	**Maturity**	***HK$'000***	Effective interest rate *(%)*	Maturity	*HK$'000*
Current						
Bank loans – secured	**5.53–6.77**	**On demand/ 2024–2025**	**199,438**	6.03–6.77	On demand/ 2023–2024	201,133
Non-current						
Bank loans – secured	**6.26**	**2025–2042**	**540,601**	6.72	2024–2042	549,368
			740,039			750,501

	31 January 2024 (Unaudited) ***HK$'000***	31 July 2023 (Audited) *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**199,438**	201,133
In the second year	**17,710**	16,396
In the third to fifth years, inclusive	**60,274**	56,328
Beyond five years	**462,617**	476,644
	740,039	750,501

(13) TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

	Notes	**31 January 2024 (Unaudited)** ***HK$'000***	31 July 2023 (Audited) *HK$'000*
Trade payables	*(a)*	**9,806**	4,359
Other payables and accruals	*(b)*	**21,579**	24,513
Deposits received		**14,623**	12,908
		46,008	41,780
Less: Non-current portion		**(11,514)**	(10,699)
Current portion		**34,494**	31,081

(13) TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED *(continued)*

Notes:

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

	31 January 2024 (Unaudited) *HK$'000*	31 July 2023 (Audited) *HK$'000*
0 to 90 days	**1,741**	2,875
91 to 180 days	**4,545**	–
181 to 365 days	**2,038**	1,221
Over 365 days	**1,482**	263
	9,806	4,359

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

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

(14) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation. These reclassifications have no impact on the Group's total equity as at 31 January 2024 and 31 July 2023, or on the Group's loss for the six months ended 31 January 2024 and 2023.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 January 2024 (2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group improved by 16% to HK$49 million (2023: HK$42 million). While maintaining a high gross margin of 82% (2023: 83%), the gross profit increased to HK$40 million (2023: HK$35 million).

Following the relaxation of anti-epidemic measures and cross-border controls pertaining to the COVID-19 pandemic in Hong Kong, Macau and Mainland China in early 2023, the overall retail sentiments in Hong Kong and Macau showed an improvement with the return of tourism. Driven by this, the Group recorded a double-digit growth of about +23% in same-store "Crocodile" sales during the six months ended 31 January 2024. The revenue of the "Garment and Related Accessories Business" experienced an improvement of HK$4 million (or 22%) to HK$23 million (2023: HK$19 million). However, the heightened uncertainty surrounding global economic growth under interest rate hike, the strengthening of the Hong Kong dollar against Renminbi, and the changes in the retail landscape due to competition from neighboring cities in the Greater Bay Area have brought challenges to Hong Kong retailers. Overall, the retail business growth lagged the initial expectation.

In addition, certain lease payments of HK$4 million, which was fully impaired from right-of-use assets in previous fiscal years, were not reflected as an expense in last period's segment performance. Despite the notable advancements observed in revenue and gross profit within the garment segment, the segment result for the period still suffered a similar level of loss in the region of HK$7 million as last period.

For the six months ended 31 January 2024, "Property Investment and Letting Business" segment recorded an increase in rental income to HK$26 million (2023: HK$24 million), after the Group's effort to improve the occupancy rate. The revaluation of the investment properties held by the Group notched fair value losses of HK$8 million during the period (2023: loss of HK$70 million).

After an aggressive series of interest rate hikes in the later part of 2022 and early 2023, the US Federal Reserve has taken a pause in its rate hike cycle, indicating that the policy rate has likely reached or approached its peak during the period. This shift in monetary policy, coupled with the resilience of the US economy, has resulted in a more positive investor sentiment overall.

However, geopolitical tensions still continue to pose challenges and uncertainties in the investment market. The ongoing Russia-Ukraine conflict and the outbreak of conflicts in the Middle East have introduced additional turbulence, causing fluctuations and potential risks in global financial markets. These geopolitical factors have the potential to impact investor confidence and influence market dynamics.

Financial Performance *(continued)*

Despite the generally optimistic global outlook driven by the pause in rate hikes and the strength of the US economy, it is important for the Group to remain vigilant and closely monitor the evolving geopolitical landscape. As such, the Group adopted a relative cautious approach in managing its portfolios of financial assets and liabilities at FVTPL and a mild loss of HK$4 million was recorded in "Treasury Management" segment during the period (2023: profit of HK$10 million).

Given the borrowing rate climbing to the highest level since 2001, the Group incurred a higher finance costs in the amount of HK$25 million (2023: HK$17 million).

Combining the results of the three business segments and finance costs mentioned above with the net unallocated expenses of HK$14 million (2023: HK$13 million) and a reversal of income tax payable upon deregistration of a Mainland China branch with the amount of HK$19 million, the total comprehensive expenses attributable to the owners of the Company was HK$15 million for the six months ended 31 January 2024 (2023: HK$16 million).

"Garment and Related Accessories Business" Segment

Hong Kong and Macau

During the period, the Hong Kong economy encountered a range of challenges despite the waning impact of the COVID-19 pandemic and the resumption of normalcy in the lives of its citizens. Regrettably, the Hong Kong retail did not experience a strong rebound as expected, as revenge travelling and cross-border spending behaviour were being adopted among residents after the uplift of travel restrictions in Hong Kong. The unintended consequence of this trend severely affected local consumption.

In light of these circumstances, the Group has made diligent efforts to maintain an optimised size of its shop network. Management has carefully evaluated the performance of each shop, along with the prevailing market rental rates, in order to make informed decisions regarding lease renewals. As of 31 January 2024, the Group operated 9 (31 July 2023: 9) "Crocodile" shops.

Coupled with continuous contribution from the another brand from 2 (31 July 2023: 2) "CROCO" shops as of 31 January 2024, the overall retail revenue in Hong Kong and Macau increased by 23% to HK$21 million (2023: HK$17 million).

"Garment and Related Accessories Business" Segment *(continued)*

The Mainland

In response to the post-COVID-19 landscape, the Group has made concerted efforts to optimise its operations by strategically closing unprofitable shops in the Mainland. As of 31 January 2024, the Group's presence in the Mainland consisted of 4 self-operated shops, a significant reduction compared to the previous corresponding period, which included 6 self-operated shops and 6 consignee shops.

Thanks to the gradual recovery of mobility in major Mainland cities after the COVID-19 pandemic, the overall retail revenue in the Mainland experienced a slight increase to HK$1.4 million (compared to HK$1.3 million in 2023), despite operating a smaller number of shops. These remaining shops now serve a crucial role as "showrooms" to maintain royalty income, which is included in the category of "Other income."

Seasonality

As its track record shows, the sales and performances of the "Garment and Related Accessories Business" segment bear heavy correlation with seasonality. In general, more than 50% of this segment's annual sales are derived from the first half of the financial year in which fall/winter collections of higher values and margins are rolled out, coupling with festive holidays – Christmas, New Year and occasionally, Lunar New Year.

Royalty Income

The Group's licensing business of the brand "**Crocodile**" in Hong Kong, Macau, and the Mainland contributed a steady royalty income of HK$5 million for the period (2023: HK$5 million).

"Property Investment and Letting Business" Segment

The Group's investment property portfolio remained intact since 31 July 2023.

For the six months ended 31 January 2024, the Group's investment properties in Hong Kong and the Mainland generated rental revenue of HK$26 million, indicating a notable 12% increase compared to the previous period's figure of HK$24 million. This growth can be attributed to the Group's proactive measures aimed at enhancing occupancy rates and diversifying the tenant mix within its investment properties.

Through strategic initiatives, the Group successfully improved the occupancy rates of its properties, ensuring a higher utilisation of available spaces. Additionally, the Group focused on diversifying the tenant mix by increasing the proportion of service retail tenants. This deliberate shift contributed to the overall revenue growth observed during the period under review. As such, the revaluation of the investment properties held by the Group recorded a relative mild fair value losses of HK$8 million (2023: loss of HK$70 million).

“Treasury Management” Segment

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

Macroeconomically, the global landscape was marked by enduring inflationary pressures, triggering one of the most rapid and robust monetary tightening cycles in recent memory. The US Federal Reserve took an assertive stance in tightening monetary policy, resulting in a significant appreciation of the US dollar. Consequently, China faced limitations in providing further economic support due to concerns over potential depreciation of the Renminbi currency. In addition, the relationship between China and the US remained delicate, with the US imposing additional investment restrictions on China.

Mindful of the dynamic and complex global economic environment, the Group took a cautious approach to managing its portfolios of financial instruments at FVTPL in order to generate favourable returns for the Shareholders. The Group’s “Treasury Management” segment recorded a mild loss of HK$4 million for the six months ended 31 January 2024 (2023: gain of HK$10 million).

Prospects

Looking towards the future, it is evident that the path to a full recovery in the retail sector and the global economy before the pandemic is still a long and challenging journey. The retail industry, in particular, has faced significant disruptions and transformations as consumer behavior and preferences shifted during the crisis.

In this challenging market environment, it is crucial for the Group to exert greater effort to improve our operational efficiency, implement stringent measures to control expenses across various areas, and as well as to maintain a healthy balance sheet.

For the retail business, the Group remains committed to maintaining an optimal scale in terms of shop network building and inventory management. Our primary focus is on improving shop profitability to drive sustainable growth. To achieve this, management carefully evaluates the performance of each shop and takes into account current market rental rates when making decisions to renew leases, and explores the chance to collaborate with different wholesalers and consignors to expand its market presence.

Furthermore, the Group is dedicated to enhancing our product portfolio for the “Crocodile” and “CROCO” brands. By offering a more compelling and diverse range of products, we aim to attract and satisfy our customers’ preferences. These efforts are expected to contribute to higher gross profit margins, reflecting our commitment to delivering value to our customers while maximising profitability.

Prospects *(continued)*

Striking a balance between shop network optimisation, inventory management, and product portfolio enhancement would form a solid foundation for our retail business.

Being a landlord of investment properties, the "Property Investment and Letting Business" segment can deliver a stable rental income and cashflow to support the Group's operations. Building on the successful experience of leasing our investment properties to a group of travel agency tenants during the period, we are taking proactive measures to strategically reposition those properties with their leases near expiration.

Considering the current heightened availability of office spaces in the Kowloon East district, the Group recognises an opportunity to generate additional value from our real estate portfolio. We aim to capitalise on this by exploring alternative uses for the properties that align with market demand and offer potential for increased returns.

Our proactive approach to strategic repositioning demonstrates our commitment to staying ahead of market trends and leveraging opportunities to optimise the performance of our investment properties.

For treasury management, the Group's approach is focused on being cautious and prudent until there is solid evidence of improved market conditions. This involves adopting an investment strategy that carefully evaluates the portfolio and makes necessary adjustments to achieve a favorable return while keeping the risk relatively low.

In response to the rising financing costs and global economic uncertainty, the Group aims to decrease its reliance on debt financing under the current market. This means seeking ways to decrease its current borrowings, if possible, until interest rates return to more reasonable levels.

Despite the uncertainties mentioned above, the Group remains confident in the recovery of its core business and understands the belief of "cash is king" would be more relevant until the borrowing costs become more favorable. Although there are no immediate large investment plans, the Group will continue to focus on consolidating the retail network and improving the product mix, maximising the monetary potential of the investment properties, and adopting a cautious investment strategy to navigate the uncertainties and enhance its financial position.

Contingent Liabilities

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

Rights Issue

The rights issue announced by the Company in October 2022 on the basis of one rights share for every two existing shares of the Company at a subscription price of HK$0.1 each (the "**Rights Issue**") was completed in November 2022. Upon completion of the Rights Issue, the Company received net proceeds (after deduction of rights issue expenses) of approximately HK$42.3 million ("**Net Proceeds**"). The Company intended to apply the Net Proceeds as to: (i) approximately 50% (i.e. about HK$21.15 million) for repayment of principals of bank loans with committed repayment schedule; and (ii) approximately 50% (i.e. about HK$21.15 million) for business development of opening new retail shops and general working capital for day-to-day operations of the Group.

As of 31 January 2024, the entire Net Proceeds had been used in accordance with the intended uses, including the purposes and timeline as disclosed in the Rights Issue prospectus of the Company dated 7 November 2022. The intended and actual uses of the Net Proceeds under the Rights Issue up to 31 January 2024 are set out below:

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

Liquidity, Financial Resources and Foreign Exchange Risk Exposure

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilise the funding efficiently and to restrain the financial risks effectively. The Group maintains a conservative approach in financial management by constantly monitoring its interest rate and foreign exchange exposures. Except for financial assets and liabilities at FVTPL, the Group has not employed other financial instruments as of 31 January 2024.

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

Cash and cash equivalents held by the Group amounted to HK$207 million as at 31 January 2024 (31 July 2023: HK$229 million) and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The pledged bank deposits of approximately HK$2 million (31 July 2023: HK$1 million) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2024 were equivalent to HK$9 million (31 July 2023: HK$6 million) which is not freely convertible into other currencies. However, under the regulations on foreign exchange controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 January 2024, the total outstanding borrowings including margin loans of the Group amounted to HK$746 million (31 July 2023: HK$754 million). The total outstanding borrowings comprised secured margin loans of HK$6 million, secured bank term loan of HK$557 million of which HK$16 million was short-term, and secured short-term bank revolving loans of HK$183 million.

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

Charges on Assets

As at 31 January 2024, the Group has charged certain of its assets, including own-use properties, investment properties, right-of-use assets, financial assets at FVTPL and pledged bank deposits, with total carrying values of HK$1,720 million (31 July 2023: HK$1,740 million), to its bankers to secure the borrowings, margin loans payable and banking facilities granted to the Group.

Gearing

The Group's gearing revealed by the debt to equity ratio (expressed as a percentage of total bank borrowings and margin loans payable of total net assets) as at 31 January 2024 stood at 51% (31 July 2023: 51%). In view of the volatile worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Capital Commitments

The Group had no material capital commitments as at 31 January 2024.

Major Investments, Acquisitions and Disposals

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

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 110 as at 31 January 2024 (31 July 2023: 108). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

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

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

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

During the six months ended 31 January 2024 ("**Period**"), neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code contained in Appendix C1 (formerly Appendix 14) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the Period save for the deviation disclosed below:

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company, currently comprises three Independent Non-executive Directors, namely Mr. Leung Shu Yin, William (Chairman), Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang, has reviewed the unaudited interim results (including the unaudited Condensed Consolidated Interim Financial Statements) of the Company for the Period, the accounting principles and practices adopted by the Company as well as the financial reporting matters.

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

Hong Kong, 27 March 2024

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