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Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE PERIOD FROM 1 AUGUST 2023 TO 31 DECEMBER 2024

RESULTS

The board of directors (“**Board**” and “**Directors**” respectively) of Crocodile Garments Limited (“**Company**”) announces the consolidated results of the Company and its subsidiaries (“**Group**”) for the **17 months** period from 1 August 2023 to 31 December 2024 (“**Period**”), together with the comparative figures for the year ended 31 July 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Period from 1 August 2023 to 31 December 2024

		Period ended 31 December 2024 <i>HK\$'000</i>	Year ended 31 July 2023 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	4	137,631	86,876
Cost of sales		(26,602)	(14,044)
Gross profit		111,029	72,832
Other income	5	26,217	16,206
Selling and distribution expenses		(64,344)	(44,683)
Administrative expenses		(76,195)	(50,132)
Fair value losses on investment properties		(23,193)	(73,408)
Other gains, net	6	20,617	7,777
Finance costs	7	(63,076)	(36,550)
Share of loss of an associate		(1,026)	(1,680)
Loss before tax	8	(69,971)	(109,638)
Income tax credit	9	20,075	852
Loss for the period/year attributable to owners of the Company		(49,896)	(108,786)
		<i>HK cents</i>	<i>HK cents</i> (Restated)
Loss per share attributable to owners of the Company	11		
– Basic		(70.21)	(166.20)
– Diluted		(70.21)	(166.20)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from 1 August 2023 to 31 December 2024

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Loss for the period/year	<u>(49,896)</u>	<u>(108,786)</u>
Other comprehensive income/(expenses)		
<i>Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(4,427)	(8,913)
Reclassification adjustments of foreign operations deregistered during the period	<u>(3,307)</u>	<u>—</u>
	<u>(7,734)</u>	<u>(8,913)</u>
<i>Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss:</i>		
Revaluation gain on transfer of property, plant and equipment to investment properties	—	84,715
Income tax effect	<u>—</u>	<u>(21,179)</u>
	<u>—</u>	<u>63,536</u>
Other comprehensive income/(expenses) for the period/ year, net of tax	<u>(7,734)</u>	<u>54,623</u>
Total comprehensive expenses for the period/year attributable to the owners of the Company	<u><u>(57,630)</u></u>	<u><u>(54,163)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		31 December 2024	31 July 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		44,608	47,301
Investment properties		1,678,512	1,705,884
Right-of-use assets		87,893	93,496
Financial assets at fair value through profit or loss		52,987	45,963
Interest in an associate		49,111	50,137
Amount due from an associate		7,935	8,126
Deposits and prepayments	<i>12</i>	3,335	5,756
Total non-current assets		1,924,381	1,956,663
Current assets			
Inventories		16,111	14,537
Trade and other receivables, deposits and prepayments	<i>12</i>	11,337	20,287
Amount due from a related company		–	503
Financial assets at fair value through profit or loss		82,746	121,850
Pledged bank deposits		1,434	579
Cash and cash equivalents		155,897	229,445
Total current assets		267,525	387,201
Current liabilities			
Trade payables, other payables and deposits received	<i>14</i>	21,162	31,081
Financial liabilities at fair value through profit or loss		4,062	8,565
Interest-bearing bank borrowings	<i>13</i>	166,792	201,133
Margin loans payable		3,491	3,544
Lease liabilities		13,577	8,923
Tax payable		–	19,303
Total current liabilities		209,084	272,549
Net current assets		58,441	114,652
Total assets less current liabilities		1,982,822	2,071,315

		31 December 2024	31 July 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Other payables and deposits received	<i>14</i>	10,609	10,699
Interest-bearing bank borrowings	<i>13</i>	523,305	549,368
Provision		800	1,135
Lease liabilities		4,607	8,209
Deferred tax liabilities		19,554	20,327
		<hr/>	<hr/>
Total non-current liabilities		558,875	589,738
		<hr/>	<hr/>
Net assets		1,423,947	1,481,577
		<hr/>	<hr/>
Equity			
Equity attributable to owners of the Company			
Share capital		374,636	374,636
Reserves		1,049,311	1,106,941
		<hr/>	<hr/>
Total equity		1,423,947	1,481,577
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PREPARATION

The consolidated financial statements of the Group for the period ended 31 December 2024 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial instruments at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the period ended 31 December 2024 and year ended 31 July 2023 included in this preliminary announcement of results for the period ended 31 December 2024 does not constitute the Company’s statutory annual consolidated financial statements for those period/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 financial statements for the period ended 31 December 2024 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 July 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements of the Group for the year ended 31 July 2023. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) CHANGE OF FINANCIAL YEAR END DATE

On 27 March 2024, the Company has resolved to change the financial year end date of the Company from 31 July to 31 December. Accordingly, the current financial period covers a period of seventeen months from 1 August 2023 to 31 December 2024. The comparative figures cover a period of twelve months from 1 August 2022 to 31 July 2023, which may not be comparable with amounts shown for the current period.

(3) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's consolidated financial statements.

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

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

(4) 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.

(a) Segment revenues and results

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

(4) SEGMENT INFORMATION *(continued)*

(a) Segment revenues and results *(continued)*

Period ended 31 December 2024

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended
	31 December	31 July	31 December	31 July	31 December	31 July	31 December	31 July
	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	60,382	39,894	77,249	46,982	–	–	137,631	86,876
Other income from external customers	13,563	8,114	680	437	–	–	14,243	8,551
Group's total revenue and other income	73,945	48,008	77,929	47,419	–	–	151,874	95,427
Reportable segment profit/(loss) before gain/(loss) on non- current financial instruments at fair value through profit or loss ("FVTPL"), gain on disposal of properties, property revaluation and share of an associate's results	(16,833)	(15,937)	61,121	37,244	14,880	7,625	59,168	28,932
Gain/(loss) on non-current financial instruments at FVTPL	–	–	(6,316)	2,000	–	–	(6,316)	2,000
Gain on disposal of properties	–	–	8,250	–	–	–	8,250	–
Fair value losses on investment properties	–	–	(23,193)	(73,408)	–	–	(23,193)	(73,408)
Share of loss of an associate	–	–	(1,026)	(1,680)	–	–	(1,026)	(1,680)
Reportable segment profit/(loss)	(16,833)	(15,937)	38,836	(35,844)	14,880	7,625	36,883	(44,156)
Unallocated corporate income							11,974	7,655
Unallocated corporate expenses							(55,752)	(36,587)
Finance costs							(63,076)	(36,550)
Loss before tax							(69,971)	(109,638)

(4) **SEGMENT INFORMATION** *(continued)*

(b) **Segment assets and liabilities**

As at 31 December 2024

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	31 December 2024 HK\$'000	31 July 2023 HK\$'000	31 December 2024 HK\$'000	31 July 2023 HK\$'000	31 December 2024 HK\$'000	31 July 2023 HK\$'000	31 December 2024 HK\$'000	31 July 2023 HK\$'000
ASSETS								
Segment assets	152,247	170,917	1,746,595	1,775,110	82,746	121,850	1,981,588	2,067,877
Unallocated corporate assets							210,318	275,987
Total consolidated assets							2,191,906	2,343,864
LIABILITIES								
Segment liabilities	31,622	42,252	19,133	17,795	7,553	12,109	58,308	72,156
Unallocated corporate liabilities							709,651	790,131
Total consolidated liabilities							767,959	862,287

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than non-current financial assets at FVTPL, pledged bank deposits and cash and cash equivalents.
- all liabilities are allocated to reportable and operating segments, other than interest-bearing bank borrowings, tax payable and deferred tax liabilities.

(4) SEGMENT INFORMATION (continued)

(c) Other segment information

Period ended 31 December 2024

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	-	-	49,111	50,137	-	-	49,111	50,137
Additions to property, plant and equipment	2,226	8,965	4,562	543	-	-	6,788	9,508
Additions of right-of-use assets	20,011	14,293	-	-	-	-	20,011	14,293
Depreciation	29,100	14,437	1,719	448	-	-	30,819	14,885
Impairment of trade and other receivables	451	1	-	-	-	-	451	1
Impairment of right-of-use assets	3,109	1,303	-	-	-	-	3,109	1,303
Impairment of property, plant and equipment	1,158	524	-	-	-	-	1,158	524
Fair value losses on investment properties	-	-	23,193	73,408	-	-	23,193	73,408
Provision/(reversal of provision) for slow-moving inventories	1,724	(3,014)	-	-	-	-	1,724	(3,014)
Gain on disposal of items of property, plant and equipment	(7)	(30)	(8,250)	-	-	-	(8,257)	(30)
Net losses/(gains) on financial instruments at FVTPL	-	-	6,316	(2,000)	(14,880)	(7,625)	(8,564)	(9,625)
Interest income from an associate	-	-	(658)	(435)	-	-	(658)	(435)

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000	31 December 2024 HK\$'000	31 July 2023 HK\$'000
Hong Kong and Macau	130,060	81,918	1,711,566	1,744,138
The People's Republic of China ("PRC")	7,571	4,958	148,558	156,477
	137,631	86,876	1,860,124	1,900,615

The revenue information above is based on the locations of the customers, while the non-current assets information is based on the locations of the assets and exclude financial instruments.

During the period ended 31 December 2024 and the year ended 31 July 2023, none of the Group's customers contributed 10% or more of the Group's total revenue.

(5) OTHER INCOME

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Royalty income	13,502	7,548
Bank interest income	8,719	6,632
Interest income on amount due from an associate	658	435
Others	3,338	1,591
	<u>26,217</u>	<u>16,206</u>

(6) OTHER GAINS, NET

An analysis of other gains, net is as follows:

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Impairment of trade and other receivables	(451)	(1)
Gain on disposal of items of property, plant and equipment	8,257	30
Gain on early termination of leases	–	214
Net gain on financial instruments at FVTPL	8,564	9,625
Net gain on deregistration of foreign operations	8,389	–
Impairment of right-of-use assets	(3,109)	(1,303)
Impairment of property, plant and equipment	(1,158)	(524)
Foreign exchange differences, net	107	20
Write-off of other payables	–	155
Others	18	(439)
	<u>20,617</u>	<u>7,777</u>

(7) FINANCE COSTS

An analysis of finance costs is as follows:

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Interest on bank borrowings	61,367	35,901
Interest on lease liabilities	1,709	649
	<u>63,076</u>	<u>36,550</u>

(8) LOSS BEFORE TAX

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

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Cost of inventories sold	23,692	15,973
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	5,384	3,571
Provision/(reversal of provision) for slow-moving inventories*	1,724	(3,014)
Depreciation of property, plant and equipment	8,323	3,701
Depreciation of right-of-use assets	22,496	11,184

* *The provision/(reversal of provision) for slow-moving inventories for the period/year is included in "Cost of sales" in the consolidated statement of profit or loss.*

(9) INCOME TAX

No current tax has been provided for the period ended 31 December 2024 (Year ended 31 July 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 period/year.

	Period ended 31 December 2024 HK\$'000	Year ended 31 July 2023 HK\$'000
Current tax - Mainland China		
Overprovision in prior periods	(19,291)	–
Deferred	(784)	(852)
Total tax credit for the period/year	<u>(20,075)</u>	<u>(852)</u>

(10) DIVIDEND

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

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 71,065,777 (Year ended 31 July 2023: 65,456,540 (restated)) outstanding during the period.

The weighted average number of ordinary shares outstanding has taken into account the effect of share consolidation on the basis that every twenty (20) ordinary shares were consolidated into one (1) ordinary share as if the consolidation had occurred on 1 August 2022, the beginning of the earliest period reported.

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

(12) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		31 December 2024	31 July 2023
	<i>Note</i>	HK\$'000	HK\$'000
Trade receivables		9,149	9,053
Impairment		(7,089)	(6,946)
	<i>(a)</i>	2,060	2,107
Other receivables		34,917	38,334
Impairment		(30,434)	(33,134)
		4,483	5,200
Deposits and prepayments		8,129	18,736
		14,672	26,043
Analysed into:			
Non-current portion		3,335	5,756
Current portion		11,337	20,287
		14,672	26,043

Note:

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

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

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

	31 December 2024 HK\$'000	31 July 2023 HK\$'000
0 to 90 days	1,052	1,073
91 to 180 days	444	224
181 to 365 days	562	507
Over 365 days	2	303
	2,060	2,107

(13) INTEREST-BEARING BANK BORROWINGS

	31 December 2024			31 July 2023		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans - secured	5.53-6.08	On demand/ 2025	166,792	6.03-6.77	On demand/ 2023-2024	201,133
Non-current						
Bank loans - secured	6.03	2026-2042	523,305	6.72	2024-2042	549,368
			690,097			750,501

	31 December 2024 HK\$'000	31 July 2023 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	166,792	201,133
In the second year	19,108	16,396
In the third to fifth years, inclusive	64,729	56,328
Beyond five years	439,468	476,644
	690,097	750,501

(14) TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

		31 December 2024	31 July 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	(a)	2,180	4,359
Other payables and accruals	(b)	14,914	24,513
Deposits received		14,677	12,908
		31,771	41,780
Less: Non-current portion		(10,609)	(10,699)
Current portion		21,162	31,081

Notes:

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

	31 December 2024	31 July 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	2,180	2,875
181 to 365 days	–	1,221
Over 365 days	–	263
	2,180	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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the period ended 31 December 2024 (Year ended 31 July 2023: Nil).

No interim dividend was declared during the Period (Year ended 31 July 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

On 27 March 2024, the Company changed its financial year end from 31 July to 31 December. As a result, the current reporting period covers 17 months, from 1 August 2023 to 31 December 2024 (referred to as the “**period ended 31 December 2024**”).

It’s important to note that the financial data presented here is being compared to the previous financial year 2022/23, which covered a year (i.e. 12-month period) ended 31 July 2023. When making year-on-year comparisons, the difference in duration between these two financial periods should be taken into account.

The Group’s loss attributable to equity shareholders totaled HK\$50 million during the period ended 31 December 2024 (Year ended 31 July 2023: HK\$109 million). The loss during the Period was mainly due to (i) losses from the revaluation of the Group’s investment properties, amounting to HK\$23 million (Year ended 31 July 2023: loss of HK\$73 million), which were non-cash in nature; and (ii) elevated finance costs of HK\$63 million (Year ended 31 July 2023: HK\$37 million) during the Period, which were only partly offset by the Group’s operational profits. Despite these challenges, the overall business, financial positions and cash flow conditions of the Group remained healthy, as discussed further below.

The Group has recorded a revenue of HK\$138 million for the period ended 31 December 2024 (Year ended 31 July 2023: HK\$87 million) at a gross profit margin of 81% (Year ended 31 July 2023: 84%). As such, the Group’s gross profit recorded HK\$111 million during the Period (Year ended 31 July 2023: HK\$73 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Performance *(continued)*

Hong Kong retail market in December 2024 dropped by 9.6 percent year-on-year, marking the 10th consecutive month of declines. The recovery of the retail sector in Hong Kong is proving slower than anticipated, as persistent economic challenges continue to weigh heavily on consumer spending. Nearly two years after the post-COVID border reopening, the recovery of retail sales has not met market expectations. However, the Group has revitalised its market presence through increased investment in product development and by emphasising its brand heritage since 1952. This focus on product features and legacy has effectively resonated with consumers, resulting in a positive boost in year-on-year sales over the six months ended 31 December 2024. During the period, the revenue of the “Garment and Related Accessories Business” reached HK\$60 million, with an average monthly retail sales figure of HK\$3.6 million (Year ended 31 July 2023: HK\$40 million with a monthly average of HK\$3.3 million). Thanks to successful shop network optimisation, the segment loss for a 17-month period remained the same level of HK\$16 million as compared to last year, indicating improved performance with a decreasing monthly loss.

For the period ended 31 December 2024, “Property Investment and Letting Business” segment experienced a growth in average monthly rental income from HK\$3.9 million in the comparable period to HK\$4.5 million. The growth resulted in total rental income of HK\$77 million over 17 months ended 31 December 2024 (Year ended 31 July 2023: HK\$47 million). The improvement can be attributed to higher occupancy rates and a greater proportion of service retail tenants with better rental unit rates. Consequently, the revaluation of the investment properties held by the Group recorded a lower level of fair value losses of HK\$23 million, as compared to the fair value loss of HK\$73 million in the previous year.

During the Period, the Group successfully generated cash inflow and net profits of HK\$8 million through the disposal of two non-core loading and unloading spaces.

In view of the significant global economic shifts, geopolitical complexity, easing inflation, and the political ramifications of the United States (“U.S.”) elections, the Group took a cautious approach to portfolio management, recording a gain of HK\$15 million in its “Treasury Management” segment for the period ended 31 December 2024 (Year ended 31 July 2023: HK\$8 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Performance *(continued)*

Under the interest rate hike cycle throughout the 17-months period, the Group incurred finance costs of HK\$63 million (Year ended 31 July 2023: HK\$37 million). Despite U.S.'s two interest rate cuts totaling 50bps in 2024, the 1 month HIBOR increased from 4.32% on 30 September 2024 to 4.58% on 31 December 2024. However, with the help of interest rate swap arrangement entered into in September 2024, the monthly average finance costs in last 5 months reduced to HK\$3.3 million, as compared to the monthly average of HK\$3.9 million for the 12 months ended 31 July 2024.

Combining the results of the three business segments and finance costs mentioned above with the net unallocated expenses of HK\$44 million during the Period (Year ended 31 July 2023: HK\$29 million) and a reversal of income tax payable upon deregistration of a Mainland China branch with the amount of HK\$19 million, the total comprehensive expenses attributable to the owners of the Company was HK\$58 million for the 17 months ended 31 December 2024 (Year ended 31 July 2023: HK\$54 million).

“Garment and Related Accessories Business” Segment

Hong Kong and Macau

During the Period, Hong Kong and Macau retail landscape experienced a reshape with significant demographic changes. Visitor arrivals in 2024 reached approximately 45 million, fuelled in part by the reinstatement of the multiple-entry scheme for Shenzhen residents and the scheduling of world-class mega-events. However, incoming tourists became careful with their spending. At the same time, driven by a strong Hong Kong dollar (“**HKD**”) and the recovery of airline capacity, Hong Kong residents preferred to spend more money abroad.

In response to these challenges, the Group has worked diligently to improve its operating efficiency by adjusting the combination and roles and responsibilities of the senior management, reducing excessively loss-making stores, and trimming and simplifying less productive work processes and expenditures with an objective to lower operating losses as much as possible. As of 31 December 2024, the Group operated a total of 12 (31 July 2023: 11) retail shops. During the Period, two new shops were opened, while one existing shop was closed. By putting more efforts on product mix investment, retail revenue in Hong Kong and Macau saw an increase of monthly revenue accumulating to a level of HK\$56 million during the Period (Year ended 31 July 2023: HK\$37 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

The Mainland

During the Period, China’s consumer market showed an improvement after the Mainland’s implementation of various policies to stimulate domestic consumption. However, the Group still adopted a cautious approach to cost management and operational efficiency, resulting in the intentional closure of unprofitable stores in the Mainland. As of 31 December 2024, the Group operated 5 self-operated shops, down from 6 self-operated and 6 consignee shops at most during the year ended 31 July 2023.

Notably, overall retail revenue in the Mainland showed a modest increase during the Period to HK\$4.5 million (Year ended 31 July 2023: HK\$3.3 million). The remaining Mainland presence also function as critical showrooms for franchisees, contributing to the maintenance of royalty income, which is a vital revenue stream for the Group in the Mainland.

Royalty Income

The Group’s licensing business for the “Crocodile” brand in Hong Kong, Macau, and the Mainland generated royalty income of HK\$14 million for the 17 months ended 31 December 2024 (Year ended 31 July 2023: HK\$8 million). This increase in average monthly royalty income indicates a positive response to the strategic measures implemented in the Mainland.

“Property Investment and Letting Business” Segment

The Group’s investment property portfolio has remained stable since 31 July 2023. The Hong Kong commercial office leasing market has been navigating a challenging environment with limited sustainable demand drivers. Despite this, the Group successfully increased monthly rental income by optimising the use of available spaces, thereby boosting occupancy rates and raising the proportion of service retail tenants with higher unit rates in its investment properties. As a result, rental revenue reached HK\$77 million for the period ended 31 December 2024, compared to HK\$47 million for the year ended 31 July 2023. Consequently, the revaluation of the Group’s investment properties recorded a lower level of fair value losses of HK\$23 million during the Period, as compared to the HK\$73 million in fair value losses from the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

“Treasury Management” Segment

During the Period, the global economy faced various challenges and opportunities that shaped investment strategies. The Chinese property sector struggled despite government support, leading to declining consumer confidence, while the U.S. Federal Reserve’s rapid monetary tightening in response to inflation strengthened the dollar and limited China’s economic support due to Renminbi depreciation concerns. The return of Donald Trump as U.S. president in late 2024 reignited discussions around trade policies, creating investor caution and introducing volatility in global markets.

In response to high financing costs and global economic uncertainty, the Group entered into interest rate swap arrangements to mitigate financing burdens. Instead of investing solely in individual debt or equity securities, the Group chose to allocate a larger portion of its investment portfolio to global funds, aiming for a safer yet potentially higher return. This prudent strategy resulted in the Group’s “Treasury Management” segment achieving a gain of HK\$15 million for the 17 months ended 31 December 2024 (Year ended 31 July 2023: HK\$8 million).

Prospects

Looking ahead, the Group anticipates that geopolitical tensions and economic uncertainties will continue in 2025. Significant demographic shifts are reshaping Hong Kong’s retail landscape. As long as the HKD remains strong against the currencies of popular travel destinations like the Japanese Yen and Renminbi, Hong Kong residents are inclined to spend more abroad. Despite the recent resumption of the multiple-entry Individual Visit Scheme and the government’s efforts to promote global events in Hong Kong, tourism revenue is expected to remain relatively soft due to the strong HKD. The Group is dedicated to maintaining a cautious and proactive approach for navigating the challenges that lie ahead.

In response to permanent shifts in customer behavior, the Group has focused on maintaining an optimal scale of shop network and inventory levels. To ensure a balanced approach to retail operations, the Group will closely monitor its back-office processes and allocate marketing expenses more strategically. With “Crocodile” boasting over 70 years of prestige, the Group aims to reinforce its status as a “Hong Kong brand” through product investment and visual marketing efforts. Additionally, following the closure of some non-profitable shops, the Group will explore emerging districts in Hong Kong with high foot traffic, where new shopping malls and event venues are concentrated, to open new retail locations and maintain a stable shop portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects *(continued)*

For the commercial building leasing sector, the Group anticipates that rents will continue to face significant pressure due to a growing imbalance between supply and demand, particularly with new supply expected to enter the market in 2025. Additionally, an influx of secondary office space has accumulated as tenants seek to downsize or find more cost-effective options, resulting in a considerable surplus.

Within the core investment properties, the Group will continue to explore alternative options for leased units approaching expiration, aiming to identify opportunities that could yield higher returns. To mitigate the effects of the oversupply in the office leasing market, this strategy will provide a more secure way for the Group to generate stable rental income and cash flow, supporting its operations effectively.

In 2025, the Central Government's plan to further relax fiscal and monetary policy is expected to boost consumer and investor confidence, supporting domestic consumption and capital-raising activity. However, geopolitical tensions surrounding offshore trade are likely to persist or even escalate under Trump's policies, clouding the global trade outlook. Trade protectionism may lead to higher inflationary pressures and fewer rate cuts from the Federal Reserve, which could fuel further volatility in the global economy.

To response this, the Group's treasury management approach prioritises caution and prudence, focusing on optimising returns while minimising risk through a diversified investment portfolio in global funds. In light of high financing costs and global economic uncertainty, the Group aims to reduce reliance on debt financing and will explore equity fundraising opportunities to bolster its future operations.

Contingent Liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 December 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 December 2024 are set out below:

	Intended use of the Net Proceeds as disclosed in the prospectus dated 7 November 2022 <i>HK\$'million</i>	Actual use of the Net Proceeds up to year end date of 31 July 2023 <i>HK\$'million</i>	Actual use of the Net Proceeds during the 17 months ended 31 December 2024 <i>HK\$'million</i>	Unutilised Net Proceeds as of 31 December 2024 <i>HK\$'million</i>	Intended and actual timeline for the use of the Net Proceeds
Repayment of principals of bank loans	Approximately 21.15	Approximately 11.70	Approximately 9.45	Nil	From December 2022 to November 2023
Business development of opening new retail shops and general working capital for day-to-day operations of the Group	Approximately 21.15	Approximately 16.80	Approximately 4.35	Nil	From December 2022 to November 2023

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Liquidity, Financial Resources And Foreign Exchange Risk Exposure

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

The Group earns revenue and incurs cost mainly in HKD, 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\$156 million as at 31 December 2024 (31 July 2023: HK\$229 million) and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. Decrease was mainly due to the principal repayment of bank and margin loans with the aggregated amount of HK\$75 million. The pledged bank deposits of approximately HK\$1 million (31 July 2023: HK\$1 million) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalents denominated in Renminbi as at 31 December 2024 were equivalent to HK\$8 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 December 2024, the total outstanding borrowings including margin loans of the Group amounted to HK\$694 million (31 July 2023: HK\$754 million). The total outstanding borrowings comprised secured bank term loan of HK\$541 million of which HK\$18 million was short-term, and secured short-term bank revolving loans of HK\$149 million.

As at 31 December 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 Japanese Yen. During the 17 months ended 31 December 2024, the Group has entered into interest rate swap arrangement to secure a marginally lower interest rate, reducing the overall finance costs burden.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Capital Structure

As announced in September 2024, the Company proposed to the implementation of the share consolidation on the basis that every twenty (20) issued Existing Shares be consolidated into one (1) Consolidated Share (“**Share Consolidation**”). Subject to and conditional upon the Share Consolidation becoming effective, the board lot size for trading on the Stock Exchange Limited would be changed from 1,000 Existing Shares to 2,000 Consolidated Shares (“**Change of Board Lot Size**”). An extraordinary general meeting (“**EGM**”) was convened and held on 30 October 2024 for Shareholders to consider and approve the Share Consolidation. As all of the conditions of the Share Consolidation as stated in the EGM Circular have been fulfilled, the Share Consolidation and the Change in Board Lot Size took effect on 1 November 2024. For more details, please refer to the Company’s announcements dated 25 September 2024 and 30 October 2024, and the EGM circular dated 4 October 2024.

Charges on Assets

As at 31 December 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\$1,658 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 December 2024 was approximately 49% (31 July 2023: 51%). In view of the volatile worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Capital Commitments

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

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals during the 17 months period ended 31 December 2024.

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

During the 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 Part 2 of Appendix C1 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 ANNUAL RESULTS

The Audit Committee, 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 consolidated financial statements of the Company for the Period, the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Period as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the Period. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no opinion or assurance conclusion has been expressed by EY on this preliminary results announcement.

2024 ADJOURNED ANNUAL GENERAL MEETING AND 2025 ANNUAL GENERAL MEETING

The 2024 adjourned annual general meeting of the Company and 2025 annual general meeting ("AGMs") will be held on Wednesday, 21 May 2025. Notices of AGMs together with the Company's annual report for the Period will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crocodile.com.hk) and despatched to the Shareholders in April 2025.

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

Hong Kong, 26 March 2025

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.