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## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2021

### RESULTS

The board of directors (“**Board**” and “**Directors**” respectively) of Crocodile Garments Limited (“**Company**”) announces the consolidated results of the Company and its subsidiaries (“**Group**”) for the financial year ended 31 July 2021 together with the comparative figures for the previous financial year as follows:

### Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 July 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>REVENUE</b>	3	<b>112,000</b>	151,267
Cost of sales		<u>(30,562)</u>	<u>(45,957)</u>
Gross profit		<b>81,438</b>	105,310
Fair value losses on investment properties		<b>(3,538)</b>	(161,185)
Other income	4	<b>16,026</b>	15,184
Selling and distribution expenses		<b>(45,178)</b>	(112,996)
Administrative expenses		<b>(46,871)</b>	(54,837)
Other gains (losses), net	5	<b>8,892</b>	(61,372)
Finance costs	6	<b>(11,532)</b>	(20,318)
Share of loss of an associate		<u>(1,170)</u>	<u>(2,559)</u>
<b>LOSS BEFORE TAX</b>	7	<b>(1,933)</b>	(292,773)
Income tax credit	8	<u>—</u>	<u>2,290</u>
<b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>(1,933)</b></u>	<u>(290,483)</u>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		<u><b>6,713</b></u>	<u>(1,541)</u>
Other comprehensive income (expense) for the year		<u><b>6,713</b></u>	<u>(1,541)</u>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><u><b>4,780</b></u></u>	<u><u>(292,024)</u></u>
		<i>HK cents</i>	<i>HK cents</i>
<b>LOSSES PER SHARE</b>	10		
— Basic		<u><u><b>(0.20)</b></u></u>	<u><u>(30.66)</u></u>
— Diluted		<u><u><b>(0.20)</b></u></u>	<u><u>(30.66)</u></u>

**Consolidated Statement of Financial Position**  
As at 31 July 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		67,944	68,293
Investment properties		1,725,948	1,727,756
Right-of-use assets		48,932	46,387
Financial asset at fair value through profit or loss (“FVTPL”)		29,457	29,054
Amount due from an associate		8,135	8,323
Interest in an associate		49,921	51,091
Rental and utility deposits		3,344	10,421
		<u>1,933,681</u>	<u>1,941,325</u>
<b>Current assets</b>			
Inventories		29,134	49,116
Trade and other receivables, deposits and prepayments	<i>11</i>	29,135	25,906
Financial assets at FVTPL		160,239	179,549
Amount due from a related company		45	—
Pledged bank deposits		7,432	24,108
Bank balances and cash		40,953	86,402
		<u>266,938</u>	<u>365,081</u>
<b>Current liabilities</b>			
Bank borrowings	<i>12</i>	349,198	406,243
Margin loans payable		4,396	13,097
Trade and other payables and deposits received	<i>13</i>	47,465	51,217
Amounts due to related companies		338	472
Lease liabilities		25,510	35,355
Tax payable		21,357	19,755
		<u>448,264</u>	<u>526,139</u>
<b>Net current liabilities</b>		<u>(181,326)</u>	<u>(161,058)</u>
<b>Total assets less current liabilities</b>		<u>1,752,355</u>	<u>1,780,267</u>
<b>Non-current liabilities</b>			
Bank borrowings	<i>12</i>	206,034	214,992
Deposits received	<i>13</i>	5,829	10,821
Provision for long service payments		350	1,766
Lease liabilities		8,621	25,947
Deferred tax liabilities		—	—
		<u>220,834</u>	<u>253,526</u>
<b>Net assets</b>		<u>1,531,521</u>	<u>1,526,741</u>
<b>Capital and reserves</b>			
Share capital		332,323	332,323
Reserves		1,199,198	1,194,418
<b>Total equity</b>		<u>1,531,521</u>	<u>1,526,741</u>

## NOTES

*For the year ended 31 July 2021*

### (1) BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 July 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

In preparing the consolidated financial statements of the Group, 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\$181,326,000 as at 31 July 2021.

The COVID-19 outbreak and the subsequent quarantine and distancing measures imposed by the Government of the Hong Kong Special Administrative Region (“**Hong Kong**”) have had a negative impact on the operations of the Group. The financial performance of the shop outlets might not be fully returned to the level before the COVID-19 in the upcoming financial year.

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

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

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

The financial information relating to the years ended 31 July 2021 and 31 July 2020 included in this preliminary announcement of annual results for the year ended 31 July 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 July 2021 in due course.

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

## (2) APPLICATION OF HKFRSs

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 August 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 April 2021.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

### Early application of Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment extends the practical expedient available to lessees in accounting for COVID-19-related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

The Group has early adopted the above amendments and elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

**(2) APPLICATION OF HKFRSS (continued)**

**New and revised HKFRSSs issued but not yet effective**

The Group has not early applied the following new and amendments to HKFRSSs and interpretation that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>4</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1 (note)	Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>1</sup>
Amendments to HKFRSS	Annual Improvements to HKFRSSs 2018-2020 Cycle <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKAS 8	Disclosure of Accounting Estimates <sup>4</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Asset <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

The Directors anticipate that the application of above new and revised HKFRSSs will have no material impact on the results and the consolidated statement of financial position of the Group.

### (3) SEGMENT INFORMATION

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

#### (a) Segment revenues and results

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue from external customers	59,137	94,868	52,863	56,399	-	-	112,000	151,267
Other income from external customers (Note)	14,501	13,540	633	698	-	-	15,134	14,238
Group's total revenue and other income (Note)	<u>73,638</u>	<u>108,408</u>	<u>53,496</u>	<u>57,097</u>	<u>-</u>	<u>-</u>	<u>127,134</u>	<u>165,505</u>
Reportable segment (loss) profit	<u>(15,113)</u>	<u>(105,250)</u>	<u>44,821</u>	<u>(116,439)</u>	<u>4,670</u>	<u>(17,523)</u>	<u>34,378</u>	<u>(239,212)</u>
Unallocated corporate income							892	946
Unallocated corporate expenses							(25,671)	(34,189)
Finance costs							(11,532)	(20,318)
Loss before tax							<u>(1,933)</u>	<u>(292,773)</u>

Note: The income excludes bank interest income and interest income on advances to independent third parties.

#### (b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
ASSETS								
Segment assets	167,589	188,103	1,787,949	1,792,190	160,239	179,549	2,115,777	2,159,842
Unallocated corporate assets							84,842	146,564
Total consolidated assets							<u>2,200,619</u>	<u>2,306,406</u>
LIABILITIES								
Segment liabilities	71,498	107,861	16,615	17,717	4,396	13,097	92,509	138,675
Unallocated corporate liabilities							576,589	640,990
Total consolidated liabilities							<u>669,098</u>	<u>779,665</u>

### (3) SEGMENT INFORMATION (continued)

#### (c) Other segment information

For the years ended 31 July

	Garment and related accessories business		Property investment and letting business		Securities trading		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	—	—	49,921	51,091	—	—	49,921	51,091
Additions to property, plant and equipment	1,033	5,569	5	13	—	—	1,038	5,582
Addition of right-of-use assets	10,789	10,034	—	—	—	—	10,789	10,034
Depreciation	10,523	54,585	167	365	—	—	10,690	54,950
Impairment loss recognised in respect of right-of-use assets	4,427	39,349	—	—	—	—	4,427	39,349
(Reversal of provision) provision for impairment on trade and other receivables	(4,702)	(6,989)	—	648	—	—	(4,702)	(6,341)
Reversal of provision for slow-moving inventories	(883)	(812)	—	—	—	—	(883)	(812)
Impairment loss recognised in respect of property, plant and equipment	—	5,390	—	—	—	—	—	5,390
(Gain) loss on disposal/write off of property, plant and equipment	(167)	86	—	—	—	—	(167)	86
Fair value losses on investment properties	—	—	3,538	161,185	—	—	3,538	161,185
Net (gains) losses on financial assets at FVTPL (Note)	—	—	—	—	(4,670)	17,523	(4,670)	17,523
Share of loss of an associate	—	—	1,170	2,559	—	—	1,170	2,559
Interest income from an associate	—	—	(412)	(445)	—	—	(412)	(445)

Note: The amount excludes loss from financial assets at FVTPL under non-current assets.

#### (d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July 2021 HK\$'000	2020 HK\$'000	As at 31 July 2021 HK\$'000	2020 HK\$'000
Hong Kong	103,153	142,851	1,796,191	1,800,800
The People's Republic of China ("PRC")	8,847	8,416	96,554	92,727
	<b>112,000</b>	<b>151,267</b>	<b>1,892,745</b>	<b>1,893,527</b>

Note: Non-current assets exclude financial instruments.

#### (e) Information about major customers

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

**(4) OTHER INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Royalty income	5,098	2,354
Bank interest income	52	106
Interest income on amount due from an associate	412	445
Interest income on advances to independent third parties	840	840
Government grants	4,012	6,200
COVID-19-related rent concessions	5,130	3,984
Others	482	1,255
	<u>16,026</u>	<u>15,184</u>

**(5) OTHER GAINS (LOSSES), NET**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Impairment loss recognised in respect of on right-of-use assets	(4,427)	(39,349)
Reversal of provision for impairment on trade and other receivables	4,702	6,341
Impairment loss recognised in respect of property, plant and equipment	—	(5,390)
Gain (loss) on disposal/write-off of property, plant and equipment	167	(86)
Gain (loss) on early termination of lease	2,739	(665)
Loss on disposal of asset classified as held-for-sale	—	(726)
Net gains (losses) on financial assets at FVTPL	5,073	(20,482)
Exchange (losses) gains, net	(883)	244
Others	1,521	(1,259)
	<u>8,892</u>	<u>(61,372)</u>

**(6) FINANCE COSTS**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
Bank borrowings	9,757	17,415
Lease liabilities	1,775	2,903
	<u>11,532</u>	<u>20,318</u>

**(7) LOSS BEFORE TAX**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories)	<u>29,745</u>	<u>45,161</u>
Depreciation of property, plant and equipment	<u>5,878</u>	<u>10,335</u>
Depreciation of right-of-use assets	<u>4,812</u>	<u>44,615</u>



**(8) INCOME TAX CREDIT**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax	—	—
Deferred tax	—	(2,290)
	<u>—</u>	<u>(2,290)</u>

No current tax has been provided for the years ended 31 July 2021 and 31 July 2020 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profit tax, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

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 or declared during the year ended 31 July 2021 (2020: Nil) nor has any dividend been proposed by the Company since the end of the reporting period (2020: Nil).

**(10) LOSSES PER SHARE**

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Losses</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted losses per share	<u>(1,933)</u>	<u>(290,483)</u>
	<b>2021</b>	<b>2020</b>
<b>Number of shares</b>		
Number of ordinary shares for the purposes of basic losses per share and diluted losses per share	<u>947,543,695</u>	<u>947,543,695</u>

For the years ended 31 July 2021 and 31 July 2020, the computation of diluted losses per share did not assume the exercise of the Company’s outstanding share options as the exercise price of those share options were higher than the average market price of the Company’s shares.

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

	2021 HK\$'000	2020 HK\$'000
Trade receivables	17,049	15,110
Less: Allowance for impairment	<u>(11,111)</u>	<u>(10,076)</u>
	5,938	5,034
Other receivables (Notes (a) and (b))	41,143	44,704
Less: Allowance for impairment	<u>(29,725)</u>	<u>(32,241)</u>
	11,418	12,463
Deposits and prepayments	<u>15,123</u>	<u>18,830</u>
	32,479	36,327
Less: Rental and utility deposits shown under non-current assets	<u>(3,344)</u>	<u>(10,421)</u>
	<u><u>29,135</u></u>	<u><u>25,906</u></u>

*Notes:*

- (a) As at 31 July 2021, net royalty receivables of the Group of Nil (2020: Nil), net of allowance for impairment of approximately HK\$29,722,000 (2020: HK\$32,238,000), was included in the other receivables, where payments are required monthly or semi-annually. The Group makes impairment based on the assessment of the recoverability of royalty receivables. During the year ended 31 July 2021, the Group made reversal of provision for impairment of approximately HK\$5,005,000 (2020: approximately HK\$7,004,000).
- (b) As at 31 July 2021, included in other receivables of the Group was advance of HK\$7,000,000 (2020: HK\$7,000,000) to two independent third parties which were unsecured, interest bearing at 12% per annum and repayable in April 2022 (2020: April 2021).

As at 31 July 2021, gross amount of approximately HK\$13,532,000 (2020: HK\$11,388,000) included in the trade receivable arose from the sales of goods in accordance with HKFRS 15.

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

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

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

	2021 HK\$'000	2020 HK\$'000
0 to 90 days	3,641	4,044
91 to 180 days	648	220
181 to 365 days	<u>1,649</u>	<u>770</u>
	<u><u>5,938</u></u>	<u><u>5,034</u></u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	42,317	49,584
Reversal of allowance provided, net	(4,702)	(6,341)
Exchange realignment	3,221	(926)
	<u>40,836</u>	<u>42,317</u>
At the end of the year	<u><u>40,836</u></u>	<u><u>42,317</u></u>

**(12) BANK BORROWINGS**

	2021 <i>HK\$'000</i>	Effective interest rates (%) p.a.	2020 <i>HK\$'000</i>	Effective interest rates (%) p.a.
Bank loans, secured	<u>555,232</u>	1.07 - 2.26	<u>621,235</u>	0.93 - 1.90
			2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount repayable ( <i>Note</i> ):				
On demand or within one year			349,198	406,243
Beyond one year, but not exceeding two years			206,034	8,958
Beyond two years, but not exceeding five years			<u>—</u>	<u>206,034</u>
			555,232	621,235
Less: Amounts shown under current liabilities			<u>(349,198)</u>	<u>(406,243)</u>
Amounts shown under non-current liabilities			<u>206,034</u>	<u>214,992</u>

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

The borrowings of the Group bore interest at fixed and floating interest rates and are mainly denominated in Hong Kong dollars.

The Group's fixed-rate and floating-rate borrowings are mainly subject to interest at 2.26% (2020: not applicable) and Hong Kong Interbank Offered Rate plus 1.00% to 1.50% (2020: 1.00% to 1.75%) per annum, respectively.

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

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables:		
0 to 90 days	<b>1,263</b>	278
91 to 180 days	<b>254</b>	10,828
181 to 365 days	<b>821</b>	1,143
Over 365 days	<b>2,811</b>	1,751
	<b>5,149</b>	14,000
Other deposits	<b>17,923</b>	18,629
Payable for acquisition of unlisted equity investment	<b>—</b>	528
Other payables and accruals	<b>30,222</b>	28,881
	<b>53,294</b>	62,038
Less: Deposits received shown under non-current liabilities	<b>(5,829)</b>	(10,821)
	<b>47,465</b>	51,217

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.

## **EXTRACT FROM INDEPENDENT AUDITOR’S REPORT**

The auditor’s opinion on the Group’s financial statements for the year ended 31 July 2021 is as follows:

### **Opinion**

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

### **Material Uncertainty Related to Going Concern**

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

## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2021 (2020: Nil).

No interim dividend was declared during the year (2020: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Performance**

The revenue of the Group for the year ended 31 July 2021 shed to HK\$112,000,000 (2020: HK\$151,267,000), and the gross profit of the Group slid by about 23%, to HK\$81,438,000 (2020: HK\$105,310,000).

The pandemic of the COVID-19 was lingering and continued to dent the “Garment and related accessories business” segment of the Group during the year ended 31 July 2021. Having the COVID-19 mutated to more contagious variants, social and travel restrictions as well as compulsory quarantine or medical surveillance order are still in place, limiting local and tourist footfall and spooking consumers. The revenue of this segment, including the Mainland of China (“**Mainland**”), dropped by about 38% to HK\$59,137,000 (2020: HK\$94,868,000).

To tackle the ongoing difficulties, the Group revamped the retail network sophisticatedly by closing and relocating the under-performing shops to improve the shop layout effectiveness. Also, the Group has struggled to attain rent concessions from landlords of the existing shops to further enhance the operational efficiency. In addition, there were significant reductions in the rental expenses and depreciations of the retail shops after the large impairment loss in respect of these right-of-use assets of HK\$39,349,000 had already been recognised as at the end of the last financial year. As a result, the loss of “Garment and related accessories business” segment trimmed by about 86% to approximately HK\$15,113,000 (2020: HK\$105,250,000).

The “Property investment and letting business” segment of the Group remained to be a buffer by continuously generated rental income of HK\$52,863,000 for the year ended 31 July 2021 (2020: HK\$56,399,000); and the revaluation of the investment properties of the Group notched fair value losses of HK\$3,538,000 as at 31 July 2021 (2020: HK\$161,185,000).

Attributed to the adherence to pragmatic discipline in managing the investment portfolio, the “Securities trading” segment of the Group logged a profit of HK\$4,670,000 in the year ended 31 July 2021 (2020: loss of HK\$17,523,000) albeit fatigued global economic recovery, mounting inflation and rising cases of the faster spreading COVID-19 strain.

Combining the results of the three business segments above with the share of loss of an associate of HK\$1,170,000 (2020: HK\$2,559,000) and the exchange differences arising on translation of foreign operations of profit of HK\$6,713,000 (2020: loss of HK\$1,541,000), the total comprehensive income attributable to the owners of the Company was HK\$4,780,000 for the year ended 31 July 2021 (2020: expense of HK\$292,024,000).

## **“Garment and Related Accessories Business” Segment**

### Hong Kong and Macau

Despite the launch of vaccination programs on massive scales by various governments, the epidemic of COVID-19 was still nagging with emergence of the more contagious variants. The “Garment and related accessories business” segment of the Group in Hong Kong and Macau were severely impeded. With the social-distancing measures and border restrictions being in force, the pedestrian flow was inevitably throttled and customer spending was marred.

To tide over the harsh market environment, the Group kept on orchestrating the shop locations, bargaining with landlords for rental concessions and more flexible lease terms in order to enhance the return on retail channel. As at 31 July 2021, the Group operated 11 (2020: 17) “Crocodile” shops and 5 (2020: 6) “Lacoste” shops.

The Group pursued its unwavering policy of providing high value-for-money merchandises under the premier brand “Crocodile” to fortify the market competitiveness; and implemented stringent measures on merchandise procurement and speeded up stock clearances in selected outlets to rein in the inventory level and rationalise the liquidity position.

In addition, the Group fostered the efficiency of different departments to secure the operation being lean and swift to avoid excessive outlays.

### The Mainland

Though the pandemic was put under better control in the Mainland than elsewhere, the tit-for-tat relationship with the United States shadowed the business sentiment in the Mainland.

Mindful of the uncertainty above, the Group managed its own sales channels cautiously after its restructuring of several years, and as at 31 July 2021, there was a total of 13 (2020: 14) shops in the Mainland, including self-operated shops of 7 (2020: 7) and those operated by the Group’s consignees of 6 (2020: 7). The revenue of this segment was HK\$7,687,000 for the year ended 31 July 2021 (2020: HK\$7,248,000).

### Royalty Income

The Group’s licensing business of the brand “Crocodile” in Hong Kong, Macau and the Mainland contributed royalty income of HK\$5,098,000 for the year ended 31 July 2021 (2020: HK\$2,354,000); and accredited to the endeavor to chase the settlement of royalty income, there was a net reversal of provision for doubtful debts due from licensees of HK\$5,005,000 (2020: HK\$7,004,000).

### Seasonality

As its track record shows, the sales and performances of the “Garment and related accessories business” segment of the Group 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.

## **“Property Investment and Letting Business” Segment**

The Group’s investment property portfolio remained intact since 31 July 2020.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the year ended 31 July 2021 of HK\$51,703,000 (2020: HK\$55,231,000) and HK\$1,160,000 (2020: HK\$1,168,000), respectively.

After the tumble of the property markets in Hong Kong and the Mainland in the last financial year ended 31 July 2020, there was not much change in the values of the investment properties held by the Group on revaluations, with fair value losses of HK\$2,000,000 as at 31 July 2021 (2020: HK\$160,500,000) in Hong Kong and losses of HK\$1,538,000 (2020: HK\$685,000) in the Mainland.

## **“Securities Trading” Segment**

The global path to economic recovery was choppy. Many countries, particularly in Asia, were battling with the highly contagious Delta variant of the COVID-19 and resumed lockdown. Another market fear was the escalating inflation. However, the interminable loose monetary policies in major western economies fueled the already-high levels of expansion and supported the market sentiment for risky assets.

Facing such conflicting investment conditions, the Group enforced strict and prudent guidelines of managing the portfolio; and the “Securities trading” segment of the Group succeeded to make a profit of HK\$4,670,000 in the year ended 31 July 2021 (2020: loss of HK\$17,523,000).

## **Prospects**

Even the vaccination has been accelerated worldwide, the mutation of virus strains remains ahead. Against the backdrop of tidal pandemic, there is no sign of rebound in number of visitors to Hong Kong soon. Having Hong Kong as its the principal place of business, the “Garment and related accessories business” segment of the Group will have to depend heavily on the local consumption as its core support in the coming financial year. Accordingly, the Group is closely monitoring the market conditions and will focus on local customer preferences when designing and marketing its merchandises.

Moreover, the Group will carry on preserving working capital plans by proactively restraining inventory level, confining costs and expenditures, and fighting for rent concessions and more flexible lease terms for retail shops in order to improve its overall operating efficiency.

On the other hand, as disclosed in the Company’s announcement dated 10 June 2021, the agreement on distribution in respect of the “Lacoste” brand was terminated. The negotiation with the counterparty, Lacoste Operations S.A., for smooth transition is still in progress. Anyway, the Group opines that it does not have a material adverse impact on the “Garment and related accessories business” segment.

To stabilise the rental income of the “Property investment and letting business” segment amid the decline in demand for commercial properties in the uptrend of work-from-home in many businesses and the increase in supply of office premises in Eastern Kowloon, Hong Kong where most of the Group’s investment properties situated, the Group has been offering favourable lease terms to attract and retain valuable tenants.

The Group will consider to reposition certain own-use and investment properties for optimising the usages and improving the return.

On the financial aspect, the international money flows are substantially driven by the moves of the world’s biggest two economies.



Buoyed by around a trillion dollars of fiscal stimulus and the ultra-easy monetary policy, the United States economy showed sign of surpassing its pre-pandemic level. The Federal Reserve inclined to taper its asset purchases sooner rather than later. Extensive regulatory tightening in the Mainland to narrow the disparity between the rich and poor has rocked many gigantic consortiums and has deflationary effects.

The era of extremely low cost funding will end. The imminent global investment ambience is expected to be completely different. The Group will continue its defensive and vigilant strategy in selecting the financial assets at fair value through profit and loss in the investment portfolio of the “Securities trading” segment to achieve sustainable returns and managing its financial position.

The Group has been streamlining its back-office structure to strengthen the procedural efficacy.

The forthcoming year 2021/22 earmarks the 70th anniversary of “Crocodile” stellar establishment in the apparel business. Grounded on this brilliant milestone, the Group will follow its excellent tradition of staging prestige products and quality service to its esteemed clients to reciprocate their patronage of years; and will take a prudent approach in evaluating opportunities for further expansion of its footprint.

### **Contingent Liabilities**

As at 31 July 2021, the Group had no material contingent liabilities.

### **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 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 and fixed interest rate arrangement, the Group has not employed other financial instruments for the year ended 31 July 2021.

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

Cash and cash equivalents held by the Group amounted to HK\$40,953,000 as at 31 July 2021 (2020: HK\$86,402,000) and were mainly denominated in Hong Kong dollars, United States dollars, Japanese Yen and Renminbi. The pledged bank deposits of approximately HK\$7,432,000 (2020: HK\$24,108,000) 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 July 2021 were equivalent to HK\$13,108,000 (2020: HK\$17,585,000) which is not freely convertible into other currencies. However, under the regulations on foreign exchange controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 July 2021, the total outstanding borrowings including margin loans of the Group amounted to HK\$559,628,000. The total outstanding borrowings comprised secured margin loans of HK\$4,396,000, secured bank term loan of HK\$214,992,000 of which HK\$8,958,000 was short-term, and secured short-term bank revolving loans of HK\$340,240,000. Short-term bank loans were repayable within a period not exceeding one year.

Interests on bank borrowings are charged at fixed and floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars, United States dollars and Japanese Yen. Save for the fixed interest rate arrangement, no financial instruments for hedging purposes were employed by the Group for the year ended 31 July 2021.

### **Gearing**

The Group's gearing revealed by the debt to equity ratio at 31 July 2021 was approximately 37%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. 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.

### **Charges on Assets**

As at 31 July 2021, the Group has charged certain of its assets, including own-use properties, investment properties and right-of-use assets with carrying values of HK\$1,713,651,000, to its bankers to secure banking facilities granted to the Group.

### **Capital Commitments**

Save the capital commitment on a financial asset at fair value through profit or loss of HK\$1,476,000, the Group had no material capital commitments as at 31 July 2021.

### **Major Investments, Acquisitions and Disposals**

The Group had no major investments, acquisitions or disposals in the year ended 31 July 2021.

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

During the year ended 31 July 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

### **CORPORATE GOVERNANCE**

The Company is committed to achieving and maintaining high standards of corporate governance and has established policies and procedures for compliance with the principles and code provisions set out from time to time in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules" and "Stock Exchange", respectively).

The Company has complied with all applicable code provisions set out in the CG Code throughout the year ended 31 July 2021 save for the deviations from code provisions A.2.1, A.4.1, A.5.1 and E.1.2 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 during the year under review, the in-depth knowledge of the chairman of the Board (i.e. both the late Dr. Lam Kin Ming ("**Dr. KM Lam**") and Ms. Lam Wai Shan, Vanessa ("**Ms. Vanessa Lam**") of the Company's operations and the garment and retail industry in general, their extensive business network and connections, numerous awards for their works in the industry, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for the late Dr. KM Lam (up to 8 January 2021) and Ms. Vanessa Lam (since 22 January 2021) to assume the roles of both the chairman of the Board and the chief executive officer of the Company.

*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 (“**Articles of Association**”), which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board as a Director (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (“**AGM**”) (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

*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 CG Code, the Company has adopted its nomination policy in January 2019 (“**Nomination Policy**”) for improving transparency around the nomination process. As the Nomination Policy has 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. A Board meeting was held on 29 March 2021 in resolving the appointment of Mr. Fung Cheuk Nang, Clement (“**Mr. Clement Fung**”) as an INED with effect from 29 March 2021.

*Under code provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.*

Due to other pre-arranged business commitments, Dr. KM Lam was not present at the AGM held on 14 December 2020. However, Ms. Vanessa Lam present at that meeting, took the chair pursuant to Article 72 of the Articles of Association to ensure an effective communication with the Shareholders thereat.

## **REVIEW OF ANNUAL RESULTS**

The audit committee of the Company (“**Audit Committee**”, currently comprising three INEDs, namely Messrs. Leung Shu Yin, William (Chairman of the Audit Committee), Clement Fung and Yeung Sui Sang) has reviewed the consolidated financial statements of the Company for the year ended 31 July 2021, the accounting principles and practices adopted by the Company as well as the risk management and internal control and financial reporting matters.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 July 2021 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on this preliminary results announcement.

## **ANNUAL GENERAL MEETING**

The 2021 AGM will be held on Monday, 20 December 2021. Notice of 2021 AGM together with the Company's annual report for the year ended 31 July 2021 will be published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.crocodile.com.hk](http://www.crocodile.com.hk)) and despatched to the Shareholders in about mid-November 2021.

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

Hong Kong, 29 October 2021

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