CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2021

RESULTS

The board of directors ("**Board**" and "**Directors**", respectively) of Crocodile Garments Limited ("**Company**") announces the unaudited consolidated results of the Company and its subsidiaries ("**Group**") for the six months ended 31 January 2021 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 January 2021

		Six months ended 31 January	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**59,455**	91,959
Cost of sales		**(17,917)**	(29,120)
Gross profit		**41,538**	62,839
Fair value losses on investment properties		**(3,965)**	(129,721)
Other income	*4*	**11,164**	2,583
Selling and distribution expenses		**(23,759)**	(65,224)
Administrative expenses		**(24,445)**	(29,071)
Other gains (losses), net	*5*	**16,902**	(5,661)
Finance costs	*6*	**(5,658)**	(11,598)
Share of loss of an associate		**(1,365)**	(1,230)
Profit (loss) before tax	*7*	**10,412**	(177,083)
Income tax credit	*8*	**—**	406
Profit (loss) for the period attributable to owners of the Company		**10,412**	(176,677)
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,802**	(664)
Total comprehensive income (expense) for the period attributable to owners of the Company		**17,214**	(177,341)
		HK cents	*HK cents*
Earnings (losses) per share	*10*		
— Basic		**1.10**	(18.65)
— Diluted		**1.10**	(18.65)

Condensed Consolidated Statement of Financial Position
As at 31 January 2021

	Notes	31 January 2021 (Unaudited) HK$'000	31 July 2020 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**70,160**	68,293
Investment properties		**1,725,512**	1,727,756
Right-of-use assets		**49,998**	46,387
Financial asset at fair value through profit or loss ("**FVTPL**")		**27,668**	29,054
Amount due from an associate		**8,532**	8,323
Interest in an associate		**49,726**	51,091
Rental and utility deposits		**8,276**	10,421
		1,939,872	1,941,325
Current assets			
Inventories		**36,413**	49,116
Trade and other receivables, deposits and prepayments	*11*	**28,586**	25,906
Financial assets at FVTPL		**174,558**	179,549
Pledged bank deposits		**35,998**	24,108
Bank balances and cash		**76,461**	86,402
		352,016	365,081
Current liabilities			
Bank borrowings	*12*	**407,817**	406,243
Margin loans payable		**7,832**	13,097
Trade and other payables and deposits received	*13*	**42,848**	51,217
Amounts due to related companies		**841**	472
Lease liabilities		**30,548**	35,355
Tax payable		**21,357**	19,755
		511,243	526,139
Net current liabilities		**(159,227)**	(161,058)
Total assets less current liabilities		**1,780,645**	1,780,267
Non-current liabilities			
Bank borrowings	*12*	**210,513**	214,992
Deposits received		**10,529**	10,821
Provision for long service payments		**564**	1,766
Lease liabilities		**15,084**	25,947
		236,690	253,526
Net assets		**1,543,955**	1,526,741
Capital and reserves			
Share capital		**332,323**	332,323
Reserves		**1,211,632**	1,194,418
Total equity		**1,543,955**	1,526,741

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2021

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2021 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

In preparing the consolidated financial statements of the Company, the Directors has 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$159,227,000 as at 31 January 2021.

The COVID-19 outbreak and the subsequent quarantine and distancing measures imposed by the Government of the Hong Kong Special Administrative Region 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.

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

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

The financial information relating to the year ended 31 July 2020 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

(2) PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 January 2021 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2020.

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

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
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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

Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated interim financial statements.

(3) SEGMENT INFORMATION

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

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

Segment revenues and results

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

For the six months ended 31 January

	Garment and related accessories business		**Property investment and letting business**		**Securities trading**		**Total**	
	2021 (Unaudited) *HK$'000*	2020 (Unaudited) *HK$'000*	**2021 (Unaudited) *HK$'000***	2020 (Unaudited) *HK$'000*	**2021 (Unaudited) *HK$'000***	2020 (Unaudited) *HK$'000*	**2021 (Unaudited) *HK$'000***	2020 (Unaudited) *HK$'000*
Revenue from external customers	**32,603**	63,377	**26,852**	28,582	**—**	—	**59,455**	91,959
Other income from external customers *(Note)*	**10,286**	1,961	**431**	129	**—**	—	**10,717**	2,090
Group's total revenue and other income *(Note)*	**42,889**	65,338	**27,283**	28,711	**—**	—	**70,172**	94,049
Reportable segment (loss) profit	**(91)**	(43,627)	**17,211**	(109,255)	**12,114**	6,022	**29,234**	(146,860)
Unallocated corporate income							**447**	493
Unallocated corporate expenses							**(13,611)**	(19,118)
Finance costs							**(5,658)**	(11,598)
Profit (loss) before tax							**10,412**	(177,083)

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

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

(4) OTHER INCOME

	Six months ended 31 January 2021 (Unaudited) *HK$'000*	2020 (Unaudited) *HK$'000*
Royalty income	**3,354**	1,182
Bank interest income	**27**	73
Interest income on amount due from an associate	**209**	226
Interest income on advance to independent third parties	**420**	420
Government grants	**4,047**	—
Covid-19-related rent concessions	**2,799**	—
Others	**308**	682
	11,164	2,583

(5) OTHER GAINS (LOSSES), NET

	Six months ended 31 January 2021 (Unaudited) *HK$'000*	2020 (Unaudited) *HK$'000*
Net reversal of provision for impairment on trade and other receivables	**4,561**	2,733
Loss on disposal of asset classified as held-for-sale	**—**	(538)
Net gain on financial assets at FVTPL	**10,728**	2,490
Exchange (loss) gain, net	**(1,083)**	6
Impairment loss recognised in respect of right-of-use assets	**—**	(10,000)
Gain on early termination of leases	**2,220**	—
Others	**476**	(352)
	16,902	(5,661)

(6) FINANCE COSTS

	Six months ended 31 January 2021 (Unaudited) *HK$'000*	2020 (Unaudited) *HK$'000*
Interest on:		
Bank borrowings	**4,707**	9,928
Lease liabilities	**951**	1,670
	5,658	11,598

(7) PROFIT (LOSS) BEFORE TAX

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

	Six months ended 31 January	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**2,889**	5,465
Depreciation of right-of-use assets	**2,392**	22,883
Cost of inventories recognised as an expense (including (reversal of provision) provision for slow-moving inventories)	**17,515**	28,720

(8) INCOME TAX CREDIT

	Six months ended 31 January	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**—**	(406)
Income tax credit	**—**	(406)

No current tax has been provided for the six months ended 31 January 2021 (2020: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both periods.

Under the two-tiered profits tax rates regime of Hong Kong Profits 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 People's Republic of China ("**PRC**") on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards.

(9) DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 January 2021. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2020: Nil).

(10) EARNINGS (LOSSES) PER SHARE

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

	Six months ended 31 January	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings (losses)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (losses) per share	**10,412**	(176,677)

	Six months ended 31 January	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings (losses) per share	**947,543,695**	947,543,695
Effect of dilutive potential ordinary shares:		
— Share options	**—**	—
Number of ordinary shares for the purpose of diluted earnings (losses) per share	**947,543,695**	947,543,695

For the periods ended 31 January 2021 and 2020, the computation of diluted earnings (losses) per share did not assume the exercise of the Company's outstanding share options as the exercise price of the share options was higher than the average market price of the Company's shares.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		31 January 2021	31 July 2020
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
Trade receivables	*(i) & (ii)*	**19,355**	15,110
Less: Allowance for impairment		**(10,942)**	(10,076)
		8,413	5,034
Other receivables		**40,653**	44,704
Less: Allowance for impairment		**(29,608)**	(32,241)
		11,045	12,463
Deposits and prepayments		**17,404**	18,830
		36,862	36,327
Less: Rental and utility deposits shown under non-current assets		**(8,276)**	(10,421)
		28,586	25,906

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

Notes:

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

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

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

	31 January 2021 (Unaudited) ***HK$'000***	31 July 2020 (Audited) *HK$'000*
Trade receivables:		
0 to 90 days	**5,046**	4,044
91 to 180 days	**2,602**	220
181 to 365 days	**765**	770
	8,413	5,034

(12) BANK BORROWINGS

	31 January 2021 (Unaudited) ***HK$'000***	31 July 2020 (Audited) *HK$'000*
Bank loans, secured	**618,330**	621,235
Carrying amount repayable:		
Within one year	**407,817**	406,243
Beyond one year, but not exceeding two years	**8,958**	8,958
Beyond two years, but not exceeding five years	**201,555**	206,034
	618,330	621,235
Less: Amounts shown under current liabilities	**(407,817)**	(406,243)
Amounts shown under non-current liabilities	**210,513**	214,992

(13) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

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

	31 January 2021 (Unaudited) ***HK$'000***	31 July 2020 (Audited) *HK$'000*
Trade payables:		
0 to 90 days	**740**	278
91 to 180 days	**169**	10,828
181 to 365 days	**1,101**	1,143
Over 365 days	**2,283**	1,751
	4,293	14,000
Other deposits	**18,255**	18,629
Payable for acquisition of unlisted equity investment	**528**	528
Other payables and accruals	**30,301**	28,881
	53,377	62,038
Less: Deposits received shown under non-current liabilities	**(10,529)**	(10,821)
	42,848	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.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group tumbled by 35% to HK$59,455,000 (2020: HK$91,959,000) and the gross profit dropped by 34% to HK$41,538,000 (2020: HK$62,839,000).

The "Garment and related accessories business" segment of the Group was still stumbling in a nadir in the six months ended 31 January 2021, particularly under the escalation of the COVID-19 restrictions in response to a faster spreading variant during the Christmas and New Year, the traditional golden period of retailing sector. For the six months ended 31 January 2021, the revenue of this segment plunged by 48.6% to HK$32,603,000 (2020: HK$63,377,000). However, 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 last financial year, i.e. 31 July 2020. After all, it recorded a loss of HK$91,000 (2020: HK$43,627,000).

Being a respite, the "Property investment and letting business" segment continued to generate steady rental income of HK$26,852,000 for the six months ended 31 January 2021 (2020: HK$28,582,000). The revaluation of the investment properties held by the Group ticked fair value losses of HK$3,965,000 as at 31 January 2021 (2020: HK$129,721,000).

The worldwide capital markets persisted to be highly volatile amid a raft of mixed global economic data. Accredited to the reinforcement of the pragmatic discipline in managing the investment portfolio, the "Securities trading" segment made a profit of HK$12,114,000 in the six months ended 31 January 2021 (2020: HK$6,022,000).

Taking into account the performances of the above three business segments with the share of loss of an associate of HK$1,365,000 (2020: HK$1,230,000) and the exchange differences arising on translation of foreign operations of gain of HK$6,802,000 (2020: loss of HK$664,000), the total comprehensive income attributable to the owners of the Company was HK$17,214,000 for the six months ended 31 January 2021 (2020: expense of HK$177,341,000).

"Garment and Related Accessories Business" Segment

Hong Kong and Macau

The "Garment and related accessories business" segment has been encountering difficulties for past years evolved from the fundamental changes in consumer preferences elicited by increasing popularity of shopping on-line and fast fashion. It was additionally hit by the outbreak of the COVID-19 since the late January 2020 during which the market sentiment was nosediving.

To weather the above aversity, the "Garment and related accessories business" segment would keep on rationalising the retail channel to optimise the footfall at enhanced rent-effectiveness. As at 31 January 2021, the Group operated 14 (2020: 20) "Crocodile" shops and 6 (2020: 7) "Lacoste" shops.

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

Hong Kong and Macau *(continued)*

The Group also offered high value-for-money merchandises under the prestige brand “Crocodile” to maintain its market niche. Moreover, the Group tightened the controls on procurement to rein in the inventory level to avoid excessive backlog.

In addition, the Group ratcheted up the consolidation of different departmental resources to attain higher operational efficiency.

The Mainland of China (“**Mainland**”)

The rebound of pandemic in the late 2020 turned the business sentiment in the Mainland to be sour, specially upon the discovery of the new strain of COVID-19, shortly before vaccines are expected to be widely applicable, further fanned the worries about the spread of virus.

Facing such a choppy market ambience, the Group fortified its own sales channels, and as at 31 January 2021, there was a total of 14 (2020: 14) shops in the Mainland, including self-operated shops of 7 (2020: 6) and those operated by the Group’s consignees and franchisees of 7 (2020: 8). The revenue of this segment was HK$4,825,000 for the six months ended 31 January 2021 (2020: HK$4,464,000).

The Group’s licensing business of the brand “Crocodile” contributed royalty income of HK$3,354,000 for the six months ended 31 January 2021 (2020: HK$1,182,000); and there was a net reversal of provision for doubtful debts mainly due from licensees of HK$4,561,000 (2020: HK$2,733,000).

Seasonality

As its track record shows, the sales and results of the “Garment and related accessories business” segment bear heavy correlation with seasonality. In general, more than 50% of this segment’s annual sales are derived from the first half of the financial year in which fall/winter collections of higher values and margins are rolled out, coupling with festive holidays — Christmas, New Year and occasionally, Lunar New Year.

“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 six months ended 31 January 2021 of HK$26,366,000 (2020: HK$27,933,000) and HK$486,000 (2020: HK$649,000), respectively. Having substantial correction of the property market in Hong Kong and the Mainland in last financial year ended 31 July 2020, the fair values of the investment properties held by the Group on revaluations were quite stable, with fair value losses of HK$3,000,000 as at 31 January 2021 (2020: HK$129,100,000) in Hong Kong and losses of HK$965,000 (2020: HK$621,000) in the Mainland.

“Securities Trading” Segment

The global investment environment was rocked by the complication of massive monetary stimulus countering poor economic data such as pullback in consumer spending, falling personal income and fading outlook under the resurgent epidemic worldwide.

In such intricate market circumstances, the Group took a prudent and value-oriented stance to manage its portfolios of financial assets at fair value through profit and loss. The Group’s “Securities trading” segment recorded a profit of HK$12,114,000 for the six months ended 31 January 2021 (2020: HK$6,022,000).

Prospects

New variants of COVID-19 may prolong or re-necessitate lockdowns and delay expectations of an economic rebound. The imbalance of recovery among major economies has darkened the retailing sentiment. Compared with investment, consumption remains weak as a whole and has a long road to go back to normal levels.

There are still many hurdles ahead of the Mainland, including the tensions with the United States on various fronts and how these will evolve under the new United States administration. Also, the rising labour costs and towering credit defaults weigh on the Mainland that is still trying to reduce the existing mountain of debts.

In Hong Kong, it is heftily uncertain when the restrictive measures on travelling and social gathering can be lifted under the lingering pandemic of COVID-19 albeit rolling out of vaccination program on massive scales by various governments, the mass immunisation will take time.

It is foreseen that the operating conditions of retailing sector will go on to be tough. To mitigate this, the "Garment and related accessories business" segment will pursue to relocate the shops to maximise the market reach and strive any possible rent concessions from the landlords. The Group has been capitalising the renowned brand "Crocodile" to launch premier merchandises to foster its market position. At the same time, the Group will strengthen the controls on the inventory level.

The ascending trend of work-from-home in many businesses has entailed the drop in demand for commercial properties. Compounded with the increase in supply of office premises in Eastern Kowloon, Hong Kong where most of the Group's investment properties situated, the "Property investment and letting business" segment of the Group has received a dual-blow. To maintain the rental income being steady and satisfactory, the Group has been bolstering the competitiveness of its investment properties to attract and retain valuable tenants. Meanwhile, the Group will also consider to revamp the portfolio by disposing of non-core investment properties for optimising the returns and improving the liquidity.

On the financial aspect, the recent rise in the United States bond yields caused by the fear of inflation may lead to a slowdown in credit growth. The large central banks will probably keep their benchmark lending rate unchanged in coming months while steering a steady slowdown in credit expansion in 2021. It can render a rapid drift of hot monies between developed and emerging capital markets and disrupt the values of financial assets.

The Group will remain vigilant in managing the portfolio of financial assets at fair value through profit and loss of the "Securities trading" segment to attain sustainable returns.

The back-office structure of the Group has been consolidated to streamline the workflow aiming at procedural efficacy.

As a whole, the Company will adopt a cautious approach and evaluate its business objectives from time to time and will make modifications, as and when appropriate, against the changing market conditions.

Contingent Liabilities

As at 31 January 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 arrangement, the Group has not employed other financial instruments for the six months ended 31 January 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$76,461,000 as at 31 January 2021 (31 July 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$35,998,000 (31 July 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 January 2021 were equivalent to HK$17,060,000 (31 July 2020: HK$17,585,000) which is not freely convertible into other currencies. However, under the regulations on foreign controls of the Mainland, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 January 2021, the total outstanding borrowings including margin loans of the Group amounted to HK$626,162,000. The total outstanding borrowings comprised secured margin loans of HK$7,832,000, secured long-term bank loan of HK$219,471,000 and secured short-term bank revolving loans of HK$398,859,000. 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 arrangement, no financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2021.

Gearing

The Group's gearing revealed by the debt to equity ratio as at 31 January 2021 was 41%, expressed as a percentage of total bank borrowings and margin loans payable of total net assets. In view of the uncertain 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 January 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$1,683,378,000, to its bankers to secure the banking facilities granted to the Group.

Capital Commitments

As at 31 January 2021, the Group had no material capital commitments.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals during the six months ended 31 January 2021.

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

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

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") throughout the six months ended 31 January 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 period 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 fashion 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 (deceased on 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.

CORPORATE GOVERNANCE *(continued)*

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

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors. Pursuant to the Mandatory Disclosure Requirement L.(d)(ii) of the CG Code, the Company has approved to adopt its nomination policy at its Board meeting held on 28 January 2019 ("**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 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 INTERIM RESULTS

The audit committee of the Company (comprising three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang) has reviewed the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2021 including accounting principles and practices adopted by the Company and the financial reporting matters.

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

Hong Kong, 29 March 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.