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 2023

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 2023 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 2023

		Six months ended 31 January	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**42,000**	64,211
Cost of sales		**(7,145)**	(20,389)
Gross profit		**34,855**	43,822
Fair value losses on investment properties		**(69,707)**	(97)
Other income	*4*	**5,572**	8,688
Selling and distribution expenses		**(22,289)**	(24,476)
Administrative expenses		**(23,569)**	(23,339)
Other gains/(losses), net	*5*	**10,435**	(1,113)
Interest income	*6*	**3,550**	645
Finance costs	*6*	**(16,765)**	(5,296)
Share of (loss)/profit of an associate		**(1,829)**	1,774
(Loss)/profit before income tax	*7*	**(79,747)**	608
Income tax expenses	*8*	**–**	–
(Loss)/profit for the period attributable to owners of the Company		**(79,747)**	608
			(Restated)
		HK Cents	*HK Cents*
(Loss)/earning per share	*10*		
Basic		**(6.65)**	0.06
Diluted		**(6.65)**	0.06

	Notes	Six months ended 31 January **2023** **(Unaudited)** ***HK$'000***	 2022 (Unaudited) *HK$'000*
Other comprehensive (expense)/income			
Item that will not be subsequently reclassified to profit or loss:			
Gain arising on transfer of property, plant and equipment to investment properties at fair value		**84,715**	–
Income tax effect		**(21,179)**	–
		63,536	–
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(81)**	1,365
Other comprehensive income for the period attributable to owners of the Company		**63,455**	1,365
Total comprehensive (expense)/income for the period attributable to owners of the Company		**(16,292)**	1,973

Condensed Consolidated Statement of Financial Position
As at 31 January 2023

	Notes	31 January 2023 (Unaudited) HK$'000	31 July 2022 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**34,063**	84,527
Investment properties		**1,753,257**	1,673,478
Right-of-use assets		**72,182**	80,542
Financial assets at fair value through profit or loss ("**FVTPL**")		**38,963**	27,568
Amount due from an associate		**8,151**	7,941
Interest in an associate		**49,988**	51,817
Rental and utility deposits	*11*	**1,212**	3,009
		1,957,816	1,928,882
Current assets			
Inventories		**12,250**	12,484
Trade and other receivables, deposits and prepayments	*11*	**22,665**	29,344
Financial assets at FVTPL		**134,984**	164,000
Pledged bank deposits		**4,007**	2,924
Bank balances and cash		**274,236**	277,756
		448,142	486,508
Current liabilities			
Bank borrowings	*12*	**229,392**	249,447
Margin loans payable		**6,213**	28,523
Trade and other payables and deposits received	*13*	**26,088**	36,288
Amount due to a related company		**158**	–
Lease liabilities		**12,298**	15,332
Tax payable		**20,645**	20,645
		294,794	350,235
Net current assets		**153,348**	136,273
Total assets less current liabilities		**2,111,164**	2,065,155
Non-current liabilities			
Bank borrowings	*12*	**554,620**	559,960
Deposits received	*13*	**8,470**	6,571
Provision for long service payments		**814**	1,057
Lease liabilities		**6,633**	4,140
Deferred tax liabilities		**21,179**	–
		591,716	571,728
Net assets		**1,519,448**	1,493,427
Capital and reserves			
Share capital		**374,636**	332,323
Reserves		**1,144,812**	1,161,104
Total equity		**1,519,448**	1,493,427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2023

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2023 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.

The financial information relating to the year ended 31 July 2022 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 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the 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 2023 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 July 2022.

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

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16

The application of the 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.

(3) SEGMENT INFORMATION

Information reported to the management of the Company, 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) treasury management. 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		Treasury management		Total	
	2023 (Unaudited) *HK$'000*	2022 (Unaudited) *HK$'000*	**2023 (Unaudited) *HK$'000***	2022 (Unaudited) *HK$'000*	**2023 (Unaudited) *HK$'000***	2022 (Unaudited) *HK$'000*	**2023 (Unaudited) *HK$'000***	2022 (Unaudited) *HK$'000*
Revenue from external customers	**18,494**	37,388	**23,506**	26,823	**–**	–	**42,000**	64,211
Other income from external customers *(note)*	**5,572**	8,688	**210**	205	**–**	–	**5,782**	8,893
Group's total revenue and other income	**24,066**	46,076	**23,716**	27,028	**–**	–	**47,782**	73,104
Reportable segment (loss)/profit before property revaluation and share of an associate's results	**(7,988)**	1,056	**17,545**	22,355	**10,173**	(5,565)	**19,730**	17,846
Fair value losses on investment properties	**–**	–	**(69,707)**	(97)	**–**	–	**(69,707)**	(97)
Share of (loss)/profit of an associate	**–**	–	**(1,829)**	1,774	**–**	–	**(1,829)**	1,774
Reportable segment (loss)/profit	**(7,988)**	1,056	**(53,991)**	24,032	**10,173**	(5,565)	**(51,806)**	19,523
Unallocated corporate income							**3,340**	440
Unallocated corporate expenses							**(14,516)**	(14,059)
Finance costs							**(16,765)**	(5,296)
(Loss)/profit before tax							**(79,747)**	608

Note: The income includes interest income on amount due from an associate.

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 resource allocation and assessment of segment performance.

(4) OTHER INCOME

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Royalty income	**5,497**	5,777
COVID-19-related rent concessions	**–**	2,894
Others	**75**	17
	5,572	8,688

(5) OTHER GAINS/(LOSSES), NET

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net gains/(losses) on financial assets at FVTPL	**10,173**	(7,326)
Gain on early termination of leases	**214**	62
Exchange gains/(losses), net	**10**	(256)
Written off of other payables	**–**	6,185
Net reversal of provision for impairment on trade and other receivables	**–**	130
Others	**38**	92
	10,435	(1,113)

(6) INTEREST INCOME AND FINANCE COSTS, NET

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income:		
Bank interest income	**3,340**	20
Interest income on amount due from an associate	**210**	205
Interest income on advance to independent third parties	**–**	420
	3,550	645
Finance costs:		
Bank borrowings	**(16,475)**	(4,784)
Lease liabilities	**(290)**	(512)
	(16,765)	(5,296)
Net finance costs	**(13,215)**	(4,651)

(7) (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,701**	3,200
Depreciation of right-of-use assets	**4,933**	2,305
Cost of inventories recognised as an expense (including reversal of provision for slow-moving inventories)	**6,720**	20,137

(8) INCOME TAX EXPENSES

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax	**–**	–
	–	–

No current tax has been provided for the six months ended 31 January 2023 (2022: 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%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 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 2023. The Directors do not recommend the payment of an interim dividend (2022: nil).

(10) (LOSS)/EARNING PER SHARE

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

	Six months ended 31 January	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/earning		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earning per share	**(79,747)**	608
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earning per share	**1,198,775,195**	1,082,907,080

The weighted average number of ordinary shares in issue for both periods used in the above basic and diluted loss per share calculation has been adjusted to reflect the effect of the rights issue completed during the period ended 31 January 2023.

For the periods ended 31 January 2023 and 2022, diluted (loss)/earning per share were same as basic (loss)/earning per share as the Company had no dilutive potential ordinary shares in issue.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	**31 January 2023 (Unaudited) *HK$'000***	31 July 2022 (Audited) *HK$'000*
Trade receivables	*(i) & (ii)*	**10,131**	16,209
Less: Allowance for impairment		**(8,001)**	(12,048)
		2,130	4,161
Other receivables		**45,515**	46,216
Less: Allowance for impairment		**(34,816)**	(34,816)
		10,699	11,400
Deposits and prepayments		**11,048**	16,792
		23,877	32,353
Less: Rental and utility deposits shown under non-current assets		**(1,212)**	(3,009)
		22,665	29,344

Notes:

(i) For the retail business, other than cash sales made at retail shops of the Group, the Group allows 30 to 60 days credit period 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 are 7 days. For the property investment and letting business, monthly rentals are payable in advance by tenants in accordance with the leases. 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 the 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 2023 (Unaudited) *HK$'000*	31 July 2022 (Audited) *HK$'000*
0 to 90 days	**522**	1,368
91 to 180 days	**536**	2,333
181 to 365 days	**1,072**	460
	2,130	4,161

(12) BANK BORROWINGS

	31 January 2023 (Unaudited) *HK$'000*	31 July 2022 (Audited) *HK$'000*
Bank loans, secured	**784,012**	809,407
Carrying amount repayable:		
On demand or within one year	**229,392**	249,447
Beyond one year, but not exceeding two years	**19,878**	23,631
Beyond two years, but not exceeding five years	**65,228**	74,421
Beyond five years	**469,514**	461,908
	784,012	809,407
Less: Amounts shown under current liabilities	**(229,392)**	(249,447)
Amounts shown under non-current liabilities	**554,620**	559,960

(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 2023 (Unaudited) *HK$'000*	31 July 2022 (Audited) *HK$'000*
Trade payables:		
0 to 90 days	**1,617**	700
91 to 180 days	**1,366**	165
181 to 365 days	**134**	270
Over 365 days	**263**	2,388
	3,380	3,523
Deposits received	**17,374**	17,957
Other payables and accruals	**13,804**	21,379
	34,558	42,859
Less: Deposits received shown under non-current liabilities	**(8,470)**	(6,571)
	26,088	36,288

The credit period for purchase of goods is between 30 and 90 days.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 31 January 2023 (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the period under review, the turnover of the Group slid to HK$42 million (2022: HK$64 million), and the gross profit declined by 20%, to HK$35 million (2022: HK$44 million). However, gross profit margin improved from 68% to 83% during the period.

The "Garment and Related Accessories Business" segment experienced a slow rate of recovery in the PRC and Hong Kong with the emergence of new COVID-19 variants in the beginning of the period. However, long-waited border reopening with the PRC in January 2023 has fueled the retail market, which logged a double-digit growth in a single monthly revenue under same brand and shop basis. Overall, in the absence of "Lacoste" brand revenue after the termination of its distribution agreement in February 2022, the revenue of this segment, including the Mainland of China ("**Mainland**"), dropped by about 51% to HK$18 million (2022: HK$37 million). In spite of improvement of gross profit margin for this segment increasing from 47% to 64%, the segment result still recorded a loss of HK$8 million (2022: profit of HK$1 million), suffered by the negative impacts of COVID-19 for much of the period. The loss is expected to narrow down in the second half.

The "Property Investment and Letting Business" segment recorded a mild drop of rental income to HK$24 million for the six months ended 31 January 2023 (2022: HK$27 million). The revaluation of the investment properties held by the Group notched fair value losses of HK$70 million during the period (2022: HK$0.1 million).

Inflation has been escalating throughout the year 2022, owing to rising energy and food prices, supply chain disruption and rebounding global market demand. In response to consequential rising wages and prices, the Federal Reserve of the United States and other central banks tightened financial conditions with the introduction of the fastest and steepest interest rate hike cycle over the past few decades. This led to a higher net finance costs incurred of HK$13 million for the period (2022: HK$5 million). However, the gradual removal of quarantine restrictions has boosted the capital equity market in December 2022 and January 2023. As a result, the "Treasury Management" segment of the Group experienced a strong rebound and recorded a gain of HK$10 million in the six months ended 31 January 2023 (2022: loss of HK$6 million).

Taking into account the performances of the above three business segments with gain arising on transfer of property, plant and equipment to investment properties at fair value, net of tax of HK$64 million (2022: nil), the total comprehensive expense attributable to the owners of the Company was HK$16 million for the six months ended 31 January 2023 (2022: income of HK$2 million).

"Garment and Related Accessories Business" Segment

Hong Kong and Macau

Hong Kong retail market has been shaky for much of the period, under the negative impact of the COVID-19 pandemic. The slow rate of recovering in customer spending power has led to the Group to take steps to negotiate with landlords for rent concession and to reduce inventory levels for our traditional brand, "Crocodile". As at 31 January 2023, the Group operated 10 (31 July 2022: 10) "Crocodile" shops.

To achieve long-term sustainable growth and enlarge the customer base, the Group has deployed efforts in building another brand, "CROCO", with a different brand image and unique brand identity. After the opening of one more new "CROCO" shop in Tsuen Wan in December 2022, the Group operated 2 "CROCO" shops as at 31 January 2023 (31 July 2022: 1).

Thanks to another batch of consumption vouchers in October 2022 and Mainland's re-opening in January 2023, Hong Kong consumption market finally shook off the lingering effects of the pandemic. Excluding the revenue from "Lacoste" sales of HK$18 million in last corresponding period after the termination of its distribution agreement, the retail revenue in Hong Kong and Macau increased by 16% to HK$17 million (2022: HK$15 million).

The Mainland

Being threatened by the persistent COVID-19 pandemic in China, the operations of the Group's retail stores in Mainland were severely impacted by strict lockdown measures in most of the period. Since December 2022, the mobility in major Mainland cities has been recovering after attaining the peak infections. This led to a sizable rebound in retail sales in January 2023. The overall retail revenue in the Mainland during the period dropped by 69% to HK$1.3 million (2022: HK$4 million). On the other hand, benefitting from the licensing of the prestige brand "Crocodile" in the Mainland, same level of royalty income of around HK$5 million (2022: HK$5 million) was still maintained for the period ended 31 January 2023 and was the major other income.

To cope with the harsh operating conditions, the Group monitored its own sales channels cautiously and remained prudent in extending its presence in new areas. As at 31 January 2023, there was a total of 12 shops in the Mainland, including self-operated shops of 6 and those operated by the Group's consignees of 6, with the same shop portfolio as at 31 July 2022.

Seasonality

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

“Property Investment and Letting Business” Segment

The Group’s investment property portfolio remained intact since 31 July 2022 save for change of own-used manufacturing plant in the Mainland to investment property for the purpose of earning rental income since August 2022.

The investment properties of the Group in Hong Kong and the Mainland generated rental revenue for the six months ended 31 January 2023 of HK$24 million (2022: HK$27 million). The increasing supply of new office premises in Kowloon East and decreasing demand from office tenants in response to a more popular work-from-home model caused a drop in rental income of HK$3 million or 12%, as compared to last corresponding period. As such, the revaluation of the investment properties held by the Group ticked fair value losses of HK$70 million (2022: loss of HK$0.1 million).

“Treasury Management” Segment

Albeit global economic uncertainty, high interest rates and increasing tight liquidity conditions have weighed on investment activity during much of the period, conditions improved with global stock markets starting to pick up since November 2022. The gradual removal of quarantine restrictions globally has boosted investor confidence. It is expected that further relaxation of pandemic related restrictions on China would remove a distinct hurdle for both China and the global economy.

Mindful of the above circumstances and the increasing downside risk, the Group took a cautious approach to managing its portfolios of financial assets at fair value through profit and loss (“**FVTPL**”) in order to generate favourable returns for the Shareholders. The Group’s “Treasury Management” segment recorded a profit of HK$10 million for the six months ended 31 January 2023 (2022: loss of HK$6 million).

Prospects

Looking ahead, the continued return of economy activity to normalcy and a further rebound in the number of tourists coming to Hong Kong would benefit the retail sector. In response to this, the Group equipped itself with a timely and robust funding through Rights Issue (“**Rights Issue**”) in November 2022 to secure favourable opportunities, including obtaining new retail shop leases during the period.

The Group will continue to gear up its efforts to improve its merchandise mix under both “Crocodile” and “CROCO”, catering for local customer preferences and maintaining higher gross margins, which has already been happening in the period.

As a landlord of investment properties, the “Property Investment and Letting Business” segment contributes stable rental income and cashflow to support the Group’s operations. It is expected there would be a solid year for office leasing demand driven by the recovery in Hong Kong and the Mainland; however, rental growth will be mild and take time to resume pre-pandemic level.

In view of an increase in supply of office premises in Kowloon East, the Group is repositioning the investment properties to attract new tenants in different industries both to improve the rental yield and minimise the vacancy rate.

Prospects *(Continued)*

For treasury management, until there is firm evidence that interest rates have peaked, which is likely to emerge in mid of year 2023, the Group is adopting a prudent investment strategy to assess and make necessary adjustments to the portfolio in order to enjoy a favourable return with a relatively low risk.

Facing a combination of rising financing costs and global economic uncertainty, the Group intends to impose less reliance on debt financing under the prevailing market conditions and to reduce its current borrowings, if possible until such time as interest rates revert to more reasonable levels. The net proceeds from the Rights Issue would help cushion against increases in interest expenses and expected funding needs in short term.

With all the above factors in play, the Group is always mindful in preparation for the next 12 months of uncertainties, whilst is confident that the recovery road of our core business is on the right track.

Contingent Liabilities

As at 31 January 2023, 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 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 at FVTPL, the Group has not employed other financial instruments as of 31 January 2023.

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

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 was completed in November 2022. The total net proceeds of the Rights Issue, after deduction of rights issue expenses, was approximately HK$42.3 million. As at 31 January 2023, the net proceeds from the Rights Issue were used as (i) HK$3 million for repayment of the principals of the bank borrowings; and (ii) HK$5 million for opening two new retail shops and day-to-day operations of the Group. The remaining net proceeds of HK$34 million will be used according to the intended use.

Cash and cash equivalents held by the Group amounted to HK$274 million as at 31 January 2023 (31 July 2022: HK$278 million) and were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The pledged bank deposits of approximately HK$4 million (31 July 2022: HK$3 million) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2023 were equivalent to HK$4 million (31 July 2022: 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.

Liquidity, Financial Resources and Foreign Exchange Risk Exposure *(Continued)*

As at 31 January 2023, the total outstanding borrowings including margin loans of the Group amounted to HK$790 million (31 July 2022: HK$838 million). The total outstanding borrowings comprised secured margin loans of HK$6 million, secured bank term loan of HK$574 million of which HK$19 million was short-term, and secured short-term bank revolving loans of HK$210 million.

Interests on bank borrowings are charged at floating rates. The bank borrowings of the Group are denominated principally in Hong Kong dollars and United States dollars. No financial instruments for interest rate hedging purposes were employed by the Group as of 31 January 2023.

Charges on Assets

As at 31 January 2023, the Group has charged certain of its assets, including own-use properties, financial assets at FVTPL, investment properties and right-of-use assets with total carrying values of HK$1,777 million, to its bankers to secure the borrowings, margin loans payable and banking facilities granted to the Group.

Gearing

After the Rights Issue, the Group's gearing revealed by the debt to equity ratio (expressed as a percentage of total bank borrowings and margin loans payable of total net assets) as at 31 January 2023 dropped to 52% from 56% as at 31 July 2022. In view of the volatile worldwide economic and financial landscapes, the Group continues to be prudent for business development to contain its gearing within a suitable range for controlling its risk exposure and finance costs.

Capital Commitments

The Group had no material capital commitments as at 31 January 2023.

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals during the six months ended 31 January 2023.

Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 113 as at 31 January 2023 (31 July 2022: 124). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

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

During the six months ended 31 January 2023 ("**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 ("**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) throughout the Period save for the deviation disclosed below:

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

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

REVIEW OF INTERIM RESULTS

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

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

Hong Kong, 28 March 2023

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