CROCODILE

Crocodile Garments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 122)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 JULY 2023

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 2023 together with the comparative figures for the previous financial year as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 July 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	3	**86,876**	103,288
Cost of sales		**(14,044)**	(28,436)
Gross profit		**72,832**	74,852
Other income	4	**16,206**	20,322
Selling and distribution expenses		**(44,683)**	(44,633)
Administrative expenses		**(50,132)**	(51,510)
Fair value losses on investment properties		**(73,408)**	(47,588)
Other gains/(losses), net	5	**7,777**	(20,622)
Finance costs	6	**(36,550)**	(11,102)
Share of profit/(loss) of an associate		**(1,680)**	1,896
Loss before tax	7	**(109,638)**	(78,385)
Income tax credit	8	**852**	–
Loss for the year attributable to owners of the Company		**(108,786)**	(78,385)
		HK cents	(Restated) *HK cents*
Loss per share attributable to owners of the Company	10		
– Basic		**(8.31)**	(7.24)
– Diluted		**(8.31)**	(7.24)

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2023

	2023	2022
	HK$'000	*HK$'000*
Loss for the year	**(108,786)**	(78,385)
Other comprehensive income/(expenses)		
Other comprehensive expenses that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8,913)**	(2,785)
Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss:		
Revaluation gain on transfer of property, plant and equipment to investment properties	**84,715**	43,076
Income tax effect	**(21,179)**	–
	63,536	43,076
Other comprehensive income for the year, net of tax	**54,623**	40,291
Total comprehensive expenses for the year attributable to the owners of the Company	**(54,163)**	(38,094)

Consolidated Statement of Financial Position

As at 31 July 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**47,301**	84,527
Investment properties		**1,705,884**	1,673,478
Right-of-use assets		**93,496**	80,542
Financial assets at fair value through profit or loss ("**FVTPL**")		**45,963**	27,568
Interest in an associate		**50,137**	51,817
Amount due from an associate		**8,126**	7,941
Deposits and prepayments	11	**5,756**	3,009
Total non-current assets		**1,956,663**	1,928,882
Current assets			
Inventories		**14,537**	12,484
Trade and other receivables, deposits and prepayments	11	**20,287**	29,344
Amount due from a related company		**503**	–
Financial assets at fair value through profit or loss		**121,850**	164,000
Pledged bank deposits		**579**	2,924
Cash and cash equivalents		**229,445**	277,756
Total current assets		**387,201**	486,508
Current liabilities			
Trade payables, other payables and deposits received	13	**31,081**	36,288
Financial liabilities at fair value through profit or loss		**8,565**	–
Interest-bearing bank borrowings	12	**201,133**	249,447
Margin loans payable		**3,544**	28,523
Lease liabilities		**8,923**	15,332
Tax payable		**19,303**	20,645
Total current liabilities		**272,549**	350,235
Net current assets		**114,652**	136,273
Total assets less current liabilities		**2,071,315**	2,065,155

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Non-current liabilities			
Other payables and deposits received	13	**10,699**	6,571
Interest-bearing bank borrowings	12	**549,368**	559,960
Provision		**1,135**	1,057
Lease liabilities		**8,209**	4,140
Deferred tax liabilities		**20,327**	–
Total non-current liabilities		**589,738**	571,728
Net assets		**1,481,577**	1,493,427
Equity			
Equity attributable to owners of the Company			
Share capital		**374,636**	332,323
Reserves		**1,106,941**	1,161,104
Total equity		**1,481,577**	1,493,427

NOTES

For the year ended 31 July 2023

(1) BASIS OF PREPARATION

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

The financial information relating to the years ended 31 July 2023 and 31 July 2022 included in this preliminary announcement of annual results for the year ended 31 July 2023 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 financial statements for the year ended 31 July 2023 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 July 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's predecessor auditor has reported on the financial statements of the Group for the year ended 31 July 2022. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's 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, and HKAS 41

The application of the above 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 years and/or on the disclosures set out in the consolidated financial statements.

(3) SEGMENT INFORMATION

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.

(a) Segment revenue and results

Years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**39,894**	50,485	**46,982**	52,803	**–**	–	**86,876**	103,288
Other income from external customers	**8,114**	15,094	**437**	317	**–**	–	**8,551**	15,411
Group's total revenue and other income	**48,008**	65,579	**47,419**	53,120	**–**	–	**95,427**	118,699
Reportable segment profit/(loss) before property revaluation and share of an associate's results	**(15,937)**	(5,551)	**39,244**	44,345	**7,625**	(24,514)	**30,932**	14,280
Fair value losses on investment properties	**–**	–	**(73,408)**	(47,588)	**–**	–	**(73,408)**	(47,588)
Share of profit/(loss) of an associate	**–**	–	**(1,680)**	1,896	**–**	–	**(1,680)**	1,896
Reportable segment profit/(loss)	**(15,937)**	(5,551)	**(35,844)**	(1,347)	**7,625**	(24,514)	**(44,156)**	(31,412)
Unallocated corporate income							**7,655**	4,911
Unallocated corporate expenses							**(36,587)**	(40,782)
Finance costs							**(36,550)**	(11,102)
Loss before tax							**(109,638)**	(78,385)

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

During the year ended 31 July 2023, the directors have reassessed the basis of adjusted loss before tax for reportable operating segments and considered that it is more appropriate to be measured consistently with the Group's loss before tax except that bank interest income, interest income on advances to independent third parties, government grants, finance costs, certain other income and corporate expenses are excluded from such measurement. The directors believe that the current presentation could provide better understanding to the users of the financial statements to evaluate the Group's operating performance. Accordingly, the comparative figures in segment results have been restated.

(3) SEGMENT INFORMATION *(continued)*

(b) Segment assets and liabilities

As at 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**170,917**	200,163	**1,775,110**	1,742,979	**121,850**	164,000	**2,067,877**	2,107,142
Unallocated corporate assets							**275,987**	308,248
Total consolidated assets							**2,343,864**	2,415,390
LIABILITIES								
Segment liabilities	**42,252**	45,856	**17,795**	17,532	**12,109**	28,523	**72,156**	91,911
Unallocated corporate liabilities							**790,131**	830,052
Total consolidated liabilities							**862,287**	921,963

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

– all assets are allocated to reportable and operating segments, other than non-current financial assets at FVTPL, pledged bank deposits and cash and cash equivalents.

– all liabilities are allocated to reportable and operating segments, other than interest-bearing bank borrowings, tax payable and deferred tax liabilities.

(3) SEGMENT INFORMATION *(continued)*

(c) Other segment information

Years ended 31 July

	Garment and related accessories business		Property investment and letting business		Treasury management		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Interest in an associate	**–**	–	**50,137**	51,817	**–**	–	**50,137**	51,817
Additions to property, plant and equipment	**8,965**	1,570	**543**	4,110	**–**	–	**9,508**	5,680
Additions of right-of-use assets	**14,293**	11,220	**–**	–	**–**	–	**14,293**	11,220
Depreciation	**14,437**	12,012	**448**	209	**–**	–	**14,885**	12,221
Impairment of trade and other receivables	**1**	6,431	**–**	900	**–**	–	**1**	7,331
Impairment of right-of-use assets	**1,303**	–	**–**	–	**–**	–	**1,303**	–
Impairment of property, plant and equipment	**524**	–	**–**	–	**–**	–	**524**	–
Fair value losses on investment properties	**–**	–	**73,408**	47,588	**–**	–	**73,408**	47,588
Reversal of provision for slow-moving inventories	**(3,014)**	(4,359)	**–**	–	**–**	–	**(3,014)**	(4,359)
Loss/(gain) on disposal of property, plant and equipment	**(30)**	192	**–**	–	**–**	–	**(30)**	192
Net losses/(gains) on financial instruments at FVTPL	**–**	–	**(2,000)**	1,889	**(7,625)**	24,514	**(9,625)**	26,403
Interest income from an associate	**–**	–	**(435)**	(406)	**–**	–	**(435)**	(406)

(d) Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 July		As at 31 July	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Macau	**81,918**	95,460	**1,744,138**	1,802,968
The People's Republic of China ("**PRC**")	**4,958**	7,828	**156,477**	87,396
	86,876	103,288	**1,900,615**	1,890,364

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

(3) SEGMENT INFORMATION *(continued)*

(e) Information about major customers

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

During the year ended 31 July 2022, revenue generated from a single customer of the Group from the segment of property investment and letting business amounting to approximately HK$10,567,000 had accounted for over 10% of the Group's total revenue.

(4) OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Royalty income	**7,548**	9,647
Bank interest income	**6,632**	269
Interest income on amount due from an associate	**435**	406
Interest income on advances to independent third parties	**–**	420
Government grants	**–**	1,852
COVID-19-related rent concessions	**–**	5,361
Others	**1,591**	2,367
	16,206	20,322

(5) OTHER GAINS/(LOSSES), NET

	2023	2022
	HK$'000	*HK$'000*
Impairment of trade and other receivables	**(1)**	(7,331)
Gain/(loss) on disposal of property, plant and equipment	**30**	(192)
Gain on early termination of lease	**214**	25
Net gains/(losses) on financial instruments at FVTPL	**9,625**	(26,403)
Impairment of right-of-use assets	**(1,303)**	–
Impairment of property, plant and equipment	**(524)**	–
Foreign exchange differences, net	**20**	278
Write-off of other payables	**155**	12,278
Others	**(439)**	723
	7,777	(20,622)

(6) FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**35,901**	10,260
Lease liabilities	**649**	842
	36,550	11,102

(7) LOSS BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**15,973**	32,032
Reversal of provision for slow-moving inventories	**(3,014)**	(4,359)
Depreciation of property, plant and equipment	**3,701**	6,563
Depreciation of right-of-use assets	**11,184**	5,658

(8) INCOME TAX

No current tax has been provided for the years ended 31 July 2023 and 31 July 2022 as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for both years.

	2023	2022
	HK$'000	*HK$'000*
Deferred tax credit	**852**	–

(9) DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 July 2023 (2022: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of approximately 1,309,130,819 (2022: 1,082,907,080 (restated)) in issue during the year, as adjusted to reflect the rights issue during the year ended 31 July 2023.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 July 2023 and 2022 in respect of a dilution as the Company had no dilutive potential ordinary shares in issue.

(11) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	**2023** **HK$'000**	2022 *HK$'000*
Trade receivables	*(i) & (ii)*	**9,053**	16,209
Less: Allowance for impairment		**(6,946)**	(12,048)
		2,107	4,161
Other receivables		**38,334**	46,216
Less: Allowance for impairment		**(33,134)**	(34,816)
		5,200	11,400
Deposits and prepayments		**18,736**	16,792
		26,043	32,353
Less: Non-current portion		**(5,756)**	(3,009)
Current portion		**20,287**	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. Trade receivables are non-interest-bearing.

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

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

	2023 **HK$'000**	2022 *HK$'000*
0 to 90 days	**1,073**	1,368
91 to 180 days	**224**	2,333
181 to 365 days	**507**	460
Over 365 days	**303**	–
	2,107	4,161

(12) INTEREST-BEARING BANK BORROWINGS

	2023	2022
	HK$'000	*HK$'000*
Bank loans, secured	**750,501**	809,407
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**201,133**	249,447
In the second year	**16,396**	23,631
In the third to fifth years, inclusive	**56,328**	74,421
Beyond five years	**476,644**	461,908
	750,501	809,407
Less: Current portion	**(201,133)**	(249,447)
Non-current portion	**549,368**	559,960

(13) TRADE PAYABLES, OTHER PAYABLES AND DEPOSITS RECEIVED

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

	2023	2022
	HK$'000	*HK$'000*
Trade payables:		
0 to 90 days	**2,875**	700
91 to 180 days	**–**	165
181 to 365 days	**1,221**	270
Over 365 days	**263**	2,388
	4,359	3,523
Other payables and accruals	**24,513**	21,379
Deposits received	**12,908**	17,957
	41,780	42,859
Less: Non-current portion	**(10,699)**	(6,571)
Current portion	**31,081**	36,288

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

(14) COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. These reclassifications have no impact on the Group's total equity as at 31 July 2023 and 2022, or on the Group's loss for the years ended 31 July 2023 and 2022.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 July 2023 (2022: Nil).

No interim dividend was declared during the year (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

The Group has recorded a revenue of HK$87 million for the year ended 31 July 2023, representing a drop of 16% as compared to the previous year (2022: HK$103 million). With the improvement of gross profit margin from 72% to 84% during the year, the gross profit of the Group recorded a mild decline of 3%, to HK$73 million (2022: HK$75 million).

Following the gradual easing of the new wave of the COVID-19 situation at the beginning of the financial year, the relevant preventive measures were lifted in early 2023, leading to a return to a normal business environment. This positive trend is reflected in the notable improvement in sales of the "Crocodile" brand in Hong Kong and Macau, which increased by 33% from HK$25 million to HK$34 million. However, due to the absence of "Lacoste" brand distribution sales amounting to HK$19 million during the year, the revenue of the "Garment and Related Accessories Business" experienced a decline of HK$10 million (or 21%) to HK$40 million (2022: HK$50 million).

Despite the decline in revenue, there is a significant positive development in the gross profit margin of this segment, which has improved from 45% to an impressive 68%. As a result, the overall gross profit increased by 18% to HK$27 million.

In response to the slower-than-expected pace of recovery in the Hong Kong retail market, the Group has proactively implemented decisive cost adjustment measures to ensure shop profitability. These measures include the closure of underperforming shops and a strategic focus on new locations with more reasonable rent benchmarks aligned with a certain percentage of sales targets. Additionally, the majority of shop leases were successfully renewed at competitive unit rents prior to the reopening of Hong Kong and the Mainland of China ("**Mainland**") border.

However, certain lease payments of over HK$20 million, which was fully impaired from right-of-use assets in previous fiscal years, were not reflected as an expense in last year's segment performance. In spite of improvement of gross profit of this segment, the absence of such lease payment expenses in the comparable year resulted in the increase in the loss incurred by the "Garment and Related Accessories Business" segment to HK$16 million compared to last year (2022: loss of HK$6 million).

For the year ended 31 July 2023, "Property Investment and Letting Business" segment recorded a slight decrease in rental income to HK$47 million (2022: HK$53 million). The fair value of the investment properties held by the Group recorded a fair value loss of HK$73 million during the year (2022: loss of HK$48 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Financial Performance *(continued)*

Mindful of the global economic uncertainty, high interest rates and increasing tight liquidity conditions, the Group took a prudent approach in managing the portfolio of financial assets and liabilities at fair value through profit and loss in order to generate favorable returns for the Shareholders. The Group's "Treasury Management" segment recorded a profit of HK$8 million for the year ended 31 July 2023 (2022: loss of HK$25 million).

However, the introduction of the fastest and steepest interest rate hike cycle led to a higher finance costs incurred with the amount of HK$37 million during the year (2022: HK$11 million).

Combining the results of the three business segments and finance costs mentioned above with the net unallocated expenses of HK$29 million (2022: HK$36 million), gain (net of tax) arising on transfer of property, plant and equipment to investment properties at fair value of HK$64 million (2022: HK$43 million) and the exchange differences arising on translation of foreign operations of loss of HK$9 million (2022: loss of HK$3 million), the total comprehensive expenses attributable to the owners of the Company was HK$54 million for the year ended 31 July 2023 (2022: loss of HK$38 million).

"Garment and Related Accessories Business" Segment

Hong Kong and Macau

Following the relaxation of pandemic prevention measures in early 2023, the Hong Kong and Macau retail market has returned to a state of normalcy in the second half of the financial reporting year. With a lower comparative baseline, the revenue of our traditional brand "Crocodile" improved by 33% from HK$25 million to HK$34 million.

As at 31 July 2023, the Group operated 9 (2022: 10) "Crocodile" shops. Subsequent to the financial year end, one more shop was opened in Tsim Sha Tsui to maintain same number of shop channels as last year.

During the year, the Group achieved a successful launch of its new brand, "CROCO", which boasted a distinctive brand image and unique brand identity. This strategic move aimed to target the young-aged customer segment. The Group established 2 "CROCO" shops as of 31 July 2023 and implemented effective marketing strategies on social media platforms.

This expansion into the "CROCO" brand proved fruitful, as it captured approximately 7% of the total retail sales in Hong Kong and Macau. This initial success marks a promising start for the new brand, demonstrating its potential for growth and market penetration in the targeted customer segment.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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

Hong Kong and Macau *(continued)*

Taking into account the gradual recovery of customer spending power following the pandemic and the termination of the distribution agreement with "Lacoste", resulting in a loss of HK$19 million in corresponding sales, the overall retail revenue in Hong Kong and Macau decreased from HK$44 million to HK$37 million.

The Mainland

The Group's retail stores in Mainland China encountered severe disruptions to their operations due to the persistent COVID-19 pandemic. Strict lockdown measures imposed throughout most of the period greatly impacted the performance of these stores in the first half of the year. However, since December 2022, mobility in major Mainland cities has gradually recovered following the peak in infections with a sales rebound in the second half.

In pursuit of operational optimisation and strategic focus, the Group implemented a plan to close unprofitable shops in the Mainland. As of 31 July 2023, the Group operated a total of 4 self-operated shops in the Mainland, down from 6 shops in the previous year. Additionally, the Group's consignees closed all 6 shops during the year.

These strategic adjustments resulted in the Mainland revenue of HK$3 million for the fiscal year ended 31 July 2023, as compared to HK$6 million in the previous year. These actions reflect the Group's commitment to efficient resource allocation and prioritisation of key locations for sustained profitability in the Mainland market.

Royalty Income

The Group's licensing business of the brand "Crocodile" in Hong Kong, Macau and the Mainland contributed royalty income of HK$8 million for the year ended 31 July 2023 (2022: HK$10 million). The decrease in royalty income was in line with the downturn in the Mainland retail market.

"Property Investment and Letting Business" Segment

The Group's investment property portfolio remained intact during the year ended 31 July 2023 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 the similar level of rental revenue for the year ended 31 July 2023 of HK$45 million (2022: HK$52 million) and HK$2 million (2022: HK$1 million), respectively.

"Property Investment and Letting Business" Segment *(continued)*

The Group's rental income in Hong Kong witnessed a decline of HK$7 million as compared to the last year. This decrease can be attributed to two key factors: (i) the increasing supply of new office premises in Kowloon East and (ii) the decreasing demand from office tenants due to the growing popularity of the work-from-home model in post-COVID era.

The rise in available office spaces in Kowloon East resulted in a more competitive market among landlords, leading to a downward trend in rental rates. Simultaneously, the shift towards remote work arrangements, where employees worked from home instead of traditional office spaces, reduced the demand for office rentals. The combined effect of the decline in the rental unit rates and increase in the vacancy rates caused the observed decline in Hong Kong's rental income during the year. The revaluation of the investment properties held by the Group in Hong Kong ticked a fair value loss of HK$69 million (2022: loss of HK$47 million) during the financial year ended 31 July 2023. The investment properties held in the Mainland also recorded a mild fair value loss of HK$4 million (2022: loss of HK$1 million), due to the downturn of the Mainland property market.

"Treasury Management" Segment

The global market faced a changing landscape, with the three-year COVID-19 epidemic ending but leaving behind hidden worries and unforeseen effects. Broken supply chains during the pandemic led to rising costs, stretched resources, and soaring prices, exacerbating inflation. To combat this, the US raised interest rates, impacting banks' lending business and causing adjustments in bond prices. Ongoing conflicts, such as the Russia-Ukraine war, and high energy prices added to the challenges.

The Mainland and Hong Kong economies were anticipated to experience a gradual recovery in 2023. However, the overall global economic and geopolitical uncertainties have created an environment of caution, leading to a conservative approach in terms of investment and consumption.

Given the uncertainties and challenges impacting the global landscape, the Group adopted a vigilant and cautious approach in managing its portfolios of financial assets and liabilities at fair value through profit or loss. As a result of this prudent strategy, the "Treasury Management" segment of the Group achieved a profit of HK$8 million during the financial year ended 31 July 2023. This represents a significant improvement compared to a loss of HK$25 million in the comparable year. The Group's careful management of financial assets reflects its efforts to mitigate risks and capitalise on opportunities in the volatile market conditions.

Prospects

Looking towards the future, our business will persistently encounter various Mainland and external uncertainties. The Mainland and Hong Kong's economy recovery post-pandemic has yet to reach its full potential and is compounded by the enduring effects of weak demand and a sluggish real estate market. It is foreseen that there will be a persistently challenging business landscape in the coming year. To seize these challenges, the Group conducted a rights issue ("**Rights Issue**") in November 2022, which provided the Group with timely and substantial funding to support our business operation and extension.

For our retail business, the Group stays in a wait-and-see attitude towards market recovery and will make prudent decisions on new shops' development plans. The Group remains committed to enhancing its product portfolio for the "Crocodile" and "CROCO" brands, aligning them with the preferences of local customers and maintaining the higher gross profit margins achieved. In addition, the Group is determined to strengthen its self-operated retail shops and improve the retail profitability by focusing on enhancing operational efficiency, refining the in-store experience, and implementing innovative marketing strategies.

In parallel, the Group also actively explores the chance to collaborate with different wholesalers and consignors. By optimising sales channels, it is expected that the Group will expand its market presence and capture new growth opportunities.

Being a landlord of investment properties, the "Property Investment and Letting Business" segment can deliver a stable rental income and reliable cash flow, effectively bolstering the Group's overall operation. Although the anticipated economic recovery in both Hong Kong and the Mainland is expected to drive steady demand for office leasing, it is important to note that rental growth would be moderate and may require some time before returning to pre-pandemic levels.

In response to the heightened availability of office spaces in the Kowloon East district, the Group is proactively undertaking a strategic repositioning of its investment properties. The objective is to attract tenants from various industries and capitalise on this opportunity to boost rental income while minimising vacancy rates.

Furthermore, subsequent to the year-end, the Group has taken proactive measures to introduce a travel floor within its investment properties. This move involves leasing a group of travel agency tenants, which not only contributes to the recovery of the tourism industry but also enhances the Group's returns from its investment properties. By diversifying the tenant mix and tapping into the potential of the travel sector, the Group aims to optimise the utilisation of its properties and generate greater value from its real estate portfolio.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Prospects *(continued)*

For "Treasury Management" segment, the Group has implemented a prudent investment strategy considering the prevailing market conditions. Until there is solid evidence of improved market conditions and investor interests are no longer fragile, the Group will keep cautious towards its investment portfolio to achieve favorable returns while effectively managing risk.

In response to the current economic climate characterised by increasing financing costs and global uncertainty, the Group is proactively taking steps to reduce its reliance on debt financing. It is actively working towards decreasing its existing borrowings, whenever feasible, until interest rates stabilise and return to more reasonable levels. This strategic decision aligns with the Group's commitment to financial prudence and helps mitigate the potential impact of higher interest expenses.

The recent Rights Issue has provided the Group with net proceeds that serve as a protective measure against potential increases in interest expenses and fulfill anticipated short-term funding requirements. The Group will deploy these funds thoughtfully, ensuring effective management of financial obligations and capitalising on future opportunities.

By adopting a cautious investment strategy, reducing dependency on debt financing, and strategically allocating the net proceeds from the Rights Issue, the Group is focused on creating a positive outlook and delivering favorable outcomes for its stakeholders.

Contingent Liabilities

As at 31 July 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 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 and liabilities at fair value through profit or loss, the Group has not employed other financial instruments as of 31 July 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.

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

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 July 2023, the net proceeds from the Rights Issue were used as (i) HK$11.7 million for repayment of the principals of the bank borrowings; and (ii) HK$16.8 million for opening new retail shops and day-to-day operations of the Group. The remaining net proceeds of HK$13.8 million will be used according to the intended use.

Cash and cash equivalents held by the Group amounted to HK$229 million as at 31 July 2023 (2022: HK$278 million) and were mainly denominated in Hong Kong dollars, United States dollars and Renminbi. The pledged bank deposits of approximately HK$1 million (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 July 2023 were equivalent to HK$6 million (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.

As at 31 July 2023, the total outstanding borrowings including margin loans of the Group amounted to HK$754 million (2022: HK$838 million). The total outstanding borrowings comprised secured margin loans of HK$3 million, secured bank term loan of HK$565 million of which HK$15 million was short-term, and secured short-term bank revolving loans of HK$186 million.

As at 31 July 2023, interests on bank borrowings are charged at floating rates. The bank borrowings and margin loans payable of the Group are denominated principally in Hong Kong dollars and United States dollars. No financial instruments for interest rate hedging purposes were employed by the Group during the year ended 31 July 2023.

Charges on Assets

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

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Gearing

The Group's gearing revealed by the debt-to-equity ratio at 31 July 2023 was approximately 51% (2022: 56%), 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.

Capital Commitments

As at 31 July 2023, the Group had capital commitments totalling HK$1 million (2022: HK$1 million), mainly for purchase of property, plant and equipment.

Major Investments, Acquisitions and Disposals

The Group had no major investments, acquisitions or disposals during the year ended 31 July 2023.

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

During the year ended 31 July 2023 ("**Year**"), 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 Year save for the deviation disclosed below:

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

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

REVIEW OF ANNUAL RESULTS

The Audit Committee, currently comprises three INEDs, namely Mr. Leung Shu Yin, William (Chairman), Mr. Fung Cheuk Nang, Clement and Mr. Woo King Hang, has reviewed the consolidated financial statements of the Company for the Year, 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 consolidated statement of comprehensive income and the related notes thereto for the Year as set out in this preliminary results announcement have been agreed by the Group's independent auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by EY on this preliminary results announcement.

ANNUAL GENERAL MEETING

The 2023 annual general meeting of the Company ("**2023 AGM**") will be held on Wednesday, 13 December 2023. Notice of 2023 AGM together with the Company's annual report for the Year will be published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crocodile.com.hk) and despatched to the Shareholders in November 2023.

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

Hong Kong, 26 October 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.