Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL SUMMARY OF 2024 INTERIM RESULTS

- Revenue of HK$1,926 million
- Profit attributable to equity shareholders of HK$63 million
- Earnings per share of HK$0.23
- Interim dividend per share of HK$0.06

Interim Results

The board of directors (the "**Board**") of Tristate Holdings Limited (the "**Company**") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2024 together with comparative figures for 2023.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 – unaudited

		Six months ended 30 June	
	Note	**2024** *HK$'000*	2023 *HK$'000*
Revenue	4	**1,926,401**	2,055,381
Cost of sales		**(1,131,468)**	(1,178,062)
Gross profit		**794,933**	877,319
Other net income	5	**22,977**	3,203
Selling and distribution expenses		**(419,944)**	(447,330)
General and administrative expenses		**(272,579)**	(286,578)
Profit from operations	6	**125,387**	146,614
Finance income	7	**2,137**	988
Finance costs	7	**(30,383)**	(32,617)
Profit before taxation		**97,141**	114,985
Income tax charge	8	**(33,238)**	(36,880)
Profit for the period		**63,903**	78,105
Attributable to:			
Equity shareholders of the Company		**62,532**	74,176
Non-controlling interests		**1,371**	3,929
Profit for the period		**63,903**	78,105
Earnings per share attributable to equity shareholders of the Company:	9		
Basic		**HK$0.23**	HK$0.27
Diluted		**HK$0.23**	HK$0.27

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Profit for the period	**63,903**	78,105
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on cash flow hedges:		
– Losses arising during the period	**(3,334)**	(11,437)
– Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
– Cost of sales	**755**	1,319
– General and administrative expenses	**1,001**	464
Realisation of exchange reserve upon liquidation of subsidiaries	**–**	(1,286)
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**(36,347)**	4,788
Other comprehensive income for the period	**(37,925)**	(6,152)
Total comprehensive income for the period	**25,978**	71,953
Attributable to:		
Equity shareholders of the Company	**24,607**	68,024
Non-controlling interests	**1,371**	3,929
Total comprehensive income for the period	**25,978**	71,953

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

	Note	At 30 June 2024 HK$'000	At 31 December 2023 HK$'000
Non-current assets			
Property, plant and equipment		**583,854**	587,387
Intangible assets		**605,555**	630,925
Other long-term assets		**29,595**	27,083
Deferred tax assets		**16,646**	16,998
Defined benefit plan assets		**10,039**	10,561
Financial assets measured at fair value through profit or loss	11	**5,924**	–
Interest in an associate		**–**	–
		1,251,613	1,272,954
Current assets			
Inventories	12	**952,122**	741,108
Accounts receivable and bills receivable	13	**595,645**	568,955
Forward foreign exchange contracts		**3**	266
Prepayments and other receivables		**94,034**	69,326
Current tax recoverable		**324**	1,414
Cash and bank balances		**182,822**	462,655
		1,824,950	1,843,724
Current liabilities			
Accounts payable and bills payable	14	**389,479**	444,483
Accruals and other payables and contract liabilities		**451,046**	483,790
Dividend payable	10(b)	**51,794**	–
Lease liabilities		**109,472**	101,603
Forward foreign exchange contracts		**1,747**	432
Current tax liabilities		**42,917**	44,063
Bank borrowings		**77,339**	32,752
		1,123,794	1,107,123
Net current assets		**701,156**	736,601
Total assets less current liabilities		**1,952,769**	2,009,555
Non-current liabilities			
Retirement benefits and other post retirement obligations		**24,499**	25,910
Licence fees payable		**575,667**	592,408
Lease liabilities		**132,680**	145,196
Deferred tax liabilities		**42,273**	40,983
		775,119	804,497
Net assets		**1,177,650**	1,205,058
Capital and reserves			
Share capital		**27,260**	27,161
Reserves		**1,127,471**	1,153,040
Total equity attributable to equity shareholders of the Company		**1,154,731**	1,180,201
Non-controlling interests		**22,919**	24,857
Total equity		**1,177,650**	1,205,058

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of Preparation of the Financial Statements

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the changes in accounting policies that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2023 that is included in these interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditor has expressed an unqualified opinion on those financial statements in its report dated 25 March 2024.

2. Changes in Accounting Policies

New and amended HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these interim financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current (2020 amendments)*

- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants (2022 amendments)*

- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have an effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Estimates

The preparation of the interim financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses on a year-to-date basis. Actual results may differ from these estimates.

4. Segment Information

Reportable segments are reported in a manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and the senior management collectively) in order to assess performance and allocate resources. The Group manages its business by business units which are organised by business lines and geographical locations. The Group identified two reportable segments: (i) garment manufacturing and (ii) brands business. The chief operating decision makers assess the performance of the reportable segments and allocate resources between segments based on the measure of profit or loss generated. The measurement basis is profit or loss before taxation for the period of the reportable segments.

Segment assets include all tangible assets, intangible assets and current assets employed by the segments. Segment liabilities include all current liabilities and non-current liabilities managed directly by the segments. Revenue and expenses are allocated to the reportable segments with reference to the sales generated by those segments and the expenses incurred by those segments or otherwise arising from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The segment information is as follows:

	Six months ended 30 June							
	Garment manufacturing		**Brands business**		**Unallocated** *(Note (ii))*		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**1,040,680**	966,921	**952,941**	1,128,652	**–**	–	**1,993,621**	2,095,573
Less: Inter-segment revenue	**(67,085)**	(40,192)	**(135)**	–	**–**	–	**(67,220)**	(40,192)
Revenue	**973,595**	926,729	**952,806**	1,128,652	**–**	–	**1,926,401**	2,055,381
Reportable segment EBITDA *(Note (i))*	**137,528**	138,882	**79,486**	133,225	**43,610**	4,725	**260,624**	276,832
Finance income	**–**	–	**628**	256	**1,155**	732	**1,783**	988
Finance costs								
– Interest on bank borrowings	**–**	–	**(3)**	(47)	**(848)**	(2,609)	**(851)**	(2,656)
– Interest on licence fees payable	**–**	–	**(24,361)**	(25,313)	**–**	–	**(24,361)**	(25,313)
– Interest on lease liabilities	**(925)**	(753)	**(4,099)**	(3,706)	**(147)**	(189)	**(5,171)**	(4,648)
Depreciation charge								
– Owned property, plant and equipment	**(9,163)**	(9,228)	**(30,406)**	(28,348)	**(3,637)**	(3,744)	**(43,206)**	(41,320)
– Right-of-use assets	**(5,355)**	(4,353)	**(54,073)**	(52,146)	**(3,629)**	(4,200)	**(63,057)**	(60,699)
Amortisaion of intangible assets	**–**	–	**(28,620)**	(28,199)	**–**	–	**(28,620)**	(28,199)
Reportable segment profit/(loss) before taxation	**122,085**	124,548	**(61,448)**	(4,278)	**36,504**	(5,285)	**97,141**	114,985
Income tax charge							**(33,238)**	(36,880)
Profit for the period							**63,903**	78,105

4. **Segment Information (Continued)**

Notes:

(i) EBITDA is defined as earnings before finance income, finance costs, income tax (charge)/credit, depreciation and amortisation. EBITDA is a non-HKFRS measure used by the management for monitoring business performance. It may not be comparable to similar measures presented by other companies.

(ii) Unallocated profit or loss for the period mainly included income and expenses arising from unallocated assets and liabilities for corporate purposes and head office expenses.

(iii) Under HKFRS 16, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use assets, instead of recognising rental expenses incurred under operating leases on straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classify rentals paid under the capitalised leases as financing cash outflows.

	Garment manufacturing		**Brands business**		**Unallocated** *(Note (ii))*		**Total**	
	At 30 June 2024	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**1,088,165**	777,700	**1,692,835**	1,761,780	**295,563**	577,198	**3,076,563**	3,116,678
Reportable segment liabilities	**434,934**	407,109	**1,272,448**	1,408,736	**191,531**	95,775	**1,898,913**	1,911,620

	Six months ended 30 June							
	Garment manufacturing		**Brands business**		**Unallocated**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Provision for)/reversal of impairment of receivables, net	**2**	9	**(3,228)**	68	**–**	–	**(3,226)**	77
Write-down of inventories to net realisable value, net	**(4,052)**	(5,621)	**(23,512)**	(11,001)	**–**	–	**(27,564)**	(16,622)
Net gain/(loss) on disposal of property, plant and equipment	**437**	345	**(1,808)**	(1,803)	**20,836**	49	**19,465**	(1,409)
Additions to property, plant and equipment including right-of-use assets	**17,811**	8,572	**79,739**	96,801	**2,011**	523	**99,561**	105,896
Additions to intangible assets	**–**	–	**8,435**	8,338	**–**	–	**8,435**	8,338

4. Segment Information (Continued)

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "**PRC**"), the United Kingdom (the "**UK**"), Canada, Italy and Singapore, while the Group's right-of-use assets, production facilities, trademark, licence rights and other assets are located predominantly in the PRC, Switzerland and Thailand. An analysis of the Group's revenue by locations of customers and an analysis of the Group's non-current assets by locations of physical assets or the asset holding companies are as follows:

	Six months ended 30 June													
	PRC		UK		Canada		Italy		Singapore		Other countries		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**580,312**	638,816	**430,296**	439,697	**286,443**	206,303	**204,151**	301,942	**72,064**	100,205	**353,135**	368,418	**1,926,401**	2,055,381

Included in revenue derived from the PRC was a revenue of HK$59,273,000 (2023: HK$40,645,000) generated in Hong Kong.

For the six months ended 30 June 2024, revenue from two customers (2023: one customer) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and represented approximately 15% and 13% (2023: 13%) of the total revenue respectively.

	PRC		Switzerland		Thailand		Other countries		Total	
	At 30 June 2024	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (i))*	**788,180**	830,891	**224,032**	215,712	**58,371**	63,617	**154,345**	135,175	**1,224,928**	1,245,395

Notes:

(i) Non-current assets excluded deferred tax assets and defined benefit plan assets.

(ii) Unallocated assets and liabilities mainly included centrally-managed cash and bank balances, bank borrowings and property, plant and equipment for corporate purposes.

5. Other Net Income

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Government subsidies	**323**	657
Net gain/(loss) on disposal of property, plant and equipment *(Note)*	**19,465**	(1,409)
Net gain on liquidation of subsidiaries	**–**	1,286
Net gain on derecognition of right-of-use assets and lease liabilities	**855**	997
Sundry income	**2,334**	1,672
	22,977	3,203

Note:

Included in net gain on disposal of property, plant and equipment for the six months ended 30 June 2024 was a gain of HK$20,923,000 arising from disposal of certain unused leasehold land use right and ancillary building in China. The Group has received the disposal consideration of RMB20,296,000 (equivalent to HK$22,365,000), which was determined with reference to a property valuation report issued by an independent PRC valuer.

6. Profit from Operations

Profit from operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Amortisation of intangible assets	**28,620**	28,199
Depreciation charge		
– Owned property, plant and equipment	**43,206**	41,320
– Right-of-use assets	**63,057**	60,699
Expenses related to short-term leases and variable lease payments	**19,428**	21,026
Provision for/(reversal of) impairment of receivables, net	**3,226**	(77)
Provision for write-down of inventories to net realisable value, net	**27,564**	16,622
Staff cost and employment benefit expenses	**373,354**	359,317

7. Finance Income and Finance Costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,783**	728
Imputed interest on long-term rental deposits	**354**	260
	2,137	988
Finance costs		
Interest on bank borrowings	**851**	2,656
Interest on licence fees payable	**24,361**	25,313
Interest on lease liabilities	**5,171**	4,648
	30,383	32,617

8. Income Tax Charge

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Current income tax *(Notes)*		
Hong Kong Profits Tax	**16,204**	17,551
Non-Hong Kong tax	**15,147**	19,794
Over provision for prior year	**(100)**	(1,933)
Deferred income tax	**1,987**	1,468
	33,238	36,880

Notes:

(i) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024.

(ii) Taxation for subsidiaries outside Hong Kong is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

9. Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company of HK$62,532,000 for the six months ended 30 June 2024 (2023: HK$74,176,000) by the weighted average number of 271,776,561 (2023: 271,607,253) ordinary shares in issue for the half year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

Diluted earnings per share for the six months ended 30 June 2024 is calculated by dividing the consolidated profit attributable to equity shareholders of the Company of HK$62,532,000 by the weighted average number of 274,865,938 ordinary shares (diluted) as calculated below:

	2024	2023
Weighted average number of ordinary shares in issue for the half year	**271,776,561**	271,607,253
Effect of deemed issue of shares under the Company's share option scheme	**3,089,377**	–
Weighted average number of ordinary shares (diluted)	**274,865,938**	271,607,253

During the six months ended 30 June 2023, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings per share. Hence, there was no dilutive effect on the calculation of the diluted earnings per share for the six months ended 30 June 2023.

10. Dividends

(a) Dividend payable to shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Interim dividend of HK$0.06 (2023: HK$0.06) per share	**16,356**	16,296

On 26 August 2024, the Board declared an interim dividend of HK$0.06 (2023: HK$0.06) per share. The interim dividend is not reflected as dividend payable in these condensed consolidated interim financial statements but will be reflected as an appropriation of the retained profits for the year ending 31 December 2024.

(b) Dividend payable to shareholders of the Company attributable to the previous financial year:

The final dividend for the year ended 31 December 2023 of HK$0.19 per share was approved by the shareholders at the Company's annual general meeting held on 24 June 2024, and was recognised as dividend payable of HK$51,794,000 at 30 June 2024. The dividend was paid on 16 July 2024.

11. Financial Assets Measured at Fair Value through Profit or Loss

During the six months ended 30 June 2024, the Group entered into an option agreement and acquired an option at a grant price of EUR687,000 (equivalent to HK$5,924,000). Pursuant to the option agreement, the Group may exercise the option during the option period commencing from 1 January 2027 to purchase in aggregate 45% of the issued capital of MO IP Srl at the consideration of EUR3,435,000. MO IP Srl owns the MASSIMO OSTI brand. The option acquired during the period was classified as financial assets measured at fair value through profit or loss in the statement of financial position.

At the same time as the entering into of the option agreement, the Group also entered into a 10-year licence agreement related to the use of the MASSIMO OSTI brand. Details of the option agreement and the licence agreement in relation to the MASSIMO OSTI brand were disclosed in the Company's announcement dated 15 January 2024 and the 2023 annual report of the Company.

12. Inventories

	At 30 June 2024	At 31 December 2023
	HK$'000	*HK$'000*
Raw materials	**165,026**	79,305
Work-in-progress	**241,947**	132,690
Finished goods	**498,685**	496,008
Goods in transit	**46,464**	33,105
	952,122	741,108

Increases in raw materials and work-in-progress reflected seasonal requirement for the second half year shipments of the garment manufacturing segment.

13. Accounts Receivable and Bills Receivable

	At 30 June 2024	At 31 December 2023
	HK$'000	*HK$'000*
Accounts receivable at amortised cost, net of loss allowance	**401,677**	421,889
Accounts receivable to be sold at fair value through other comprehensive income (recycling)	**193,968**	147,066
	595,645	568,955

13. Accounts Receivable and Bills Receivable (Continued)

At the end of the reporting period, the ageing of accounts receivable and bills receivable, based on the invoice date, was as follows:

	At 30 June 2024 *HK$'000*	At 31 December 2023 *HK$'000*
Less than 3 months	**572,031**	523,316
3 months to 6 months	**23,029**	46,129
Over 6 months	**7,782**	4,109
	602,842	573,554
Less: Loss allowance	**(7,197)**	(4,599)
	595,645	568,955

The majority of accounts receivable were with customers having an appropriate credit history and were on open account. The Group grants its customers credit terms mainly ranging from 45 days to 90 days (31 December 2023: 45 days to 90 days). All of the accounts receivable and bills receivable are expected to be recovered within one year.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security.

As part of the Group's cash flow management, the Group has the practice of selling some of the accounts receivable to financial institutions under customers' vendor financing programme before the accounts receivable are due for payment. The Group derecognises the accounts receivable sold on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties.

At 30 June 2024 and 31 December 2023, the fair value changes on accounts receivable at fair value through other comprehensive income (recycling) were insignificant and accordingly, no fair value changes were recognised in equity as fair value to other comprehensive income reserve.

14. Accounts Payable and Bills Payable

At the end of the reporting period, the ageing of accounts payable and bills payable, based on the invoice date, was as follows:

	At 30 June 2024 *HK$'000*	At 31 December 2023 *HK$'000*
Less than 3 months	**351,450**	399,126
3 months to 6 months	**15,026**	26,133
Over 6 months	**23,003**	19,224
	389,479	444,483

The majority of payment terms with suppliers are within 60 days.

The carrying amounts of accounts payable and bills payable approximate their fair values.

15. Capital Commitments

	At 30 June 2024 *HK$'000*	At 31 December 2023 *HK$'000*
Contracted but not provided for in respect of property, plant and equipment	**1,974**	1,131

At 30 June 2024, the Group was also committed to entering into a new lease within 5 years' term that was not yet commenced, the lease payments under which amounted to HK$1,367,000 per annum (31 December 2023: Nil).

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the six months ended 30 June 2024.

Overview

For the six months ended 30 June 2024, the Group recorded a profit attributable to equity shareholders of HK$63 million compared to the profit of HK$74 million for the six months ended 30 June 2023. Our garment manufacturing business continued to contribute steady revenue and profit in the first half of 2024. Our brands business recorded an increase in net loss mainly due to lower revenue and profit contributed by our own brand C.P. Company.

Own Brands

C.P. Company's revenue for the first half of the year dropped 16% compared to the first half of 2023, leading to a lower profit contributed by the brand during the period. In this year, a higher proportion of Fall/Winter wholesale shipments was postponed to the second half of the year, which accounted for most of the sales drop in the first half. The Red Sea shipping crisis and vessel shortage caused delays and disruptions to some of our supply chains and hindered early shipments to customers. The downturn in wholesale channel also slowed the brand's Spring/Summer wholesale revenue this year, which was partially offset by the sales growth of the retail and e-commerce channels. For the wholesale business, Italy, France and the UK remained the largest contributors of C.P. Company's wholesale revenue. On direct retail, the brand has eight directly managed retail stores and outlets in the upmarket streets of London, Milan, Riccione, Amsterdam, Cannes, Lyon, Mendrisio and Noventa di Piave. Our outlet stores have been outperforming and confirming value for money is a key consideration of the consumers. On e-commerce, the market is extremely competitive and saturated with markdown items. Since May 2024, the brand has taken over the management of its e-commerce platform from a third-party partner. This helped enhance the brand performance and contribution margin of our e-commerce business. In the first half of the year, the brand had increased dedicated marketing spending to further grow brand awareness and create long-term brand value.

In January 2024, the Group was granted a 10-year licence to use certain trademarks (including Massimo Osti Studio) and domain names related to the MASSIMO OSTI brand in the manufacturing and distribution of branded products. At the same time, the Group also acquired an option at the grant price of EUR687,000 which, if and when exercised during the option period commencing from January 2027, will entitle the Group to purchase in aggregate 45% of the issued capital of MO IP Srl (being the company holding the brand) at the consideration of EUR3,435,000. This option arrangement has given the Group a future right and opportunity to invest in the ownership of the MASSIMO OSTI brand. Details of the option agreement and the licence agreement in relation to the MASSIMO OSTI brand were disclosed in the Company's announcement dated 15 January 2024 and the 2023 annual report of the Company.

In July 2024, C.P. Company announced its multi-year partnership as Official Style Fashionwear Partner of Manchester City FC men's first team from the 2024/2025 season. The partnership celebrates the bond between the city of Manchester and the brand, established in the 80's through an authentic engagement with the football fandom. Players, coaching staff and executive management will wear C.P. Company exclusively designed range of fashionwear when travelling to and from the stadium in the UEFA Champions League Away fixtures, along with several other matches.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through direct retailing in China major cities. This brand has now eight stores located in Beijing China World Mall, Shanghai Grand Gateway 66, Shanghai Jiu Guang, Nanjing Deji Plaza, Qingdao MIXC, Hangzhou MIXC, Wuhan International Plaza and Shanghai Zhenning Road respectively.

Licensed Brands

In the first half of 2024, China's domestic weakness and consumers' price consciousness had affected the revenue of our licensed brands in China. Nautica's revenue saw a decline of 20% in the first half of this year compared to the post-pandemic boom in the first half of 2023. In response to the changing retail environment, during the reporting period, the brand had adjusted store composition and closed underperforming stores to create a healthy store base. This optimisation and other cost control initiatives helped reduce retail partner commissions and other operating expenses. Despite the drop in sales, Nautica's net loss in the first half only increased marginally over the same period last year. As of 30 June 2024, Nautica had 78 directly managed retail stores and another 71 stores operated by partners (30 June 2023: 163 stores in total).

Spyder had narrowed its net loss compared to the same period last year, mainly due to improved sales revenue and continued effort on cost control. As of 30 June 2024, Spyder had 49 stores across China (30 June 2023: 54 stores).

Reebok's China and Hong Kong businesses are primarily direct-to-consumer through mono-brand stores and e-commerce. Reebok's revenue for the first half of 2024 reduced by 17% compared to the same period last year amid weak consumer demand and ongoing rebuilding process of the brand since our taking over in 2022. Net loss of the brand in the first half of 2024 was slightly lower than the same period last year due to stringent cost control. As of 30 June 2024, Reebok had 36 stores across China (30 June 2023: 23 stores).

Garment Manufacturing

In the first half of the year, our garment manufacturing business continued to post strong revenue with steady bottom-line results. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. Our Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. To cope with the customer demand, we have expanded the capacity of our Vietnam factory and started production in March 2024. During the first half of 2024, we saw increase in revenue from some better business customers while certain premium business customer shipments were deferred to the second half year due to the Red Sea shipping crisis.

Financial Highlights

	Note	**First half 2024**	First half 2023
Operating results *(HK$ million)*			
Revenue		**1,926**	2,055
Gross profit		**795**	877
EBITDA		**261**	277
Depreciation on right-of-use assets	2	**(63)**	(61)
Interest on lease liabilities	2	**(5)**	(5)
Amortisation of licence rights	1	**(29)**	(28)
Interest on licence fees payable	1	**(24)**	(25)
Depreciation on owned property, plant and equipment		**(43)**	(41)
Income tax charge		**(33)**	(37)
Profit attributable to equity shareholders		**63**	74
Segment results *(HK$ million)*			
Garment manufacturing EBITDA		**138**	139
Depreciation on right-of-use assets	2	**(5)**	(4)
Interest on lease liabilities	2	**(1)**	(1)
Depreciation on owned property, plant and equipment		**(9)**	(9)
Garment manufacturing results before tax		**122**	125
Brands business EBITDA		**79**	133
Depreciation on right-of-use assets	2	**(54)**	(52)
Interest on lease liabilities	2	**(4)**	(4)
Amortisation of licence rights	1	**(29)**	(28)
Interest on licence fees payable	1	**(24)**	(25)
Depreciation on owned property, plant and equipment		**(30)**	(28)
Brands business results before tax		**(61)**	(4)
Cash flow *(HK$ million)*			
Cash (used in)/generated from operations		**(183)**	110
Income tax paid		**(30)**	(28)
Payment for the purchase of property, plant and equipment		**(45)**	(48)
Rental payments under capitalised leases	2	**(80)**	(62)

	At 30 June 2024	At 31 December 2023
Financial position *(HK$ million)*		
Cash and bank balances	**183**	463
Bank borrowings	**77**	33
Total equity	**1,178**	1,205

Notes:

1. Licence related amortisation and imputed interest on licence fees payable are non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica, Spyder, Reebok and MASSIMO OSTI brand.

2. Under HKFRS 16, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use assets, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classify rentals paid under the capitalised leases as financing cash outflows.

Financial Review

Revenue

Total revenue of the Group for the first half of 2024 was HK$1,926 million (2023: HK$2,055 million), representing a 6% decrease compared to the first half of 2023.

Revenue from the brands business was HK$953 million in the first half of 2024 compared to HK$1,129 million in the first half of 2023. C.P. Company's revenue was down 16% against the same period last year largely due to the postponement of shipments to the second half of the year as a result of the Red Sea shipping crisis disruptions and the market slowdown. Our licensed brands' revenue was affected by weak consumer demand in China. While Nautica's revenue decreased by 20%, Spyder reported a revenue increase. Reebok's revenue dropped 17% as sales performance was still behind expectation during the brand rebuilding process.

Revenue from the garment manufacturing business reached HK$974 million versus HK$927 million in the first half of 2023. Revenue from the premium business, which accounted for 69% (2023: 73%) of the segment revenue, increased slightly compared to last year. Revenue from the better business grew 15% over 2023, which was attributable to increased orders from certain better business customers.

Geographically, major markets of the Group are the PRC, the UK, Italy and Canada, which accounted for 30% (2023: 31%), 22% (2023: 21%), 11% (2023: 15%) and 15% (2023: 10%) of the Group's total revenue respectively. The proportion changed mainly due to the increase in revenue from some garment manufacturing customers and customer mix changes within our brands business.

The Group's business tends to be skewed towards the second half year mainly due to the seasonality effect in terms of more shipments for Fall/Winter and holiday seasons for both our garment manufacturing and brands businesses. The Group expects that the pattern of a larger proportion of sales recorded in the second half year will continue with such order pattern from customers.

Gross Profit

In the first half of 2024, the Group recorded an overall gross profit of HK$795 million (2023: HK$877 million), representing a gross profit margin of 41.3% (2023: 42.7%). The decrease in gross profit was mainly attributable to the decreased turnover. The gross profit margin of the garment manufacturing business slightly decreased compared to last year due to the change in customer revenue mix. The gross profit margin of our brands business slightly increased compared to last year mainly due to improved gross margin posted by C.P. Company and Nautica. The Group's overall gross profit margin dropped slightly in the first half of 2024 due to the rise in revenue proportion of garment manufacturing business which recorded a relatively lower gross margin.

Other Net Income

Included in other net income in the period was a gain of HK$20.9 million arising from the disposal of certain unused leasehold land use right and ancillary building in China. The Group has received the disposal consideration of RMB20.3 million, which was determined with reference to a property valuation report issued by an independent PRC valuer. The subject leasehold land and ancillary building were not in use by the Group and the disposal did not affect the operation of the Group.

Selling and Distribution Expenses

Selling and distribution expenses comprised mainly retail shop expenses, advertising and promotion, commissions to retail partners and sales agents, and brand licence rights amortisation. Selling and distribution expenses decreased compared to the first half of 2023 mainly due to less retail partners commissions and shop expenses paid for Nautica following store optimisation and reduced agency commissions for C.P. Company as a result of lower sales revenue.

General and Administrative Expenses

General and administrative expenses decreased compared to the first half of 2023 mainly due to the increase of foreign exchange gains in the first half of 2024 and cost control.

Segment Results

Our garment manufacturing business recorded a stable segment result compared to the first half of 2023. The increase in losses of our brands business in the first half of the year was mainly due to the lower revenue and profit contribution of our own brand C.P. Company.

Financial Resources and Liquidity

At 30 June 2024, cash and bank balances amounted to HK$183 million (31 December 2023: HK$463 million) which mainly represented United States dollars ("**US dollars**"), Renminbi and Euro bank deposits and balances. The Group has maintained sufficient banking facilities to support its business. At 30 June 2024, the Group had short-term bank borrowings of HK$77 million (31 December 2023: HK$33 million). Short-term bank borrowings were denominated in Renminbi at 30 June 2024 and 31 December 2023 and bearing interest at fixed rates. As of 30 June 2024, bank deposits of HK$11 million (31 December 2023: HK$10 million) were pledged to secure bank facilities granted to the Group. Gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are calculated as total bank borrowings less cash and bank balances, while total capital comprises total equity plus net borrowings. The Group did not have net borrowings at 30 June 2024 and 31 December 2023, and accordingly, no information on gearing ratio at those dates is provided.

For the cash flow, the Group used more cash in operation during the period mainly due to the purchase of more materials to prepare for the increased shipments of our garment manufacturing business in the second half year. In the first half of last year, the Group generated positive cash flow from operation mainly due to more sales recorded by C.P. Company and better operating performance of our licensed brands after the pandemic.

Shareholders' equity at 30 June 2024 decreased over 31 December 2023 as profit attributable to equity shareholders for the period was offset by the 2023 final dividend as approved at the annual general meeting of the Company held on 24 June 2024 and the negative exchange difference on translating financial statements of overseas subsidiaries, mainly from the weakness of Thai Baht and Euro against Hong Kong dollar during the period.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. The Group manages the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the period, the Group had forward foreign exchange contracts to hedge against the foreign exchange risk exposures arising from Renminbi manufacturing costs and Pound Sterling sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitment as disclosed in Note 15 in this announcement, there were no other material capital commitments or contingent liabilities at 30 June 2024.

Human Resources

The Group had about 6,650 employees at 30 June 2024 (31 December 2023: 6,370). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded discretionary bonuses and share options.

Outlook

Our own brand C.P. Company has a solid business foundation and has been focusing on implementing new strategies to achieve breakthroughs and further developments. Despite slowing market sentiment, with more shipments and sales revenue to come in the second half year, we expect the brand will be able to deliver good performance for the whole year of 2024. The Group will continually exert effort to grow brand awareness, expand customer segments and create brand momentum through marketing initiatives and collaborations. We will continue to focus on existing key wholesale markets and expand into other countries by partnering with key wholesale accounts. We will continue to grow e-commerce and have plans to open more direct retail stores in key European markets.

For our licensed brands business, we remain positive on the sportswear market despite softer consumer demand recently. For Nautica and Spyder, we aim to enhance the brand image, increase sell-through and improve store performance. We focus on opening stores in the fast-growing outlet segment together with retail partners. We will also keep controlling their operating costs. Reebok has a celebrated heritage and is deeply rooted in professional sports, sneaker culture, and performance apparel. The Group will leverage Reebok's heritage and deploy strategy to rebuild the brand. Key initiatives include designing dedicated collections for the China market, simplifying product assortment, elevating brand heat and icons to stimulate consumer demand, and opening quality full price and outlet stores.

Our garment manufacturing business delivered a strong performance in the first half of 2024, which we expect to continue into the second half year. As cautious consumer spending, strong competition and rising factory costs continue to challenge our business, we will keep streamlining our operations, improving production efficiency through automation and stringently controlling our costs in order to remain competitive and flexible. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our customers and respond to their needs. To cope with the increasing customer demand, we are seeking further capacity expansion in Vietnam.

The remainder of 2024 will remain challenging, and we will continue to maintain a prudent and focused approach in our business. We expect our own brand C.P. Company and our garment manufacturing business will continue with their good performance and generate strong cash flow. Amid the difficult economic environment in China, we will strive to improving the performance of our licensed brands in China. We will continue to focus on operational efficiency improvement, brand innovation and product optimisation to strengthen the Group's competitiveness and long-term value creation. The Group has adequate cash and available bank credit facilities to finance working capital and operational requirements. We are confident that the Group can achieve sustainable long-term growth.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2024, the Company had applied the principles and complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules, except for the deviation from code provision C.2.1.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the six months ended 30 June 2024 and up to the date hereof, Mr. WANG Kin Chung, Peter is the Chairman of the Board and the Chief Executive Officer of the Company, which constitutes a deviation from the said code provision C.2.1. Mr. WANG Kin Chung, Peter has been with the Group since 1999 and has extensive experience in the garment industry. He leads the Board in formulating the overall strategic planning and business development of the Group. The Board considers that it is in the interest of the Group to have Mr. WANG Kin Chung, Peter to hold both the offices of the Chairman of the Board and the Chief Executive Officer so that the Board can enjoy the benefit of a chairman who is knowledgeable about the business of the Group and capable of guiding discussions and briefing the Board in a timely manner on key issues and developments.

Details of the corporate governance practices adopted by the Company were set out in the corporate governance report of the 2023 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.06 per share (2023: HK$0.06 per share) for the six months ended 30 June 2024 to shareholders of the Company whose names appear on the register of members of the Company on Thursday, 12 September 2024, which is expected to be paid on Friday, 27 September 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 10 September 2024 to Thursday, 12 September 2024, both days inclusive, during which period no transfer of shares will be registered. The record date for the interim dividend is Thursday, 12 September 2024. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9 September 2024.

AUDIT COMMITTEE'S REVIEW OF FINANCIAL STATEMENTS

The condensed consolidated interim financial statements and the interim report of the Company for the six months ended 30 June 2024 have been reviewed by the audit committee of the Company in conjunction with the management of the Group.

On behalf of the Board
WANG Kin Chung, Peter
Chairman and Chief Executive Officer

Hong Kong, 26 August 2024

At the date of this announcement, the Board comprises one Executive Director, namely Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and four Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK, Mr. Peter TAN and Professor Chen LIN.