

TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report
2024

Stock code: 458



This product is made of material from well-managed, FSC®-certified forests and other controlled sources.

Contents

Corporate Information	2
Condensed Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statement of Profit or Loss	3
Condensed Consolidated Interim Statement of Comprehensive Income	3
Condensed Consolidated Interim Statement of Financial Position	4
Condensed Consolidated Interim Statement of Changes in Equity	5
Condensed Consolidated Interim Cash Flow Statement	6
Notes to the Condensed Consolidated Interim Financial Statements	7
Management Discussion and Analysis	15
Shareholders' Information and Corporate Governance	
Disclosure of Interests	19
Share Options	20
Compliance with Corporate Governance Code	22
Purchase, Sale or Redemption of Listed Securities	22
Securities Transactions by Directors and Relevant Employees	22
Changes in Directors' Information	22
Interim Dividend	22
Closure of Register of Members	22
Audit Committee's Review of Financial Statements	22

Corporate Information

Board of Directors

Executive Director

WANG Kin Chung, Peter
(Chairman and Chief Executive Officer)

Non-Executive Directors

WANG KOO Yik Chun
(Honorary Chairlady)
MAK WANG Wing Yee, Winnie
WANG Shui Chung, Patrick

Independent Non-Executive Directors

LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN
Chen LIN

Audit Committee

LO Kai Yiu, Anthony
(Chairman of Audit Committee)
MAK WANG Wing Yee, Winnie
James Christopher KRALIK

Nomination Committee

WANG Kin Chung, Peter
(Chairman of Nomination Committee)
LO Kai Yiu, Anthony
James Christopher KRALIK

Remuneration Committee

James Christopher KRALIK
(Chairman of Remuneration Committee)
MAK WANG Wing Yee, Winnie
LO Kai Yiu, Anthony
Peter TAN

Share Option Committee

WANG Kin Chung, Peter
(Chairman of Share Option Committee)
MAK WANG Wing Yee, Winnie

Chief Financial Officer

CHAN Man Ying, Vivian

Company Secretary

CHAN Man Ying, Vivian

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with
the Accounting and Financial Reporting Council Ordinance

Legal Advisors

Reed Smith Richards Butler LLP (Hong Kong Law)
Appleby (Bermuda Law)

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.

Registered Office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business in Hong Kong

5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : <http://www.tristatewww.com>

Corporate Communications

The Company Secretary
Tristate Holdings Limited
5th Floor, 66-72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2423-5576
Email : cosec@tristatewww.com

Listing Information

The shares of the Company have been listed
on the Main Board of The Stock Exchange
of Hong Kong Limited since 1988
Stock short name : Tristate Hold
Stock code : 458
Board lot : 1,000 shares

Principal Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel : (852) 2862-8555
Fax : (852) 2865-0990/2529-6087

Condensed Consolidated Interim Financial Statements

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

	Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
Revenue	5 & 6	1,926,401	2,055,381
Cost of sales		(1,131,468)	(1,178,062)
Gross profit		794,933	877,319
Other net income	7	22,977	3,203
Selling and distribution expenses		(419,944)	(447,330)
General and administrative expenses		(272,579)	(286,578)
Profit from operations	8	125,387	146,614
Finance income	9	2,137	988
Finance costs	9	(30,383)	(32,617)
Profit before taxation		97,141	114,985
Income tax charge	10	(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:			
Basic	11	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 HK\$'000	2023 HK\$'000
Profit for the period	63,903	78,105
Other comprehensive income, net of nil tax unless specified:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
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

The notes on pages 7 to 14 form part of the interim financial statements.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Financial Position

At 30 June 2024 – unaudited

		At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000		At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
	Note				Note	
Non-current assets						
Property, plant and equipment	13	583,854	587,387			
Intangible assets	14	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	15	5,924	–			
Interest in an associate		–	–			
		1,251,613	1,272,954			
Current assets						
Inventories	16	952,122	741,108			
Accounts receivable and bills receivable	17	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	18	182,822	462,655			
		1,824,950	1,843,724			
Current liabilities						
Accounts payable and bills payable	19	389,479	444,483			
Accruals and other payables and contract liabilities	20	451,046	483,790			
Dividend payable	12(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	21	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	22	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			

The notes on pages 7 to 14 form part of the interim financial statements.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited

	Attributable to equity shareholders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
	Balance at 1 January 2024	27,161	1,153,040		
Total comprehensive income for the period	–	24,607	24,607	1,371	25,978
Issue of shares under share option scheme	99	617	716	–	716
Share option scheme					
– value of employee services	–	453	453	–	453
Dividend paid to non-controlling interest	–	–	–	(3,309)	(3,309)
Unclaimed dividends forfeited	–	548	548	–	548
Dividend approved in respect of the previous year	–	(51,794)	(51,794)	–	(51,794)
Balance at 30 June 2024	27,260	1,127,471	1,154,731	22,919	1,177,650

	Attributable to equity shareholders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
	Balance at 1 January 2023	27,161	992,990		
Total comprehensive income for the period	–	68,024	68,024	3,929	71,953
Share option scheme					
– value of employee services	–	453	453	–	453
Balance at 30 June 2023	27,161	1,061,467	1,088,628	23,256	1,111,884

The notes on pages 7 to 14 form part of the interim financial statements.

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2024 – unaudited

	Note	Six months ended 30 June		Note	Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000		2024 HK\$'000	2023 HK\$'000
Operating activities				Investing activities		
Profit before taxation		97,141	114,985	Interest received		728
Adjustments for:				Payment for the purchase of property, plant and equipment		(45,261)
Write-down of inventories to net realisable value, net	8	27,564	16,622	Proceeds from disposals of property, plant and equipment		566
Provision for/(reversal of) impairment of receivables, net	8	3,226	(77)	Payment for purchase of financial assets measured at fair value through profit or loss		(5,924)
Depreciation on property, plant and equipment	8	43,206	41,320	Increase in pledged bank deposits		(1,079)
Depreciation of right-of-use assets	8	63,057	60,699	Net cash used in investing activities		(27,007)
Amortisation of intangible assets	8	28,620	28,199	Financing activities		
Net gain recognised upon liquidation of subsidiaries	7	–	(1,286)	Capital element of lease rentals paid		(74,489)
Net (gain)/loss on disposal of property, plant and equipment	7	(19,465)	1,409	Interest element of lease rentals paid		(5,171)
Finance income	9	(2,137)	(988)	Interest paid		(851)
Finance costs	9	30,383	32,617	Proceeds from new bank borrowings		69,438
Other operating activities		(24,825)	13,519	Repayment of bank borrowings		(24,851)
Changes in working capital:				Dividend paid to non-controlling interests		(3,309)
(Increase)/decrease in inventories		(238,578)	54,386	Proceeds from issue of shares under share option scheme		716
Increase in accounts receivable and bills receivable		(29,916)	(130,601)	Net cash used in financing activities		(38,517)
(Increase)/decrease in prepayments and other receivables		(27,182)	30,407	Decrease in cash and cash equivalents		(278,292)
Decrease in accounts payable and bills payable		(55,004)	(79,782)	Cash and cash equivalents at beginning of the period	18	452,882
Decrease in accruals and other payables and contract liabilities		(79,440)	(71,422)	Effect on foreign exchange rate changes		(2,558)
Increase/(decrease) in retirement benefits and other post retirement obligations		167	(103)	Cash and cash equivalents at end of the period	18	172,032
Cash (used in)/generated from operations		(183,183)	109,904			
Income tax paid		(29,585)	(27,637)			
Net cash (used in)/generated from operating activities		(212,768)	82,267			

The notes on pages 7 to 14 form part of the interim financial statements.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

1. General Information

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The address of its head office and principal place of business in Hong Kong is 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Group are (i) garment manufacturing and (ii) brands business.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 1988.

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated. These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 were approved for issue by the Board on 26 August 2024.

These condensed consolidated interim financial statements have not been audited or reviewed by the external auditor.

2. Basis of Preparation and Accounting Policies

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 3.

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.

3. Changes in Accounting Policies

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.

4. 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.

5. 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.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

5. Segment Information (Continued)

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 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 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)
Amortisation 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

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 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
	Reportable segment assets	1,088,165	777,700	1,692,835	1,761,780	295,563	577,198	3,076,563
Reportable segment liabilities	434,934	407,109	1,272,448	1,408,736	191,531	95,775	1,898,913	1,911,620

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

5. Segment Information (Continued)

	Six months ended 30 June							
	Garment manufacturing		Brands business		Unallocated		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 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

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 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 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 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	At 30 June 2024 HK\$'000	At 31 December 2023 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

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.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

6. Seasonality of Operations

The Group tends to record higher sales revenue in the second half of the year compared to the first half mainly due to the seasonality effect in terms of more shipments for Fall/Winter and holiday seasons for both of its garment manufacturing products and brands business products. This tendency will continue with such order pattern from customers.

7. Other Net Income

	Six months ended 30 June	
	2024 HK\$'000	2023 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.

8. Profit from Operations

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

	Six months ended 30 June	
	2024 HK\$'000	2023 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

9. Finance Income and Finance Costs

	Six months ended 30 June	
	2024 HK\$'000	2023 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

10. Income Tax Charge

	Six months ended 30 June	
	2024 HK\$'000	2023 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.

11. 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.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

11. Earnings Per Share (Continued)

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.

12. Dividends

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

	Six months ended 30 June	
	2024 HK\$'000	2023 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.

13. Property, Plant and Equipment

(a) Right-of-use assets

During the six months ended 30 June 2024, the Group entered into a number of lease agreements primarily for the lease of offices and retail stores and therefore recognised the additions to right-of-use assets of HK\$54,300,000 (six months ended 30 June 2023: HK\$58,326,000).

The leases of retail stores contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in the Mainland China and Hong Kong where majority of the Group's stores operate.

The amount of fixed and variable lease payments for retail stores for the interim reporting period is summarised below:

	Six months ended 30 June 2024		
	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores – Hong Kong	1,711	719	2,430
Retail stores – Mainland China	42,918	6,267	49,185
Retail stores – Europe	6,570	–	6,570
Retail stores – Japan	–	–	–

	Six months ended 30 June 2023		
	Fixed payments HK\$'000	Variable payments HK\$'000	Total payments HK\$'000
Retail stores – Hong Kong	2,435	–	2,435
Retail stores – Mainland China	42,818	7,896	50,714
Retail stores – Europe	4,496	–	4,496
Retail stores – Japan	–	332	332

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of plant and equipment with a cost of HK\$45,261,000 (six months ended 30 June 2023: HK\$47,570,000). Items of property, plant and equipment with a net book value of HK\$4,009,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$1,975,000), resulting in a gain on disposal of HK\$19,465,000 (six months ended 30 June 2023: a loss on disposal of HK\$1,409,000).

14. Intangible Assets

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Licence rights (Note (i))		
Opening net book amount	461,519	555,632
Additions	8,435	8,338
Amortisation	(28,620)	(56,396)
Impairment losses	–	(46,055)
Exchange differences	(113)	–
Closing net book amount	441,221	461,519
Trademark (Note (ii))		
Opening net book amount	169,406	164,073
Exchange differences	(5,072)	5,333
Closing net book amount	164,334	169,406
Total intangible assets	605,555	630,925

Notes:

(i) Licence rights

Licence rights of brands represent capitalisation of the minimum contractual obligation payable to brand licensors at the time of inception.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

14. Intangible Assets (Continued)

Notes: (Continued)

(i) Licence rights (Continued)

During the six months ended 30 June 2024, the Group entered into a 10-year licence agreement for the use of certain trademarks and domain names related to the MASSIMO OSTI brand in the manufacturing, advertising and distribution of related branded products. The addition of licence rights during the period represented the capitalisation of the minimum contractual obligation payable to the licensor at the inception of the licence rights. Licence fees payable also recorded a corresponding increase during the period.

(ii) Trademark

It represents "C.P. Company" trademark which is regarded as having an indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that the value will not be reduced through usage.

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

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Option to acquire equity interest of a company	5,924	–

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 (see Note 14(i)).

16. Inventories

	At 30 June 2024 HK\$'000	At 31 December 2023 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.

17. Accounts Receivable and Bills Receivable

	At 30 June 2024 HK\$'000	At 31 December 2023 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

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.

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

18. Cash and Bank Balances

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Short-term bank deposits	34,127	161,248
Cash at bank and on hand	137,905	291,634
Cash and cash equivalents in the consolidated cash flow statement	172,032	452,882
Pledged bank deposits (<i>Note</i>)	10,790	9,773
Cash and bank balances in the consolidated statement of financial position	182,822	462,655

Note:

At 30 June 2024, bank deposits of HK\$10,790,000 (31 December 2023: HK\$9,773,000) were pledged to secure bank facilities granted to the Group.

19. 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.

20. Accruals and Other Payables and Contract Liabilities

(a) Accruals and other payables

Accruals and other payables mainly consist of accrued employee benefit expenses, current portion of licence fees payable, deposits received and payables for other operating expenses.

(b) Contract liabilities

When the Group receives advances before the delivery of goods, this will give rise to contract liabilities upon advances receipt, until the revenue recognised on the sale of goods. The payment arrangement is negotiated on a case by case basis with customers. At 30 June 2024, all of the contract liabilities of HK\$33,499,000 (31 December 2023: HK\$27,367,000) were expected to be settled within one year.

21. Bank Borrowings

At 30 June 2024 and 31 December 2023, the bank borrowings were repayable within 1 year and were denominated in Renminbi.

The bank borrowings were unsecured and covered by corporate guarantees from the Company. The carrying amounts of bank borrowings approximate their fair values.

22. Share Capital

	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000
Authorised: 500,000,000 (2023: 500,000,000) shares of HK\$0.10 each	50,000	50,000

Issued and fully paid ordinary share capital:

	Six months ended 30 June 2024		Year ended 31 December 2023	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1 January	271,607,253	27,161	271,607,253	27,161
Shares issued under share option scheme	994,000	99	-	-
At 30 June/31 December	272,601,253	27,260	271,607,253	27,161

23. 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).

24. Related Party Transactions

(a) Lease arrangements with a related company

The following significant related party transactions were carried out in the normal course of the Group's business:

	Amounts owed by the Group to a related company		Related interest expense	
	At 30 June 2024 HK\$'000	At 31 December 2023 HK\$'000	Six months ended 30 June 2024 HK\$'000	2023 HK\$'000
Lease liabilities due to a related company	2,826	4,644	(102)	(169)

Condensed Consolidated Interim Financial Statements

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

24. Related Party Transactions (Continued)

(a) Lease arrangements with a related company

(Continued)

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Rental payment to TDB under new tenancy agreement	1,920	960
Rental payment to TDB under former tenancy agreement	-	1,590

Notes:

- (i) In February 2023, the Group entered into a two-year lease ("new tenancy agreement") with TDB Company Limited ("TDB") in respect of the lease from TDB of certain properties for factory, storage and ancillary office uses. The amount of rent payable by the Group pursuant to the new tenancy agreement is HK\$320,000 per month commencing from 1 April 2023 after the previous lease ("former tenancy agreement") ended on 31 March 2023. The rent was determined with reference to comparable rental transactions and offerings as available in the relevant market with similar age, size, use and attributes. At the date of the new tenancy agreement, the Group recognised right-of-use asset and lease liability in relation to this lease.
- (ii) At 30 June 2024, the entire issued share capital of TDB, a related company, was held by a discretionary trust of which a director of the Company was an eligible beneficiary.

(b) Transactions with key management

(i) Key management personnel remuneration

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
Salaries, allowances and bonuses	10,118	11,252
Defined contribution plans	305	299
Share-based compensation expense – share options granted	325	317
	10,748	11,868

(ii) Advance to an employee

In June 2012, a subsidiary of the Group made a cash advance of HK\$12,000,000 to a key management employee of the Group. Pursuant to the related agreement and amendment agreements entered into in 2013 and 2014, the cash advance was unsecured, bearing interest at the Group's cost of borrowing. HK\$3,500,000 of the cash advance plus related interest had been fully repaid in 2016. The remaining amount of HK\$8,500,000 (the "long-term portion") will be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The long-term portion regarded as prepaid staff benefit is included in other long-term assets and is amortised over twelve years from the date of the cash advance. The prepaid staff benefit was fully amortised during the six months ended 30 June 2024.

25. Fair Value of Financial Instruments

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of each reporting period. The fair value of financial asset measured at fair value through profit or loss (being an option to acquire equity interest of a company) is determined with reference to the pricing of the recent transaction. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are measured in the statement of financial position at fair value. HKFRS 13, *Fair value measurement* requires disclosure of fair value measurements according to the following fair value measurement hierarchy:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Forward foreign exchange contracts were measured at fair value and classified as Level 2 valuations at 30 June 2024 and 31 December 2023. These forward foreign exchange contracts had been fair valued using forward foreign exchange rates that were quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. There was no change in valuation techniques during the period.

The option to acquire equity interest of a company as mentioned above was measured at fair value and classified as Level 2 valuations at 30 June 2024. The option had been fair valued with reference to the pricing of the recent transaction.

Accounts receivable at fair value through other comprehensive income ("FVOCI") (recycling) were measured at fair value and classified as Level 2 valuations at 30 June 2024 and 31 December 2023.

The fair value of the accounts receivable at FVOCI (recycling) was determined by using the risk-adjusted rates quoted by the banks ranging from 6.53% to 7.86% per annum at 30 June 2024 (31 December 2023: 5.62% to 7.75% per annum).

There was no transfer of financial assets between fair value hierarchy classifications for the period/year ended 30 June 2024 and 31 December 2023. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	(63)	(61)
Interest on lease liabilities	(5)	(5)
Amortisation of licence rights	(29)	(28)
Interest on licence fees payable	(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	(5)	(4)
Interest on lease liabilities	(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	(54)	(52)
Interest on lease liabilities	(4)	(4)
Amortisation of licence rights	(29)	(28)
Interest on licence fees payable	(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	(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:

- 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.
- 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

Contingent Liabilities and Capital Commitments

Apart from the capital commitment as disclosed in Note 23 to the condensed consolidated interim financial statements, 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.

Shareholders' Information and Corporate Governance

Disclosure of Interests

Directors' Interests in Securities

At 30 June 2024, the directors (the "Directors") and the chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix C3 to the Listing Rules:

Interests in shares of the Company

Name of Director	Long/short position	Number of shares held		Approximate percentage of issued share capital
		Through controlled corporation	Total	
Mr. WANG Kin Chung, Peter	Long position	182,577,000 (Note 1)	182,577,000	66.98% (Note 2)

Notes:

- 182,577,000 shares were directly and beneficially held by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter. Please refer to Note 1 to the paragraph headed "Substantial Shareholders" below for further details.
- The approximate percentage was calculated on the basis of 272,601,253 shares in issue at 30 June 2024.

Interests in ordinary shares of an associated corporation – Hua Thai Manufacturing Public Company Limited ("Hua Thai")

Name of Director	Long/short position	Number of ordinary shares held		Approximate percentage of issued share capital
		Through spouse	Total	
Ms. WANG KOO Yik Chun	Long position	2,500 (Note 1)	2,500	0.03% (Note 2)

Notes:

- 2,500 ordinary shares of Hua Thai were held by the late WANG Seng Liang, deceased spouse of Ms. WANG KOO Yik Chun.
- The approximate percentage was calculated on the basis of 10,000,000 ordinary shares of Hua Thai in issue at 30 June 2024.

Save as disclosed above, at 30 June 2024, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

At 30 June 2024, the following persons (other than the Directors or the chief executive of the Company) had the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held			Total	Approximate percentage of issued share capital
		Directly held	Through spouse	Through controlled corporation		
New Perfect Global Limited	Long position	–	–	182,577,000 (Note 1)	182,577,000	66.98% (Note 3)
Silver Tree Holdings Inc.	Long position	182,577,000 (Note 1)	–	–	182,577,000	66.98% (Note 3)
SUN Lin	Long position	–	182,577,000 (Note 2)	–	182,577,000	66.98% (Note 3)

Shareholders' Information and Corporate Governance

Notes:

- 182,577,000 shares were directly and beneficially held by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited which in turn was a company wholly owned by Mr. WANG Kin Chung, Peter. Therefore, Silver Tree Holdings Inc., New Perfect Global Limited and Mr. WANG Kin Chung, Peter were interested or deemed to be interested in the same block of 182,577,000 shares.
- Ms. SUN Lin, the spouse of Mr. WANG Kin Chung, Peter, was deemed to be interested in the same block of 182,577,000 shares in which Mr. WANG Kin Chung, Peter was interested through his controlled corporations.
- The approximate percentage was calculated on the basis of 272,601,253 shares in issue at 30 June 2024.

Save as disclosed above, at 30 June 2024, no person (other than a Director or the chief executive of the Company) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Options

The share option scheme of the Company (the "2016 Share Option Scheme") was adopted by the shareholders at the annual general meeting of the Company held on 6 June 2016 for granting options to eligible persons to subscribe for shares of the Company. A summary of the principal terms of the 2016 Share Option Scheme was set out on page 52 of the 2023 annual report of the Company.

Movements in options under the 2016 Share Option Scheme during the six months ended 30 June 2024 were as follows:

Date of grant (Note 1)	Participant	Number of options				At 30 June 2024	Subscription price per share	Exercisable period
		At 1 January 2024	Granted during the period	Exercised during the period	Lapsed/ cancelled during the period (Note 2)			
3 June 2019	Employees (in aggregate)	359,000	-	-	(359,000)	-	HK\$1.58	3 June 2019 – 2 June 2024
		359,000	-	-	(359,000)	-	HK\$1.58	3 June 2020 – 2 June 2024
		359,000	-	-	(359,000)	-	HK\$1.58	3 June 2021 – 2 June 2024
		359,000	-	-	(359,000)	-	HK\$1.58	3 June 2022 – 2 June 2024
8 June 2020	Employees (in aggregate)	367,000	-	-	-	367,000	HK\$1.40	8 June 2020 – 7 June 2025
		367,000	-	-	-	367,000	HK\$1.40	8 June 2021 – 7 June 2025
		367,000	-	-	-	367,000	HK\$1.40	8 June 2022 – 7 June 2025
		367,000	-	-	-	367,000	HK\$1.40	8 June 2023 – 7 June 2025
7 June 2021	Employees (in aggregate)	450,000	-	-	-	450,000	HK\$1.00	7 June 2021 – 6 June 2026
		450,000	-	-	-	450,000	HK\$1.00	7 June 2022 – 6 June 2026
		450,000	-	-	-	450,000	HK\$1.00	7 June 2023 – 6 June 2026
		450,000	-	-	-	450,000	HK\$1.00	7 June 2024 – 6 June 2026
6 June 2022	Employees (in aggregate)	533,000	-	-	-	533,000	HK\$0.91	6 June 2022 – 5 June 2027
		533,000	-	-	-	533,000	HK\$0.91	6 June 2023 – 5 June 2027
		533,000	-	-	-	533,000	HK\$0.91	6 June 2024 – 5 June 2027
		533,000	-	-	-	533,000	HK\$0.91	6 June 2025 – 5 June 2027
19 June 2023 (Note 3)	Employees (in aggregate)	750,000	-	(497,000)	-	253,000	HK\$0.72	19 June 2023 – 18 June 2028
		750,000	-	(497,000)	-	253,000	HK\$0.72	19 June 2024 – 18 June 2028
		750,000	-	-	-	750,000	HK\$0.72	19 June 2025 – 18 June 2028
		750,000	-	-	-	750,000	HK\$0.72	19 June 2026 – 18 June 2028
24 June 2024 (Notes 4 & 5)	Employees (in aggregate)	-	177,000	-	-	177,000	HK\$2.82	24 June 2024 – 23 June 2029
		-	177,000	-	-	177,000	HK\$2.82	24 June 2025 – 23 June 2029
		-	177,000	-	-	177,000	HK\$2.82	24 June 2026 – 23 June 2029
		-	177,000	-	-	177,000	HK\$2.82	24 June 2027 – 23 June 2029
	Total	9,836,000	708,000	(994,000)	(1,436,000)	8,114,000		

Shareholders' Information and Corporate Governance

Notes:

1. For each of such grants, the relevant options shall vest in four equal tranches, with each tranche accounting for 25% of the total options granted, on (i) the date of grant; (ii) the first anniversary of the date of grant; (iii) the second anniversary of the date of grant; and (iv) the third anniversary of the date of grant respectively. All these options are not subject to any performance target on vesting.
2. There was no cancellation of option during the period.
3. The weighted average closing price of the shares on the business days immediately before the dates on which the options were exercised in the period was HK\$2.715.
4. The closing price of the shares on the business day immediately before the date on which the options were granted in the period was HK\$2.82.
5. With regards to the 708,000 options granted on 24 June 2024 to three grantees who were directors of certain subsidiaries of the Company, the remuneration committee of the Company (the "**Remuneration Committee**") had reviewed the vesting arrangements with respect to the requirements under Rule 17.03F and Rules 17.06B(7) and (8) of the Listing Rules. The Remuneration Committee considered that the 2016 Share Option Scheme did not provide any restriction on the vesting period of options and that (a) only the first tranche (being 25%) of the options granted had a vesting period shorter than 12 months; (b) the options were granted based on the grantees' past performance achievements in the last financial year; and (c) the options granted constituted part of the performance awards to the grantees for the last financial year. The Remuneration Committee thus was of the view that the relevant vesting arrangements (i.e. only the vesting period of the first tranche of the options granted was shorter than 12 months) were appropriate for retaining, incentivising, rewarding, remunerating and compensating valuable employees and such grant had aligned with the purpose of the 2016 Share Option Scheme. Since the options granted were determined by reference to the grantees' past performance in the last financial year, and the value of the options would be subject to future market price of the shares of the Company, which in turn would depend on the business performance of the Group to which the relevant grantees would directly contribute, the Remuneration Committee was of the view that such grant had already aligned the interests of the grantees with that of the Company and its shareholders and no additional performance target was required to be imposed on such options on vesting. Save for reviewing and recommending to the Board the abovementioned grant of options, the Remuneration Committee did not review nor approve any material matters relating to the 2016 Share Option Scheme during the period.
6. Without prejudice to the terms and conditions of the 2016 Share Option Scheme, the options granted under the 2016 Share Option Scheme shall lapse automatically if the relevant grantee ceases to be an eligible participant of the 2016 Share Option Scheme by reason of termination of employment or engagement on the grounds of being guilty of serious misconduct or being convicted of any criminal offence involving integrity or honesty.
7. The Group's accounting policy on measurement of fair value of the options was set out on page 74 of the 2023 annual report of the Company. The fair value of the options granted during the period as measured at the date of grant using the Hull White Trinomial model ("**HWT Model**") in accordance with HKFRS 2, *Share-based Payment* was approximately HK\$0.976 per option. The significant inputs used in the HWT Model were as follows:

Closing price of the shares at the date of grant	:	HK\$2.82
Subscription price	:	HK\$2.82
Expected dividend yield	:	8.87%
Expected volatility	:	62.98%
Annual risk-free interest rate	:	3.357%

The expected volatility at the date of grant, which measured the standard deviation of expected share price returns, was based on statistics of 1,260-day historical volatilities of comparable companies within the industry.

The aggregate fair value of the options granted during the period amounted to approximately HK\$691,000, which would be recognised as employee benefit expenses over the vesting periods together with a corresponding increase in equity. Such fair value was subject to a number of assumptions and the limitations of the HWT Model.

8. The number of options available for grant under the 2016 Share Option Scheme at the beginning and the end of the period were 17,324,725 and 18,052,725 respectively.
9. The number of shares that may be issued in respect of the options granted under the 2016 Share Option Scheme during the period divided by the weighted average number of shares of the Company in issue for the period is 0.0026.

Shareholders' Information and Corporate Governance

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 of this report, 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.

Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry by the Company on each of them, that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

In addition, the Board has adopted the Model Code as written guidelines for relevant employees in respect of their dealings in the securities of the Company.

Changes in Directors' Information

Changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the date of issue of the 2023 annual report of the Company and up to the date of this report include:

- (i) the Board had, subject to authority granted by the shareholders at the annual general meeting of the Company held on 24 June 2024, increased the fees payable to Non-Executive and Independent Non-Executive Directors for the financial year ending 31 December 2024. Details of the revised fees were set out on page 20 of the 2023 annual report of the Company; and

- (ii) Mr. WANG Kin Chung, Peter ceased to be a member of the audit committee of Johnson Electric Holdings Limited (a company listed on the Stock Exchange) with effect from 12 July 2024.

Save as disclosed above, there is no change in Directors' information which is required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the date of issue of the 2023 annual report of the Company and up to the date of this report.

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