

TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report  
2023

Stock code: 458



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## 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.tristateww.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@tristateww.com](mailto:cosec@tristateww.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 consolidated interim results of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 June 2023 together with comparative figures for 2022.

### Condensed Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2023 – unaudited

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenue	5 & 6	<b>2,055,381</b>	1,625,005
Cost of sales		<b>(1,178,062)</b>	(992,440)
Gross profit		<b>877,319</b>	632,565
Other net income	7	<b>3,203</b>	12,206
Selling and distribution expenses		<b>(447,330)</b>	(316,809)
General and administrative expenses		<b>(286,578)</b>	(281,732)
Profit from operations	8	<b>146,614</b>	46,230
Finance income	9	<b>988</b>	664
Finance costs	9	<b>(32,617)</b>	(26,971)
Profit before taxation		<b>114,985</b>	19,923
Income tax charge	10	<b>(36,880)</b>	(34,572)
Profit/(loss) for the period		<b>78,105</b>	(14,649)
Attributable to:			
Equity shareholders of the Company		<b>74,176</b>	(19,294)
Non-controlling interests		<b>3,929</b>	4,645
Profit/(loss) for the period		<b>78,105</b>	(14,649)
Earnings/(loss) per share attributable to equity shareholders of the Company:			
Basic	11	<b>HK\$0.27</b>	(HK\$0.07)
Diluted		<b>HK\$0.27</b>	(HK\$0.07)

### Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2023 – unaudited

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Profit/(loss) for the period	<b>78,105</b>	(14,649)
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	<b>(11,437)</b>	(4,652)
– Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
– Cost of sales	<b>1,319</b>	(575)
– General and administrative expenses	<b>464</b>	1,070
Realisation of exchange reserve upon liquidation and disposal of subsidiaries	<b>(1,286)</b>	592
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	<b>4,788</b>	(44,909)
Other comprehensive income for the period	<b>(6,152)</b>	(48,474)
Total comprehensive income for the period	<b>71,953</b>	(63,123)
Attributable to:		
Equity shareholders of the Company	<b>68,024</b>	(67,768)
Non-controlling interests	<b>3,929</b>	4,645
Total comprehensive income for the period	<b>71,953</b>	(63,123)

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

As at 30 June 2023 – unaudited

		At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000		At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
	Note				Note	
<b>Non-current Assets</b>				<b>Non-current Liabilities</b>		
Property, plant and equipment	13	555,834	552,245	Retirement benefits and other post-retirement obligations		21,034
Intangible assets	14	703,719	719,705	Licence fees payable		624,780
Other long-term assets		22,451	18,425	Lease liabilities		126,620
Deferred tax assets		17,878	17,570	Forward foreign exchange contracts		–
Defined benefit plan assets		10,378	10,447	Deferred tax liabilities		39,174
Forward foreign exchange contracts		42	2,992			
Interest in an associate		–	–			
		<b>1,310,302</b>	1,321,384			
<b>Current Assets</b>				<b>Net Assets</b>		
Inventories	15	783,162	854,170			811,608
Accounts receivable and bills receivable	16	622,727	492,049	<b>Net Assets</b>		1,039,478
Forward foreign exchange contracts		–	2,974			
Prepayments and other receivables		69,945	104,108	<b>Capital and Reserves</b>		
Current tax recoverable		280	162	Share capital	21	27,161
Cash and bank balances	17	240,110	301,362	Reserves		992,990
		<b>1,716,224</b>	1,754,825	Total equity attributable to equity shareholders of the Company		1,020,151
				Non-controlling interests		19,327
<b>Current Liabilities</b>				<b>Total Equity</b>		1,039,478
Accounts payable and bills payable	18	357,539	437,321			
Accruals and other payables and contract liabilities	19	462,058	487,099			
Lease liabilities		93,729	96,668			
Forward foreign exchange contracts		7,496	3,886			
Current tax liabilities		102,102	93,141			
Bank borrowings	20	75,468	107,008			
		<b>1,098,392</b>	1,225,123			
<b>Net Current Assets</b>		<b>617,832</b>	529,702			
<b>Total Assets Less Current Liabilities</b>		<b>1,928,134</b>	1,851,086			

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 2023 – 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 2023	<b>27,161</b>	<b>992,990</b>	<b>1,020,151</b>	<b>19,327</b>	<b>1,039,478</b>
Total comprehensive income for the period	–	<b>68,024</b>	<b>68,024</b>	<b>3,929</b>	<b>71,953</b>
Share option scheme – value of employee services	–	<b>453</b>	<b>453</b>	–	<b>453</b>
Balance at 30 June 2023	<b>27,161</b>	<b>1,061,467</b>	<b>1,088,628</b>	<b>23,256</b>	<b>1,111,884</b>

	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 2022	27,161	998,781	1,025,942	10,275	1,036,217
Total comprehensive income for the period	–	(67,768)	(67,768)	4,645	(63,123)
Share option scheme – value of employee services	–	447	447	–	447
Balance at 30 June 2022	27,161	931,460	958,621	14,920	973,541

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 2023 – unaudited

	Six months ended 30 June		Note	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000		2023 HK\$'000	2022 HK\$'000
Operating activities					
Profit before taxation	<b>114,985</b>	19,923			
Adjustments for:					
Write-down of inventories to net realisable value, net	<b>16,622</b>	26,022			
(Reversal of)/provision for impairment of receivables, net	<b>(77)</b>	2,888			
Depreciation on property, plant and equipment	<b>41,320</b>	34,836			
Depreciation of right-of-use assets	<b>60,699</b>	43,565			
Amortisation of intangible assets	<b>28,199</b>	25,123			
Net gain recognised upon liquidation and disposal of subsidiaries	<b>(1,286)</b>	(4,554)			
Finance income	<b>(988)</b>	(664)			
Finance cost	<b>32,617</b>	26,971			
Other operating activities	<b>14,928</b>	(4,263)			
Changes in working capital:					
Decrease/(increase) in inventories	<b>54,386</b>	(318,399)			
(Increase)/decrease in accounts receivable and bills receivable	<b>(130,601)</b>	45,813			
Decrease/(increase) in prepayments and other receivables	<b>30,407</b>	(6,327)			
(Decrease)/increase in accounts payable and bills payable	<b>(79,782)</b>	36,936			
Decrease in accruals and other payables and contract liabilities	<b>(71,422)</b>	(18,640)			
(Decrease)/increase in retirement benefits and other post retirement obligations	<b>(103)</b>	346			
Cash generated from/(used in) operations	<b>109,904</b>	(90,424)			
Income tax paid	<b>(27,637)</b>	(31,162)			
Net cash generated from/(used in) operating activities	<b>82,267</b>	(121,586)			
Investing activities					
Interest received	<b>728</b>	239			
Payment for the purchase of property, plant and equipment	<b>(47,570)</b>	(23,342)			
Proceeds from disposals of property, plant and equipment	<b>566</b>	703			
Net proceeds from disposal of a subsidiary	<b>–</b>	4,974			
Increase in pledged bank deposits	<b>–</b>	(201)			
Net cash used in investing activities	<b>(46,276)</b>	(17,627)			
Financing activities					
Capital element of lease rentals paid	<b>(56,957)</b>	(42,206)			
Interest element of lease rentals paid	<b>(4,648)</b>	(3,122)			
Interest paid	<b>(2,656)</b>	(2,812)			
Proceeds from new bank borrowings	<b>179,082</b>	246,205			
Repayment of bank borrowings	<b>(210,622)</b>	(111,275)			
Net cash (used in)/generated from financing activities	<b>(95,801)</b>	86,790			
Decrease in cash and cash equivalents	<b>(59,810)</b>	(52,423)			
Cash and cash equivalents at beginning of the period	<b>290,241</b>	367,593	17		
Effect on foreign exchange rate changes	<b>(1,555)</b>	(13,138)			
Cash and cash equivalents at end of the period	<b>228,876</b>	302,032	17		

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 2023

### 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 Company and its subsidiaries 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 2023 were approved for issue by the Board on 28 August 2023.

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 (the "**HKICPA**").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 the financial position and performance of the Group since the 2022 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 2022 that was 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. Statutory financial statements for the year ended 31 December 2022 are available from the Company's head office and principal place of business in Hong Kong. The auditor has expressed an unqualified opinion on those financial statements in its report dated 27 March 2023.

### 3. Changes in Accounting Policies

#### (a) 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 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income Taxes: International tax reform – Pillar Two model rules*

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.

#### (b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "**Government**") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022, which will eventually abolish the use of the employers' mandatory provident fund ("**MPF**") mandatory contributions to offset severance payment ("**SP**") and long service payment ("**LSP**"). The Government subsequently announced that the abolition of the MPF offsetting arrangement will take effect on 1 May 2025 and that the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA issued a guidance "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" outlining acceptable approaches to account for the LSP liability in accordance with HKAS 19 – *Employee Benefits*. In this interim financial report and in prior periods, the Group has accounted for the expected offset arising from the offsetting mechanism as a reduction of the LSP payable. The Group has decided to adopt the accounting policies to conform with the guidance. The management has commenced the processes on implementing the change and impact assessment. The impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue. Based on preliminary assessment, the management does not consider that the adoption of the guidance will have a significant impact on the Group's financial statements. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 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, income and expense on a year to date basis. Actual results may differ from these estimates.

### 5. Segment Information

Reportable segments are reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and 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 geography. 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 changed from profit or loss after taxation to profit or loss before taxation from the current reporting period.

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 sales generated by those segments and the expenses incurred by those segments or which otherwise arise 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		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Reportable segment revenue	966,921	834,323	1,128,652	835,525	-	-	2,095,573	1,669,848
Less: Inter-segment revenue	(40,192)	(44,843)	-	-	-	-	(40,192)	(44,843)
Revenue	926,729	789,480	1,128,652	835,525	-	-	2,055,381	1,625,005
Reportable segment EBITDA (Note (i))	138,882	81,095	133,225	59,231	4,725	9,428	276,832	149,754
Finance income	-	-	256	16	732	648	988	664
Finance costs								
- Interest on bank borrowings	-	-	(47)	(51)	(2,609)	(2,761)	(2,656)	(2,812)
- Interest on licence fees payable	-	-	(25,313)	(21,037)	-	-	(25,313)	(21,037)
- Interest on lease liabilities	(753)	(809)	(3,706)	(2,217)	(189)	(96)	(4,648)	(3,122)
Depreciation charge								
- Owned property, plant and equipment	(9,228)	(9,460)	(28,348)	(19,984)	(3,744)	(5,392)	(41,320)	(34,836)
- Right-of-use assets	(4,353)	(4,375)	(52,146)	(35,623)	(4,200)	(3,567)	(60,699)	(43,565)
Amortisation of intangible assets	-	-	(28,199)	(25,123)	-	-	(28,199)	(25,123)
Reportable segment profit/(loss) before taxation	124,548	66,451	(4,278)	(44,788)	(5,285)	(1,740)	114,985	19,923
Income tax charge							(36,880)	(34,572)
Profit/(loss) for the period							78,105	(14,649)

	Garment manufacturing		Brands business		Unallocated (Note (iii))		Total	
	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
	Reportable segment assets	941,909	783,072	1,723,723	1,869,783	360,894	423,354	3,026,526
Reportable segment liabilities	386,205	475,605	1,386,375	1,451,279	142,062	109,847	1,914,642	2,036,731

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 5. Segment Information (Continued)

	Six months ended 30 June							
	Garment manufacturing		Brands business		Unallocated		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Reversal of/(provision for) impairment of receivables, net	9	15	68	(2,903)	-	-	77	(2,888)
Write-down of inventories to net realisable value, net	(5,621)	(6,503)	(11,001)	(19,519)	-	-	(16,622)	(26,022)
Additions to property, plant and equipment including right-of-use assets	8,572	11,522	96,801	38,637	523	1,704	105,896	51,863
Additions to intangible assets	-	-	8,338	397,349	-	-	8,338	397,349

Notes:

- 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.
- 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.
- Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, property, plant and equipment and lease liabilities for corporate purposes.

The Group's revenue is mainly derived from customers located in The People's Republic of China ("PRC"), the United Kingdom ("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 PRC, Switzerland and Thailand. An analysis of the Group's revenue by location 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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	638,816	425,104	439,697	342,246	206,303	223,252	301,942	200,326	100,205	117,456	368,418	316,621	2,055,381	1,625,005

Included in revenue derived from PRC was HK\$40,645,000 (2022: HK\$85,347,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2023, revenues from one customer (2022: one customer) in the garment manufacturing segment accounted for more than 10% of the Group's total revenue and represented approximately 13% (2022: 13%) of the total revenue.

	PRC		Switzerland		Thailand		Other countries		Total	
	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
	Non-current assets (Note)	903,005	938,889	209,109	175,362	62,827	63,181	107,063	112,943	1,282,004

Note:

Non-current assets exclude forward foreign exchange contracts, deferred tax assets and defined benefit plan assets.

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 6. Seasonality of Operations

The Group tends to record higher sales revenue in the second half of the year as compared to the first half due to seasonality effect of Fall/Winter and holiday seasons shipment 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	
	2023 HK\$'000	2022 HK\$'000
Government subsidy	657	3,034
Net loss on disposal of property, plant and equipment	(1,409)	(1,008)
Net gain recognised upon liquidation and disposal of subsidiaries	1,286	4,554
Net gain on derecognition of right-of-use assets and lease liabilities	997	3,117
Sundry income	1,672	2,509
	<b>3,203</b>	12,206

### 8. Profit from Operations

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Amortisation of intangible assets	28,199	25,123
Depreciation charge		
– Owned property, plant and equipment	41,320	34,836
– Right-of-use assets	60,699	43,565
Expenses related to short-term leases and variable lease payments	21,026	17,429
(Reversal of)/provision for impairment of receivables, net	(77)	2,888
Provision for write-down of inventories to net realisable value, net	16,622	26,022
Staff cost and employment benefit expenses	359,317	327,118

### 9. Finance Income and Finance Costs

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Finance income		
Interest income from bank deposits	728	239
Imputed interest on long-term rental deposits	260	425
	<b>988</b>	664
Finance costs		
Interest on bank borrowings	2,656	2,812
Interest on licence fees payable	25,313	21,037
Interest on lease liabilities	4,648	3,122
	<b>32,617</b>	26,971

### 10. Income Tax Charge

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Current income tax (Note)		
Hong Kong profits tax	17,551	5,914
Non-Hong Kong tax	19,794	24,266
(Over)/under provision for prior year	(1,933)	418
Deferred income tax	1,468	3,974
	<b>36,880</b>	34,572

Note:

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2022: 16.5%) to the six months ended 30 June 2023.

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/(Loss) Per Share

Basic earnings/(loss) per share is calculated by dividing the consolidated profit/(loss) attributable to equity shareholders of the Company of HK\$74,176,000 (2022: loss of HK\$19,294,000) by the weighted average number of 271,607,253 (2022: 271,607,253) ordinary shares in issue for the half year.

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

During the six months ended 30 June 2023 and 30 June 2022, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the earnings/(loss) per share. Hence, there was no dilutive effect on the calculation of the diluted earnings/(loss) per share for the six months ended 30 June 2023 and 30 June 2022.

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 12. Interim Dividend

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Interim dividend of HK\$0.06 (2022: Nil) per share	16,296	-

On 28 August 2023, the Board declared an interim dividend of HK\$0.06 per share. The interim dividend is not reflected as a dividend payable in these condensed consolidated interim financial statements but will be reflected as an appropriation of the retained earnings for the year ending 31 December 2023.

### 13. Property, Plant and Equipment

#### (a) Right-of-use assets

During the six months ended 30 June 2023, the Group entered into a number of lease agreements primarily for use of offices and retail stores, and therefore recognised the additions to right-of-use assets of HK\$58,326,000 (six months ended 30 June 2022: HK\$28,521,000).

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 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 2023			
	Fixed payments HK\$'000	Variable payments HK\$'000	Rent concessions 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

	Six months ended 30 June 2022			
	Fixed payments HK\$'000	Variable payments HK\$'000	Rent concessions (Note) HK\$'000	Total payments HK\$'000
Retail stores – Hong Kong	2,870	10	(438)	2,442
Retail stores – Mainland China	29,326	4,311	(699)	32,938
Retail stores – Europe	3,693	-	-	3,693
Retail stores – Japan	-	1,264	-	1,264

Note: The Group applied the practical expedient in paragraph 46A of HKFRS 16 to all eligible rent concessions received by the Group during the six months ended 30 June 2022.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of plant and equipment with a cost of HK\$47,570,000 (six months ended 30 June 2022: HK\$23,342,000). Items of plant and equipment with a net book value of HK\$1,975,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$1,711,000), resulting in a loss on disposal of HK\$1,409,000 (six months ended 30 June 2022: a loss on disposal of HK\$1,008,000).

### 14. Intangible Assets

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
<i>Licence rights (Note (i))</i>		
Opening net book amount	555,632	226,600
Additions	8,338	397,349
Amortisation	(28,199)	(52,145)
Impairment losses	-	(16,172)
Closing net book amount	535,771	555,632
<i>Trademark (Note (ii))</i>		
Opening net book amount	164,073	174,154
Exchange differences	3,875	(10,081)
Closing net book amount	167,948	164,073
Total intangible assets	703,719	719,705

Notes:

(i) Licence rights

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

(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.

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 15. Inventories

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Raw materials	112,674	101,700
Work-in-progress	167,939	140,016
Finished goods	483,201	587,302
Goods in transit	19,348	25,152
	<b>783,162</b>	854,170

Increase in raw materials and work-in-progress reflect seasonal requirement for second half year shipment of garment manufacturing segment. Finished goods decreased as the Group has been reducing inventories of brands business after the COVID-19 pandemic.

### 16. Accounts Receivable and Bills Receivable

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Accounts receivable at amortised cost, net of loss allowance	419,026	380,970
Accounts receivable to be sold at fair value through other comprehensive income (recycling)	203,701	111,079
	<b>622,727</b>	492,049

The ageing of accounts receivable and bills receivable, based on the invoice date, is as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Less than 3 months	566,745	417,768
3 months to 6 months	56,846	72,266
Over 6 months	2,826	5,929
	<b>626,417</b>	495,963
Less: Loss allowance	(3,690)	(3,914)
	<b>622,727</b>	492,049

The majority of accounts receivable are with customers having an appropriate credit history and are on open account. The Group grants its customers credit terms mainly ranging from 45 days to 90 days (31 December 2022: 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 program 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 2023 and 31 December 2022, 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.

### 17. Cash and Bank Balances

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Short-term bank deposits	14,432	336
Cash at bank and on hand	214,444	289,905
Cash and cash equivalents in the consolidated cash flow statement	<b>228,876</b>	290,241
Pledged bank deposits (Note)	11,234	11,121
Cash and bank balances in the consolidated statement of financial position	<b>240,110</b>	301,362

Note:

At 30 June 2023, bank deposits of HK\$11,234,000 (31 December 2022: HK\$11,121,000) were pledged to secure bank facilities granted to the Group.

### 18. Accounts Payable and Bills Payable

The ageing of accounts payable and bills payable, based on the invoice date, is as follows:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Less than 3 months	295,790	377,136
3 months to 6 months	43,149	44,129
Over 6 months	18,600	16,056
	<b>357,539</b>	437,321

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

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



# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 19. Accruals and Other Payables and Contract Liabilities

#### (a) Accruals and other payables

Accruals and other payables mainly consisted 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 2023, all of the contract liabilities of HK\$44,413,000 (31 December 2022: HK\$27,648,000) were expected to be settled within one year.

### 20. Bank Borrowings

At 30 June 2023, the bank borrowings were repayable within one year and were denominated in the following currencies:

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
United States dollars	–	62,414
Euro	–	33,406
Renminbi	37,468	11,188
Hong Kong dollars	38,000	–
	<b>75,468</b>	107,008

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

### 21. Share Capital

	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000
Authorised: 500,000,000 (2022: 500,000,000) shares of HK\$0.10 each	50,000	50,000

Issued and fully paid ordinary share capital:

	2023		2022	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1 January and 30 June / 31 December	271,607,253	27,161	271,607,253	27,161

### 22. Commitments

At 30 June 2023, the Group was committed to entering into new leases within 5 years that is not yet commenced, the lease payments under which amounted to HK\$4,034,000 per annum (31 December 2022: HK\$793,000).

### 23. Related Party Transactions

#### (a) Transactions with related parties

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
A related company		
Rental payment to TDB under new tenancy agreement	960	–
Rental payment to TDB under former tenancy agreement	1,590	3,180

Notes:

- (i) In February 2023, the Group entered into a two-year lease (the "new tenancy agreement") with TDB Company Limited ("TDB") in respect of certain properties from TDB for factory, storage and ancillary office. The amount of rent payable by the Group under the lease is HK\$320,000 per month commencing from 1 April 2023 after the previous lease (the "former tenancy agreement") ended on 31 March 2023. The subject lease 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) The entire issued share capital of TDB, a related company, is held by a discretionary trust of which one director of the Company was an eligible beneficiary at 30 June 2023.

#### (b) Transactions with key management

- (i) Key management personnel compensation

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and bonuses	11,252	10,292
Defined contribution plans	299	248
Share-based compensation expense – share options granted	317	326
	<b>11,868</b>	10,866

# Condensed Consolidated Interim Financial Statements

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2023

### 23. Related Party Transactions (Continued)

#### (b) Transactions with key management (Continued)

(ii) Advance to an employee

In June 2012, a subsidiary of the Group entered into an agreement with a key management employee of the Group pursuant to which a cash advance of HK\$12,000,000 was made to such key management employee. Pursuant to the agreement (as amended by amendment agreements made in 2013 and 2014), the cash advance is unsecured and bears interest at the Group's cost of borrowing. Cash advance of HK\$3,500,000 plus related interest had been fully repaid in 2016. The remaining cash advance of HK\$8,500,000 (the "long-term portion") was to 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 advance.

### 24. Fair Value of Financial Instruments

#### (a) Fair value estimation

The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and 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 are measured at fair value and classified as Level 2 valuations at 30 June 2023 and 31 December 2022. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant. There was no change in valuation techniques during the period.

Accounts receivable at fair value through other comprehensive income ("FVOCI") (recycling) are measured at fair value and classified as Level 2 valuations at 30 June 2023 and 31 December 2022.

Information about Level 2 fair value measurements:

	Fair value		Valuation technique and significant inputs
	At 30 June 2023 HK\$'000	At 31 December 2022 HK\$'000	
Accounts receivable at FVOCI (recycling)	203,701	111,079	Risk-adjusted discount rates ranged from 6.26% to 7.47% per annum (2022: 5.82% to 6.80% per annum) quoted by the banks

The fair value of the accounts receivable at FVOCI (recycling) is determined using the risk-adjusted rates per annum quoted by the banks.

There was no transfer of financial assets between fair value hierarchy classifications for the period/year ended 30 June 2023 and 31 December 2022. 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.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2023 and 31 December 2022.

#### (b) Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements during the period.



## 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 2023.

### Overview

For the six months ended 30 June 2023, the Group recorded a profit attributable to equity shareholders of HK\$74 million as compared to the loss of HK\$19 million for the comparable period ended 30 June 2022. The substantial turnaround in the Group's financial performance in the first half of 2023 was mainly attributable to the increase in revenue and profit from our garment manufacturing business, and reduction in losses of our brands business largely due to improved performance of the Group's licensed brand, Nautica.

### Own Brands

C.P. Company continued to post strong revenue and profitability in the first half of 2023 benefited from sustained strong demand for its products. Wholesale business in Europe, in particular the UK, Italy and France, remained the largest contributors of C.P. Company revenue. Sales to other European countries and South Korea have also seen encouraging growth. E-commerce also recorded noticeable growth with further growth opportunities. The continued successful implementation of brand, product and sales initiatives have led to robust consumer demand. To complement the wholesale business in Europe, the brand has six directly managed retail stores and outlets in the upmarket streets of London, Milan, Riccione, Mendrisio, Noventa di Piave and Amsterdam.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through direct retailing in China major cities. The brand has now nine stores located in Beijing China World Mall, Beijing Galleries Lafayette, Shanghai Grand Gateway 66, Shanghai Jing An Kerry Centre, Qingdao MIXC, Qingdao Hisense Plaza, Hangzhou MIXC, Wuhan International Plaza and Shanghai Zhenning Road respectively.

### Licensed Brands

After the lifting of the COVID-19 prevention and control measures in December 2022 and the recovery of economic and social activities in China, all our licensed brands in China recorded revenue jump in the first half of 2023 as compared to same period last year. Revenue of Nautica grew 72% over the last year. White Sail which targets a younger consumer group and features oversized, preppy streetwear styling was well received by consumers and had strong sell-through. We have added full-price image stores, e-commerce channels and wholesale transactions for this collection. The brand reported a substantial reduction in operating loss attributed to the top line increase. As of 30 June 2023, Nautica had 70 directly managed retail stores and another 93 stores operated by partners (30 June 2022: 158 stores in total).

Spyder was officially launched in China in November 2019. As a newly launched brand, Spyder was hit by the COVID-19 outbreak in China in early 2020 and the elongated lockdowns in 2022. Spyder reported an increase in revenue in the first half of 2023 after the pandemic. The brand also narrowed its net losses compared with the last year, mainly resulted from increased revenue and write-back of inventory provisions. As of 30 June 2023, Spyder had 54 stores across China (30 June 2022: 48 stores).

In the first half of 2023, the Group recorded a full half year revenue for Reebok as compared to revenue contributed from 1 May in 2022. At the outset, the Reebok China and Hong Kong business is primarily direct-to-consumer through mono-brand stores and e-commerce. We have expanded e-commerce platforms and added retail stores for Reebok in this first half year. Net losses of the brand in the first half of 2023 increased over the comparable period last year as the brand is still at its investment stage in this year. As of 30 June 2023, Reebok had 23 stores across China.

### Garment Manufacturing

In the period under review, our garment manufacturing business has posted growth in both revenue and net profit as compared to same period last year. Revenue for the first half of 2023 has increased 17% over the last year, though still a bit below pre-COVID-19 level. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. In the period under review, our China factories saw increased orders from certain key customers. Our Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. The strong profit increase of this segment was mainly attributable to rise in revenue from certain premium business customers, and improved gross margin arising from change of customer mix, lowered freight-in costs after the pandemic, factory cost control and the weakening of Renminbi.

# Management Discussion and Analysis

## Financial Highlights

Note	First half 2023	First half 2022
<b>Operating results</b> (HK\$ million)		
Revenue	<b>2,055</b>	1,625
Gross profit	<b>877</b>	633
EBITDA	<b>277</b>	150
Depreciation on right-of-use assets	<b>(61)</b>	(44)
Interest on lease liabilities	<b>(5)</b>	(3)
Amortisation of licence rights	<b>(28)</b>	(25)
Interest on licence fees payable	<b>(25)</b>	(21)
Depreciation on owned property, plant and equipment	<b>(41)</b>	(35)
Income tax charge	<b>(37)</b>	(35)
Profit/(loss) attributable to equity shareholders	<b>74</b>	(19)
<b>Segment results</b> (HK\$ million)		
Garment manufacturing EBITDA	<b>139</b>	81
Depreciation on right-of-use assets	<b>(4)</b>	(4)
Interest on lease liabilities	<b>(1)</b>	(1)
Depreciation on owned property, plant and equipment	<b>(9)</b>	(9)
Garment manufacturing results before tax	<b>125</b>	66
Brands business EBITDA	<b>133</b>	59
Depreciation on right-of-use assets	<b>(52)</b>	(36)
Interest on lease liabilities	<b>(4)</b>	(2)
Amortisation of licence rights	<b>(28)</b>	(25)
Interest on licence fees payable	<b>(25)</b>	(21)
Depreciation on owned property, plant and equipment	<b>(28)</b>	(20)
Brands business results before tax	<b>(4)</b>	(45)
<b>Cash flow (HK\$ million)</b>		
Cash generated from/(used in) operations	<b>110</b>	(90)
Income tax paid	<b>(28)</b>	(31)
Payment for the purchase of property, plant and equipment	<b>(48)</b>	(23)
Rental payments under capitalised leases	<b>(62)</b>	(45)
	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2023</b>	2022
<b>Financial position</b> (HK\$ million)		
Cash and bank balances	<b>240</b>	301
Bank borrowings	<b>75</b>	107
Intangible assets	<b>704</b>	720
Licence fees payable		
Non-current portion	<b>615</b>	625
Current portion included in accruals and other payables	<b>97</b>	83
Total equity	<b>1,112</b>	1,039

Notes:

- Licence related amortisation and imputed interest on licence fees payable being non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica, Spyder and Reebok.
- 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 2023 was HK\$2,055 million (2022: HK\$1,625 million), representing an increase of 26% as compared to 2022.

Revenue from brands business was HK\$1,129 million in the first half of 2023 as compared to HK\$836 million in 2022. C.P. Company continued to report revenue growth against same period last year. After the lifting of all pandemic prevention and control measures in China in late 2022, all our licensed brands in China recorded revenue jump as compared to last year. Revenue of both Nautica and Spyder were up over 70% against same period last year, while Reebok recorded a full half year revenue in 2023 as compared to revenue contributed from May in 2022.

Revenue from the garment manufacturing business amounted to HK\$927 million versus HK\$789 million in 2022. Revenue from premium business, which accounted for 73% (2022: 77%) of the segment revenue, increased 11% as compared to last year. Revenue from better business also rose 31%. During the period under review, we saw orders increase from certain premium and better business customers.

Geographically, major markets of the Group are PRC, the UK, Italy and Canada, which accounted for 31% (2022: 26%), 21% (2022: 21%), 15% (2022: 12%) and 10% (2022: 14%) of the Group's total revenue respectively. The change was mainly due to the increase in revenue of our licensed brands in China.

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 business. The Group expects that the pattern of a larger proportion of sales record in the second half year will continue with such order pattern from customers.

# Management Discussion and Analysis

## Gross Profit

During the period, the Group's overall gross profit recorded at HK\$877 million (2022: HK\$633 million), representing a gross profit margin of 42.7% (2022: 38.9%). The increase in gross profit was mainly attributable to the increased turnover. Gross profit margin of garment manufacturing business increased by mid-single digit as compared to a year earlier due to change of customer mix, lowered freight-in costs after the pandemic, factory cost control and the weakening of Renminbi. The overall gross profit margin of brands business remained stable. The Group's overall gross profit margin increased in 2023 due to the rise in revenue proportion of brands business and the increase in gross margin of garment manufacturing business.

## 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 increased as compared to 2022 mainly due to more shop expenses and retail partners commissions paid for Nautica along with revenue increase, and full half year shop and other selling expenses for Reebok.

## General and Administrative Expenses

General and administrative expenses increased 2% as compared to 2022. This is mainly due to increased administrative costs in line with business growth and an increase in foreign exchange losses during the first half of 2023.

## Segment Results

The substantial increase in segment profit of the garment manufacturing business was mainly driven by the increase in revenue and improved gross margin.

For brands business, C.P. Company continued to report steady and strong profit during the period. The operating losses of Nautica and Spyder were narrowed because of the rise in revenue. The noticeable improvements in Nautica are encouraging. Reebok reported an increase in loss as the brand is still at its investment stage. Altogether our brands business reported a reduction in losses during this reporting period.

## Financial Resources and Liquidity

At 30 June 2023, cash and bank balances amounted to HK\$240 million (31 December 2022: HK\$301 million) which mainly represented United States dollars ("**US dollars**"), Renminbi and Euro bank deposits and balances.

The Group maintained sufficient banking facilities to support its business. At 30 June 2023, the Group had short-term bank borrowings of HK\$75 million (31 December 2022: HK\$107 million). Short-term bank borrowings were denominated in Hong Kong dollars and Renminbi (31 December 2022: US dollars, Euro and Renminbi) and bearing interest at fixed rates. At 30 June 2023, bank deposits of HK\$11 million (31 December 2022: HK\$11 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 2023 and 31 December 2022 respectively, and accordingly, no information on gearing ratio at those dates is provided.

For the cash flow, the Group generated positive cash flow from operations in the first half of 2023 due to better operating performance. In the first half of 2022, the Group used more cash mainly for the purchase of Reebok initial inventory.

Shareholders' equity at 30 June 2023 increased mainly due to profit attributable to equity shareholders for the current 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 six months ended 30 June 2023, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from Renminbi manufacturing costs and Pound Sterling sales receipts of a European subsidiary.

## Contingent Liabilities and Capital Commitments

Apart from the commitments disclosed in Note 22 to the condensed consolidated interim financial statements, there were no other material capital commitments or contingent liabilities at 30 June 2023.

## Human Resources

The Group had about 6,640 employees at 30 June 2023 (31 December 2022: 6,360). 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 global brand C.P. Company has a sound business foundation. The brand's steadfast performance reinforces our confidence in its ability to post strong revenue and profitability for the full year of 2023 and the years to come. The brand will expand product range to drive revenue and upgrade its market positioning. We will continue to focus on existing key wholesale markets (UK, Italy, France, Benelux, South Korea and Germany) and monitor sell-through of those markets. The brand will expand into other countries in Europe, Middle East, South America and Asian markets by partnering with key wholesale account. The brand will continue to grow existing e-commerce channels and invest in localised digital channels in Asian countries. We also plan to open more direct retail stores in key European markets and enhance in-store experience and services for our customers.

Leveraging on our strong design and supply chain teams, combined with Nautica's aspirational position, we have a clear path for the brand in terms of distribution channel mix, key retail metrics, and business model. We have identified a clear product concept and merchandise mix, pricing strategies and strategic promotion plans across channels. Building on the momentum in White Sail, we plan to enhance the brand image and launch more collaborations with streetwear brands. We will also expand wholesale transactions for this collection. As the outlet and e-commerce channels continue to be profit drivers, we plan to increase our presence together with select retail partners in top outlet centres. In the e-commerce channel, we will grow existing and new online platforms. We will also continue to invest into our CRM systems with the goal of enhancing membership services and promoting engagement with our customers.

## Management Discussion and Analysis

Spyder's positioning is on-trend with the backdrop of a growing snow sports market and the huge premium sports apparel segment in China. We will focus investment into quality outlet stores and e-commerce channels. We will continue to control operating expenses of the brand.

Reebok has a celebrated heritage and has inspired, connected and created great products for athletes and consumers across the world for decades. The brand is deeply rooted in professional sports, sneaker culture, and performance apparel. The Group will leverage Reebok's heritage and deploy strategy to fuse street and fitness styles that provide consumers with Reebok in the fast-growing sports, activewear, and outerwear segments. The team will elevate brand heat and icons, drive e-commerce, develop new store concepts and strengthen our Reebok community. We will focus on e-commerce, expanding premium retail stores and increasing wholesale transactions. We are committed to driving innovation and growth of the brand.

Our garment manufacturing business has delivered strong performance in the first half of 2023. Looking ahead, we expect the business will continue to post strong profitability in the second half year. On the other hand, macro-economic uncertainties, strong competition and rising factory costs remain challenging to the business. To stay resilient, we will continue to streamline our operations and control costs in order to remain competitive and flexible. We are expanding the capacity and enhancing capability of our factory in Vietnam to cope with demand from customers. Our diversified production base, unique production system together with flexible supply chain will enable us to work closely with our premium brands customers and respond to their needs.

The Group is dedicated to strengthening and investing in the long-term success of our business. Even faced with certain macro-economic challenges, we expect our own brand C.P. Company and garment manufacturing business will continue to post profits and generate strong cash flow to support the Group's businesses. Nautica is on track and heading for a further improved financial performance. We will strive to improve the performance of Spyder and are committed to investing into and making Reebok successful. Following the encouraging first half year results, we expect the Group to post a further improved 2023 full year financial performance, and at the same time being mindful of the macro-economic environment. The Group has adequate cash and available bank credit facilities to finance working capital and operational requirements. We are confident that we will achieve long-term profitable growth for the Group.

## Shareholders' Information and Corporate Governance

### Disclosure of Interests

#### Directors' interests in securities

At 30 June 2023, the interests and short positions of the directors (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) 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 10 to the Listing Rules, were as follows:

#### Interests in shares of the Company

Name of Director	Long position/ short position	Number of shares held		Approximate percentage of issued share capital
		Through controlled corporations	Total	
Mr. WANG Kin Chung, Peter	Long position	182,577,000 (Note 1)	182,577,000	67.22% (Note 2)

Notes:

- 182,577,000 shares were beneficially owned 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.
- The approximate percentage was calculated based on 271,607,253 shares of the Company in issue at 30 June 2023.

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

Name of Director	Long position/ short position	Number of ordinary shares held		Approximate percentage of issued share capital
		Through spouse or minor child	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 Mr. WANG Seng Liang, deceased spouse of Ms. WANG KOO Yik Chun.
- The approximate percentage was calculated based on 10,000,000 ordinary shares of Hua Thai in issue at 30 June 2023.

Save as disclosed above, at 30 June 2023, 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) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

#### Substantial shareholders

At 30 June 2023, the following persons (other than the Directors or the chief executive of the Company) had the following interests or short positions 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 position/ short position	Number of shares held			Approximate percentage of issued share capital
		Directly beneficially owned	Through controlled corporation	Total	
New Perfect Global Limited	Long position	–	182,577,000 (Note 1)	182,577,000	67.22% (Note 2)
Silver Tree Holdings Inc.	Long position	182,577,000 (Note 1)	–	182,577,000	67.22% (Note 2)

## Shareholders' Information and Corporate Governance

Notes:

- 182,577,000 shares were directly and beneficially owned 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.
- The approximate percentage was calculated based on 271,607,253 shares of the Company in issue at 30 June 2023.

Save as disclosed above, at 30 June 2023, no person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were 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 approved and adopted by its shareholders (the "Shareholders") at the annual general meeting of the Company held on 6 June 2016 pursuant to which options may be granted to eligible participants to subscribe for shares of the Company. A summary of the purpose and other principal terms of the 2016 Share Option Scheme was set out on page 51 of the 2022 annual report of the Company.

Movements in the options under the 2016 Share Option Scheme during the six months ended 30 June 2023 were as follows:

Date of grant (Note 1)	Participant	Number of share options			At 30 June 2023	Subscription price per share	Exercisable period
		At 1 January 2023	Granted during the period	Lapsed during the period			
25 June 2018	Employees (in aggregate)	264,000	–	(264,000)	–	HK\$1.75	25 June 2018 – 24 June 2023
		264,000	–	(264,000)	–	HK\$1.75	25 June 2019 – 24 June 2023
		264,000	–	(264,000)	–	HK\$1.75	25 June 2020 – 24 June 2023
		264,000	–	(264,000)	–	HK\$1.75	25 June 2021 – 24 June 2023
3 June 2019	Employees (in aggregate)	359,000	–	–	<b>359,000</b>	HK\$1.58	3 June 2019 – 2 June 2024
		359,000	–	–	<b>359,000</b>	HK\$1.58	3 June 2020 – 2 June 2024
		359,000	–	–	<b>359,000</b>	HK\$1.58	3 June 2021 – 2 June 2024
		359,000	–	–	<b>359,000</b>	HK\$1.58	3 June 2022 – 2 June 2024
8 June 2020	Employees (in aggregate)	367,000	–	–	<b>367,000</b>	HK\$1.40	8 June 2020 – 7 June 2025
		367,000	–	–	<b>367,000</b>	HK\$1.40	8 June 2021 – 7 June 2025
		367,000	–	–	<b>367,000</b>	HK\$1.40	8 June 2022 – 7 June 2025
		367,000	–	–	<b>367,000</b>	HK\$1.40	8 June 2023 – 7 June 2025
7 June 2021	Employees (in aggregate)	450,000	–	–	<b>450,000</b>	HK\$1.00	7 June 2021 – 6 June 2026
		450,000	–	–	<b>450,000</b>	HK\$1.00	7 June 2022 – 6 June 2026
		450,000	–	–	<b>450,000</b>	HK\$1.00	7 June 2023 – 6 June 2026
		450,000	–	–	<b>450,000</b>	HK\$1.00	7 June 2024 – 6 June 2026
6 June 2022	Employees (in aggregate)	533,000	–	–	<b>533,000</b>	HK\$0.91	6 June 2022 – 5 June 2027
		533,000	–	–	<b>533,000</b>	HK\$0.91	6 June 2023 – 5 June 2027
		533,000	–	–	<b>533,000</b>	HK\$0.91	6 June 2024 – 5 June 2027
		533,000	–	–	<b>533,000</b>	HK\$0.91	6 June 2025 – 5 June 2027
19 June 2023 (Notes 2, 3, 4)	Employees (in aggregate)	–	750,000	–	<b>750,000</b>	HK\$0.72	19 June 2023 – 18 June 2028
		–	750,000	–	<b>750,000</b>	HK\$0.72	19 June 2024 – 18 June 2028
		–	750,000	–	<b>750,000</b>	HK\$0.72	19 June 2025 – 18 June 2028
		–	750,000	–	<b>750,000</b>	HK\$0.72	19 June 2026 – 18 June 2028
	Total	7,892,000	3,000,000	(1,056,000)	<b>9,836,000</b>		

Notes:

- 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. Please see Note 4 below for further information.
- The Company received a consideration of HK\$1.00 from each of the grantees for the options granted during the period.

## Shareholders' Information and Corporate Governance

- The closing price of the shares of the Company as quoted on the Stock Exchange on 16 June 2023, being the business day immediately before the date on which the options were granted in the period, was HK\$0.72.
- Amendments to Chapter 17 of the Listing Rules took effect from 1 January 2023. On 19 June 2023, 3,000,000 options were granted to certain employees which were to vest in four equal tranches with the first tranche (representing 25% of the options granted) subject to a vesting period of less than 12 months. The remuneration committee of the Company (the "**Remuneration Committee**") had reviewed the vesting arrangements and considered that the 2016 Share Option Scheme did not provide any restriction with respect to vesting period of options and that (i) only the first tranche (being 25%) of the options granted has a vesting period of less than 12 months; (ii) the options were granted based on the grantees' past performance achievements in the last financial year ended 31 December 2022; and (iii) the options granted constituted part of the performance awards for the grantees in the last financial year, the Remuneration Committee thus was of the view that the relevant vesting arrangements were appropriate for retaining, incentivising, rewarding, remunerating and compensating valuable employees and such grant aligned with the purpose of the 2016 Share Option Scheme. Since the options granted on 19 June 2023 were determined by reference to the grantees' past performance for the last financial year, and the value of the options is subject to future market price of the shares of the Company, which in turn will depend on the business performance of the Group to which the relevant grantees will directly contribute, the Remuneration Committee was of the view that such grant already aligned the interests of the grantees with that of the Company and the Shareholders and no additional performance target was required to be attached to such options on vesting. Such an arrangement is consistent with the past practices of the Company in granting options to reward grantees' past performance. Save for reviewing and recommending to the Board the abovementioned grant of 3,000,000 options, the Remuneration Committee did not review nor approve any material matters relating to the 2016 Share Option Scheme during the period.
- Without prejudice to the terms and conditions of the 2016 Share Option Scheme, the share 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.
- The Group's accounting policy on measurement of fair value of the share options was set out on page 69 of the 2022 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\$0.252 per option. The significant inputs used in the HWT Model are as follows:

Closing price of shares at the date of grant	HK\$0.72
Subscription price	HK\$0.72
Expected dividend yield	4.97%
Expected volatility	51.95%
Annual risk-free interest rate	3.506%

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

The aggregate fair value of the options granted during the period, amounting to approximately HK\$756,000, is to be recognised as employment benefit expenses over the vesting periods together with a corresponding increase in equity. Such fair value is subject to a number of assumptions and with regard to the limitations of the HWT Model.

- The number of options available for grant under the 2016 Share Option Scheme at the beginning and the end of the period were 19,268,725 and 17,324,725 respectively.
- 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 0.011.



# Shareholders' Information and Corporate Governance

## Corporate Governance Code

Throughout the six months ended 30 June 2023, the Company has complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviations from code provisions C.2.1 and F.2.2.

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. Mr. WANG Kin Chung, Peter is the Chairman of the Board and the Chief Executive Officer (the "CEO") 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 considerable experience in the garment industry. He leads the Board in considering and setting the overall strategic planning and business development of the Group. Given the current size of the Group and its present stage of development, 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 CEO 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.

Code provision F.2.2 of the CG Code requires the chairman of the board to attend the annual general meeting. Mr. WANG Kin Chung, Peter, the Chairman of the Board, was not able to attend the annual general meeting of the Company held on 19 June 2023 (the "2023 AGM") due to his prior commitment to another important business engagement. Ms. MAK WANG Wing Yee, Winnie, a Non-Executive Director of the Company, was invited to take the chair of the 2023 AGM who, together with other members of the Board present at the 2023 AGM, was of sufficient calibre to handle the meeting proceedings and answer questions from the Shareholders thereat.

Further information of the corporate governance practices of the Company has been set out in the corporate governance report in the Company's 2022 annual report.

## Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Compliance with Model Code

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 have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

## Change in Directors' Information

There has been no change in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of issue of the Company's 2022 annual report and up to the date of this report.

## Interim Dividend

The Board has declared an interim dividend of HK\$0.06 per share (2022: Nil), totalling approximately HK\$16,296,000, for the six months ended 30 June 2023. The interim dividend is expected to be paid on Friday, 29 September 2023 to those Shareholders whose names appear on the register of members of the Company on Thursday, 14 September 2023.

## Closure of Register of Members

For the purpose of ascertaining Shareholders' entitlement to the above interim dividend, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Thursday, 14 September 2023, both days inclusive, during which period no transfer of shares will be registered. 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 and transfer office, 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, 11 September 2023.

## Audit Committee's Review of Financial Statements

The unaudited condensed consolidated interim financial statements and the interim report of the Company for the six months ended 30 June 2023 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, 28 August 2023