GILSTON GROUP LIMITED
進騰集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2011)

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2024	2023	
	HK$'000	*HK$'000*	change
	(unaudited)	(unaudited)	+/(-)
Revenue	**160,386**	123,386	30.0%
Gross profit	**88,910**	42,594	108.7%
Gross profit margin	**55.4%**	34.5%	60.6%
Profit for the period	**10,533**	5,910	78.2%
Attributable to equity shareholders of the Company			
Profit for the period	**10,846**	3,394	220.0%
Basic earnings per share *(HK cents)*	**1.9**	0.6	216.7%
Diluted earnings per share *(HK cents)*	**1.8**	0.6	200.0%

	As at 30 June 2024	As at 31 December 2023	
	HK$'000	*HK$'000*	change
	(unaudited)	(audited)	+/(-)
Total assets	**346,120**	278,103	24.5%
Cash and cash equivalents	**75,977**	63,332	20.0%
Total equity attributable to equity shareholders of the Company	**157,941**	123,378	28.0%

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June **2024** *HK$'000* **(unaudited)**	2023 *HK$'000* (unaudited)
Revenue	5	**160,386**	123,386
Cost of sales		**(71,476)**	(80,792)
Gross profit		**88,910**	42,594
Other revenue and (losses)/gains, net	6(b)	**(4,186)**	6,383
Distribution costs		**(10,971)**	(9,070)
Administrative expenses		**(47,715)**	(32,574)
Interests on lease liabilities		**(1,952)**	(1,472)
Interest on bank borrowing		**(4)**	–
Profit before taxation	6	**24,082**	5,861
Income tax (expense)/credit	7	**(13,549)**	49
Profit for the period		**10,533**	5,910
Profit for the period attributable to:			
Equity shareholders of the Company		**10,846**	3,394
Non-controlling interests		**(313)**	2,516
Profit for the period		**10,533**	5,910
Earnings per share attributable to the equity shareholders of the Company ***(HK cents)***	8		
Basic		**1.9**	0.6
Diluted		**1.8**	0.6

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**10,533**	5,910
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries in the Mainland China	**(1,949)**	(10,371)
Total comprehensive income for the period	**8,584**	(4,461)
Attributable to:		
Equity shareholders of the Company	**9,145**	(5,425)
Non-controlling interests	**(561)**	964
Total comprehensive income for the period	**8,584**	(4,461)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**At 30 June 2024** ***HK$'000*** **(unaudited)**	At 31 December 2023 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**43,028**	32,941
Right-of-use assets		**37,238**	39,859
Intangible assets		**437**	614
Prepayments for property, plant and equipment		**9,131**	2,067
Rental deposits		**3,252**	3,357
Deferred tax assets		**4,641**	4,522
		97,727	83,360
Current assets			
Inventories		**42,136**	27,090
Trade and other receivables	9	**130,280**	103,750
Time deposit with original maturity over 3 months		**–**	571
Cash and cash equivalents		**75,977**	63,332
		248,393	194,743
Current liabilities			
Trade and other payables	10	**78,060**	63,320
Borrowing		**10,957**	–
Tax payable		**21,474**	8,191
Lease liabilities		**14,593**	15,556
		125,084	87,067
Net current assets		**123,309**	107,676
Total assets less current liabilities		**221,036**	191,036

	Notes	At **30 June** **2024** ***HK$'000*** **(unaudited)**	At 31 December 2023 *HK$'000* (audited)
Non-current liabilities			
Lease liabilities		**52,452**	56,453
Deferred tax liabilities		**1,124**	1,124
		53,576	57,577
Net assets		**167,460**	133,459
Capital and reserves			
Share capital		**5,745**	5,578
Reserves		**152,196**	117,800
Total equity attributable to the equity shareholders of the Company		**157,941**	123,378
Non-controlling interests		**9,519**	10,081
Total equity		**167,460**	133,459

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL

Gilston Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 BASIS OF PREPARATION

The unaudited condensed consolidated 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 (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").

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

The interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. 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").

3 MATERIAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are required to be adopted in the 2024 annual financial statements. Details of these changes in accounting policies are set out below.

Overview on changes in accounting policies

The HKICPA has issued a number of new HKFRS or amendments to HKFRSs that are first effective or first time adopted and relevant for the current accounting period of the Group:

(i) Classification of Liabilities as Current or Non-current (Amendment to HKAS 1)

(ii) Non-current liabilities with Covenants (Amendment to HKAS 1)

The new or amended HKFRSs that are effective from 1 January 2024 did not have any significant impact on the Group's condensed consolidated interim financial statements.

4 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business line and geography.

Since September 2023, the Group commenced a new business on provision of property management service in the Mainland China and it is considered as a new operating and reportable segment by the chief operating decision maker ("CODM"). As such, the Group reorganised its internal reporting structure which resulted in an additional reportable segment i.e. provision of property management services for the period ended 30 June 2024. Information reported to the Group's senior executive management, being the CODM, for the purposes of resource allocation and assessment, focuses on revenue from these two operating segments.

Management assess the performance of the operating segments based on the measure of segment results which represents revenue less cost of sales and services, distribution expenses and administrative expenses directly attributable to each operating segment. Central administrative costs are not allocated to the operating segments as they are not included in the measure of the segment results that are used by the chief operating decision-makers for assessment of segment performance.

Segment assets include all assets with exception of corporate assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis. Likewise, segment liabilities exclude deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of operating segments and not allocated to segments.

(a) Business segments

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2024 and 2023 is set out below:

	Manufacture and sales of zippers *HK$'000*	**Provision of property management services** *HK$'000*	**Total** *HK$'000*
For the period ended 30 June 2024			
Reportable segment revenue	115,115	45,271	160,386
Reportable segment profit	4,189	43,551	47,740
Depreciation for the period	10,360	551	10,911
Loss on disposal of property, plant and equipment	5,783	–	5,783
Amortisation for the period	173	–	173
Reportable segment assets at period end	220,785	81,573	302,358

	Manufacture and sales of zippers *HK$'000*	Provision of property management services *HK$'000*	Total *HK$'000*
For the period ended 30 June 2024			
Additions to non-current segment assets during the period	24,332	1,829	26,161
Reportable segment liabilities at period end	145,998	9,458	155,456

	Manufacture and sales of zippers *HK$'000*
For the period ended 30 June 2023	
Reportable segment revenue	123,386
Reportable segment profit	8,776
Depreciation for the period	15,082
Amortisation for the period	158
Gain on disposal of property, plant and equipment	23
Reportable segment assets at period end	240,347
Additions to non-current segment assets during the period	4,015
Reportable segment liabilities at period end	79,428

(b) Reconciliations of reportable segment revenue, profit or loss and assets

	2024	2023
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**160,386**	123,386
Elimination of inter-segment revenue	**–**	–
Consolidated revenue *(note 5)*	**160,386**	123,386
Profit before income tax		
Reportable segment profit derived from the Group's external customers	**47,740**	8,776
Other revenue and (losses)/gains, net	**(4,186)**	6,383
Interests on lease liabilities	**(1,952)**	(1,472)
Loan interest expenses	**(4)**	–
Share-based payments	**(5,525)**	–
Unallocated head office and corporate expenses *(note)*	**(11,991)**	(7,826)
Consolidated profit before income tax	**24,082**	5,861

Note: Unallocated head office and corporate expenses mainly represented depreciation of right-of-use assets in relation to an office premises, auditors' remuneration and legal and professional fees.

5 REVENUE

The principal activities of the Group are manufacture and sale of zippers, sliders and other related products. Since September 2023, the Group commences the provision of property management service.

The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of goods		
Finished zippers and sliders	**112,753**	122,120
Others	**2,362**	1,266
	115,115	123,386
Services income		
Property management fee income	**45,271**	–
	160,386	123,386

The Group derives revenue from the sales of goods at a point in time while the property management fee income is recognized over time.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

a. Staff costs

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Salaries, wages and other benefits	**54,199**	46,101
Contributions to defined contribution retirement plans	**4,976**	4,950
Share-based compensation	**5,525**	–
	64,700	51,051

b. Other revenue and (losses)/gains, net

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**141**	256
(Losses)/gains on disposal of property, plant and equipment	**(5,783)**	23
Government grants	**158**	543
Net foreign exchange gains	**991**	4,897
Others	**307**	664
	(4,186)	6,383

Note: For the six months ended 30 June 2024, government grants of Nil (2023: HK$543,000) granted to certain subsidiaries were VAT tax incentives to enterprises recruiting key groups for employment which include handicapped people or people classified as poverty group in China.

c. **Other items**

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation and amortisation*		
– plant and equipment	**6,012**	5,838
– intangible assets	**173**	158
– right-of-use assets	**5,895**	10,000
	12,080	15,996
Provision for impairment losses on inventories	**1,980**	1,363
Cost of services provided	**1,168**	–
Cost of inventories*	**70,309**	80,792

* Cost of services provided and cost of inventories includes HKD937,000 (2023: Nil) and HK$36,551,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK$41,990,000) relating to staff costs and depreciation and amortisation expenses which amounts are also included in the respective total amounts disclosed separately above or in note 6(a) for each of these types of expenses.

7 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – PRC corporate income tax	**13,699**	10
Deferred taxation	**(150)**	(59)
	13,549	(49)

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI. Under the two tiered profits tax rates regime, KEE Zippers Corporation Limited ("KEE Zippers") is subject to Hong Kong Profits Tax at 8.25% for the first HK$2 million of profit whilst the remaining profit is taxed at 16.5%.

(b) 開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited) ("KEE Guangdong") was recognised as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15% up to 2025. Except for KEE Guangdong, the statutory income tax rate applicable to the Company's other subsidiaries in Mainland China was 25%.

(c) Pursuant to the Corporate Income Tax Law of the PRC and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%. As at 30 June 2024, deferred tax liability recognised in this regard was HK$1,124,000 (31 December 2023: HK$1,124,000).

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024. Diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares and potential ordinary shares in issue during the six months ended 30 June 2024. The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**10,846**	3,394

	For the six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**572,842,888**	557,764,800
Effect of dilutive potential ordinary shares on share options	**15,513,355**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**588,356,243**	557,764,800

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2024 *HK$'000* **(unaudited)**	At 31 December 2023 *HK$'000* (audited)
Within 1 month	**24,666**	28,656
Over 1 month but within 2 months	**27,577**	17,896
Over 2 months but within 3 months	**14,346**	6,844
Over 3 months	**9,014**	10,824
Trade debtors and bills receivable, net of loss allowance	**75,603**	64,220
Unbilled receivables	**49,258**	34,608
Rental deposits	**2,069**	3,011
Other prepayments	**2,446**	1,691
Other debtors	**904**	220
	130,280	103,750

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group recognised impairment loss based on the same accounting policies adopted in the 2023 annual financial statements.

10 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2024 *HK$'000* **(unaudited)**	At 31 December 2023 *HK$'000* (audited)
Within 1 month	**16,881**	11,794
Over 1 month but within 3 months	**–**	156
Over 3 months but within 6 months	**–**	25
Over 6 months	**153**	19
Trade creditors	**17,034**	11,994
Payroll and staff benefits payable	**26,551**	29,390
Accrued expenses	**11,355**	13,553
Payables for purchase of property, plant and equipment	**10,630**	129
Other tax payables	**5,973**	4,592
Contract liabilities	**1,509**	1,351
Compensation received	**1,408**	1,418
Other payables	**1,409**	893
Deposit received	**2,191**	–
	78,060	63,320

11 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group continued to engage in manufacturing finished zippers in China. The Group's customers for zippers business are principally OEMs who manufacture apparel products for (i) some apparel brands in China; and (ii) some well-known international apparel brands. The Group maintains a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers and other garment accessories from the Group.

The Group commenced property management services during the year through entering into a management agreement to operate and manage a land and properties (the "Land and Properties") with showrooms, car sales and offices, car maintenance and after sales services, namely Jiajinlong Car City (嘉進隆汽車城) located at Nanshan District of Shenzhen, Guangdong Province, the PRC. The management and operation period for property management services shall be one year commencing from September 2023 to August 2024 which can be renewed for another one year subject to the agreement by each party. Please also refer to the section headed "Events subsequent to the end of the Reporting Period" of this announcement for further details.

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$10.85 million for the six months ended 30 June 2024, as compared with profit attributable to equity shareholders of the Company of approximately HK$3.39 million for the same period in 2023. The increase in profit is mainly attributable to, amongst other factors, the introduction of property management business which contributed considerable revenue and profit for the period, in the amount of approximately HK$45.27 million and HK$30.19 million, respectively.

PROSPECTS

Despite stable yearly growth in China's domestic economy and gross domestic product (GDP) in the first half year of 2024, difficulties have persisted due to geopolitical tensions, monetary policies, high interest rates, and a slowdown in global economic growth. The rising costs of raw materials, energy, and labor within China have continued to pose challenges. Additionally, the decline in consumerism has affected business development.

The Zipper Business

The relocation of our production base from Zhejiang to Hubei province's Jingmen in 2023 has impacted our overall production structure. Geopolitical tensions, monetary policies, and high interest rates remain influential factors. Given the rising costs and decline in consumer demand, we have taken a cautious approach towards the development in our zipper business.

Looking ahead, we will pragmatically address complex operational challenges and adapt to these changing environments. Our strategies include optimizing existing production capacity, enhancing automation, improving production processes, ensuring product quality, and cost control. We will also strengthen our financial management to mitigate risks and increase organizational efficiency.

Property Management Business

Our business strategy has always prioritized practicality, seeking stable growth while also exploring new avenues. In the year 2023, we introduced property management services characterized by short cycles, stable cash flows, and low asset intensity. This diversification is aimed towards a reduction in business risk while establishing a secure and robust operational model.

We will continue to review our business strategies, formulate long-term plans, and explore additional business opportunities or investments. Our goal is to create a healthy and secure development model that delivers stable returns for our shareholders.

FINANCIAL REVIEW

A comparison of the financial results for the six months ended 30 June 2024 and the corresponding period in 2023 is set out as follows:

REVENUE

For the six months ended 30 June 2024, the Group recorded revenue amounting to approximately HK$160.4 million, representing an increase of approximately 30.0% as compared to the same period in 2023. The increase in revenue was primarily due to the expansion of new property management business that generated considerable revenue to the Group.

The following table sets forth the details of the Group's total revenue by business segment for the periods indicated:

	Six months ended 30 June			
	2024		2023	
	HK$'000 **(unaudited)**	*%*	*HK$'000* (unaudited)	*%*
Zipper business	**115,115**	**71.8**	123,386	100.0
Property management business	**45,271**	**28.2**	–	–
Total revenue	**160,386**	**100.0**	123,386	100.0

Zipper Business

The Group's revenue for the six months ended 30 June 2024 amounted to approximately HK$115.1 million, representing a decrease of approximately 6.7% as compared to the same period in 2023.

Revenue analysis by product category:

	Six months ended 30 June			
	2024		2023	
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)	
Sales of goods				
Finished zippers and sliders	**112,753**	**97.9**	122,120	99.0
Others	**2,362**	**2.1**	1,266	1.0
Total	**115,115**	**100.0**	123,386	100.0

Revenue analysis by geographic location:

	Six months ended 30 June			
	2024		2023	
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)	
Mainland China	**108,337**	**94.1**	109,042	88.4
Overseas	**6,778**	**5.9**	14,344	11.6
Total	**115,115**	**100.0**	123,386	100.0

Revenue for the six months ended 30 June 2024 comprised revenue from our zipper business and property management business while compared with the same period in 2023, there was only revenue generated from our zipper business.

The decrease in revenue in our zipper business was due to the weak domestic consumption as a result of various factors and challenges including global economic depreciation of Renminbi and interest rates uncertainties on different fronts.

GROSS PROFIT

Gross profit analysis by product category:

	Six months ended 30 June			
	2024		2023	
	HK$'000	*%*	*HK$'000*	*%*
	(unaudited)		(unaudited)	
Finished zippers and sliders	**43,704**	**97.5**	41,734	98.0
Others	**1,102**	**2.5**	860	2.0
Total	**44,806**	**100.0**	42,594	100.0

The increase in gross profit was primarily due to the effect from cost control implemented to the daily operations.

EXPENSES AND COSTS

Distribution costs, comprising mainly staff costs, transportation costs and advertising and promotion expenses, increased by approximately 21.0% to approximately HK$10.97 million for the six months ended 30 June 2024 from approximately HK$9.07 million for the same period in 2023, which was mainly due to the increase in sales activities and advertisement.

Administrative expenses, consisting primarily of salary and welfare expenses for management and administrative personnel, depreciation and amortisation, professional fees, auditors' remuneration and other administrative expenses, increased by approximately 46.5% to approximately HK$47.72 million for the six months ended 30 June 2024 from approximately HK$32.57 million for the same period in 2023, which was mainly due to the increase in professional fees for business development and share-based payment of approximately HK$5.52 million.

PROFITABILITY

The Group recorded profit attributable to equity shareholders of the Company of approximately HK$10.85 million for the six months ended 30 June 2024, as compared with a profit attributable to equity shareholders of the Company of approximately HK$3.39 million for the six months ended 30 June 2023. The profit margin attributable to equity shareholders of the Company was approximately 6.76% for the six months ended 30 June 2024.

CONNECTED TRANSACTIONS

Connected Transactions in Relation to the Lease in Respect of Certain Land and Buildings

(i) On 15 January 2024, Classic Winner Limited ("Classic Winner"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and KEE Zippers Corporation Limited ("KEE Zippers"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Fourth HK Lease Renewal Agreement") pursuant to which Classic Winner has agreed to lease to KEE Zippers a property in Hong Kong at a monthly rental of HK$52,600 (exclusive of Government rates, Government rent, management fees and all other outgoings) payable in advance in cash without any deduction on the 16th day of each month for a term of two years commencing from 16 January 2024 to 15 January 2026. As Classic Winner is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Classic Winner is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of HK$52,600 is fair and reasonable with reference to the market value.

(ii) On 15 January 2024, 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jinheming Investment Company Limited*) ("Nanhai Jinheming"), a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, as lessor and 開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited*) ("KEE Zhejiang"), an indirect 85%-owned subsidiary of the Company, as lessee entered into a lease renewal agreement (the "Third Zhejiang Lease Renewal Agreement") pursuant to which Nanhai Jinheming has agreed to lease to KEE Zhejiang the production base in Zhejiang Province at a monthly rental of RMB607,000 payable in cash within the first 10 working days of each month commencing from 16 January 2024 to 31 May 2024 with three months' rent of RMB1,821,000 as deposit. As Nanhai Jinheming is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, who are directors of certain subsidiaries of the Company, Nanhai Jinheming is therefore a connected person of the Company at the subsidiary level.

An independent property valuer advised that the monthly rental of RMB607,000 is fair and reasonable with reference to the market value.

(iii) On 30 December 2022, Mr. Xu Xipeng and Mr. Xu Xinan, connected persons at the subsidiary level of the Company, as lessors and KEE Guangdong as lessee, entered into the lease renewal agreement (the "Guangdong Lease Renewal Agreement 2022") to renew the lease of a plant in Guangdong for a further term of two years commencing from 1 January 2023 to 31 December 2024 for a monthly rental of RMB428,980 payable within the first 10 working days of each month commencing from 1 January 2023.

An independent property valuer advised that the monthly rental of RMB428,980 is fair and reasonable with reference to the market value.

(iv) On 27 August 2021, KEE Jingmen, a company owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, and KEE Guangdong an indirect 85%-owned subsidiary of the Company entered into a two years lease renewal agreement (the "Jingmen Lease Renewal Agreement 2021") pursuant to which KEE Jingmen has agreed to lease the Jingmen property at a monthly rental of RMB533,000 payable before the fifth day of each month commencing from 1 September 2021 to 31 August 2023, with three months' rent of RMB1,599,000 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively, KEE Jingmen is a connected person at the subsidiary level of the Company as of the date of the Jingmen Lease Renewal Agreement 2021. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

On 29 April 2022, 開易(湖北)拉鏈製造有限公司 (KEE (Hubei) Zippers Manufacturing Company Limited*) ("KEE Hubei") replaced KEE Guangdong as a new lessee to the Jingmen Lease Renewal Agreement 2021. KEE Jingmen as lessor, KEE Guangdong as the original lessee, and KEE Hubei as the new lessee entered into a novation agreement pursuant to which KEE Hubei shall assume all the rights and obligations of KEE Guangdong under the Jingmen Lease Renewal Agreement 2021 with effect from 1 May 2022. An independent property valuer advised that the monthly rental of RMB533,000 is fair and reasonable with reference to the market rate.

(v) On 31 May 2022, KEE Jingmen and KEE Hubei entered into a lease agreement for a PRC property (the "PRC Property Phase II") for a term from 1 June 2022 to 31 August 2023 (the "Phase II Lease Agreement") pursuant to which KEE Jingmen agreed to lease to KEE Hubei the production base in Zhejiang Province at a monthly rental of RMB245,658 payable in cash before the fifteen day of each month commencing from 1 September 2022 with three months' rent of RMB736,974 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively therefore a connected person of the Company at the subsidiary level. An independent property valuer advised that the monthly rental of RMB245,658 is fair and reasonable with reference to the market rate.

(vi) On 31 August 2023, KEE Jingmen and KEE Hubei entered into a lease agreement for a PRC property (the "PRC Property") for a term from 1 September 2023 to 31 August 2029 (the "Lease Agreement"), which replaced the leases expired on 31 August 2023 as mentioned an items (iv) and (v) above, pursuant to which KEE Jingmen agreed to lease to KEE Hubei the production base in Zhejiang Province at a monthly rental of RMB969,735 payable in cash before the fifteen day of each month commencing from 1 September 2023 with three months' rent of RMB2,909,205 as deposit. As KEE Jingmen is owned as to 50% and 50% by Mr. Xu Xipeng and Mr. Xu Xinan respectively therefore a connected person of the Company at the subsidiary level. An independent property valuer advised that the monthly rental of RMB969,735 is fair and reasonable with reference to the market rate.

(vii) In accordance with HKFRS 16 applicable to the Company, as a result of the entering into the Fourth HK Lease Renewal Agreement, Third Zhejiang Lease Renewal Agreement, Guangdong Lease Renewal Agreement 2022, Jingmen Lease Renewal Agreement 2021, Phase II Lease Agreement and Lease Agreement, the Group recognised an additional asset representing its right to use the property under the relevant lease agreements of a total of approximately HK$1 million for the Fourth HK Lease Renewal Agreement and Third Zhejiang Lease Renewal Agreement, approximately HK$0.2 million for the Guangdong Lease Renewal Agreement 2022, approximately HK$8.58 million for the Jingmen Lease Renewal Agreement 2021, approximately HK$8.34 million for the Phase II Lease Agreement and approximately HK$48.04 million for the Lease Agreement, respectively. As such, the transactions under the above lease agreements were recognised as acquisitions of right-of-use assets which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Details of which had been disclosed in the Company's relevant announcements dated 14 January 2022, 30 December 2022, 27 August 2021, 29 April 2022, 31 May 2022, 31 August 2023 and 15 January 2024, respectively.

BUSINESS UPDATE IN RELATION TO RELOCATION OF ZHEJIANG PRODUCTION BASE

KEE Zhejiang, a 85%-owned subsidiary of the Company, has been informed by the management committee of Jiashan Economic and Technology Development Zone ("JETDZ Management Committee") that, the production base located at 116 Jinjia Avenue, Economic Development Zone, Jiashan County, Zhejiang Province, China is included in the implementation area of the organic renewal project of the Economic Development Zone and required to be vacated.

On 11 September 2023, the subsidiary of the Company entered into a relocation compensation agreement with Jiashan Economic Development Asset Management Co., Ltd. (嘉善經開資產經營管理有限公司) ("JEDAM Limited"), a 53.85% owned indirect subsidiary of JETDZ Management Committee, pursuant to which the subsidiary agreed with JEDAM Limited in respect of the relocation of some immovable machineries and leasehold improvements in the production base, subject to various condition precedents, for a total compensation of RMB12,849,140, of which RMB1,284,914 (equivalent to approximately HK$1,418,000) has been received as at 31 December 2023.

BUSINESS UPDATE IN RELATION TO CONTINUOUS RECOGNITION AS AN ENTERPRISE OF NEW AND HIGH TECHNOLOGY AND PROFIT TAX CONCESSION

KEE Guangdong, a 85%-owned subsidiary of the Company, has been continuously recognised as an enterprise of new and high technology according to the recognition certificate jointly issued by the Science and Technology Department of Guangdong (廣東省科學技術廳), the Finance Department of Guangdong (廣東省財政廳), the State Tax Bureau of Guangdong (廣東省國家稅務局) and the Provincial Tax Bureau of Guangdong (廣東省地方稅務局).

According to the relevant regulations, being recognised as an enterprise of new and high technology, KEE Guangdong would be entitled to enjoy a preferential tax concession in the PRC and its applicable profit tax rate up to 2025 is expected to be 15%. Without this preferential tax concession, normal profit tax rate of KEE Guangdong would be 25%.

LIQUIDITY AND CAPITAL RESOURCES

The Group's funding policy aims at ensuring sufficient capital to meet the working capital requirements, increase capital efficiency and capital gains. The Group will apply the appropriate debt instrument in financing to achieve those objectives.

The Group's net cash inflow from operating activities for the six months ended 30 June 2024 amounted to approximately HK$10.82 million (six months ended 30 June 2023: outflow of HK$16.55 million). Such increase was mainly attributable to an increase in trade creditors as at 30 June 2024. The Group's net cash outflow from investing activities for the six months ended 30 June 2024 amounted to approximately HK$18.50 million (six months ended 30 June 2023: HK$2.91 million). The net cash outflow was mainly attributable to the payment for the purchase of property, plant and equipment. The Group's net cash inflow from financing activities for the six months ended 30 June 2024 amounted to approximately HK$20.87 million (net cash outflow for the six months ended 30 June 2023: HK$12.56 million). The cash inflow for the six months ended 30 June 2024 was mainly attributable to proceeds from the placing of shares and proceeds from borrowing.

As at 30 June 2024, cash and cash equivalents amounted to approximately HK$75.98 million, representing an increase of approximately HK$12.65 million as compared with the position as at 31 December 2023. Such increase was mainly due to new cash inflow from operation of property management business and additional funds arisen from placing of shares.

As at 30 June 2024, cash and cash equivalents of the Group in the amount of approximately HK$40.81 million, HK$32.64 million and HK$2.42 million were denominated mainly in RMB, HK$ and USD, respectively. As at 31 December 2023, cash and cash equivalents of the Group in the amount of approximately HK$32.42 million, HK$25.23 million and HK$5.57 million were denominated mainly in RMB, HK$ and USD, respectively.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debts (which includes interest-bearing loans and borrowings), less cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's strategy is to maintain the adjusted net debt-to-capital ratio (i.e. Borrowing plus total lease liabilities less cash and cash equivalents over total equity) below 20%. As at 30 June 2024, the debt-to-capital ratio was 1.2%. As at 31 December 2023, as the total debt was less than cash and cash equivalents, no adjusted net debt-to-capital ratio was calculated. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

NET CURRENT ASSETS

As at 30 June 2024, the Group had current assets of approximately HK$248.39 million. The key components of current assets as at 30 June 2024 included inventories of approximately HK$42.14million, trade and other receivables of approximately HK$130.28 million and cash and cash equivalents of approximately HK$75.98 million. The key components of current liabilities included trade and other payables of approximately HK$78.06 million, borrowing of approximately HK$10.96 million and current portion of lease liabilities of approximately HK$14.59 million.

The net current assets increased by approximately HK$15.63 million to HK$123.31 million as at 30 June 2024 from approximately HK$107.68 million as at 31 December 2023.

PLEDGED ASSETS

As at 30 June 2024, the Group did not have any pledged assets.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities.

FOREIGN CURRENCY RISK

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the six months ended 30 June 2024.

EMPLOYEES

As at 30 June 2024, the Group had 753 full-time employees (30 June 2023: 663). The Group reviews the remuneration and benefits of its employees annually according to the relevant market practice and individual performance of the employees. Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, the Group has not set aside or accrued any amount of money to provide for retirement or similar benefits for its employees. The staff costs incurred in the six months ended 30 June 2024 were approximately HK$64.70 million (the six months ended 30 June 2023: approximately HK$51.05 million). The increase in staff costs is mainly due to the increase in headcount of the workers as a result of the human resources integration and the share-based compensation.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 30 August 2024 (after trading hours), Shenzhen Jiajinlong Industrial Development Co., Ltd.* (深圳市嘉進隆實業發展有限公司), Mr. Chen Huipeng (陳輝鵬), Mr. Zhang Hongjie (張鴻傑) and Shenzhen Errui Investment Co., Ltd.* (深圳市爾瑞投資有限公司) entered into an agreement, pursuant to which, the parties thereto agreed to extend the management agreement entered into on 30 August 2023 in respect of the management and operation of the Land and Properties (the "Extension Agreement"). Pursuant to the Extension Agreement, the term for the management and operation of the Land and Properties shall be extended for 1 year from 1 September 2024 to 31 August 2025. For further details, please refer to the announcement of the Company dated 30 August 2024.

Save as disclosed in this announcement, the Directors confirm that no significant event that affected the Group has occurred after 30 June 2024 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company adopted a New Share Option Scheme (the "Scheme"), which was approved in the Company's annual general meeting on 30 May 2023 with the view to providing incentives or rewards to the eligible participants for their contribution or potential contribution to the Group.

According to the Scheme, the Board may at its discretion grant share options to employee participants, and for the purposes of the Scheme, the offer may be made to a vehicle (such as a trust or a private company) or similar arrangement for the benefit of a specified eligible participant subject to the fulfilment of requirements of the Listing Rules (including but not limited to a waiver from the Stock Exchange, where applicable).

In general, the maximum number of shares in respect of which options may be granted under the Scheme and under any other share option scheme or share award scheme of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the adoption date. For further information of the Scheme and details of the grant of share options, please refer to the announcement of the Company dated 27 September 2023 and the circular of the Company dated 8 November 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining and upholding guidelines and procedures for stringent corporate governance. In respect of the six months ended 30 June 2024, all the provisions set out in the CG Code were met by the Company except for the following:

Code provision C.1.6 of the CG Code requires that independent non-executive Directors and other non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive Directors were unable to attend the annual general meeting of the Company that was held on 21 June 2024 respectively due to personal reasons.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors.

The Company made specific enquiries to all Directors and all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions throughout the period from 1 January 2024 to 30 June 2024.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees who, because of office or employment, are likely to be in possession of inside information in relation to the Company's securities has been requested to follow such code when dealing in the securities of the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2024.

PLACING OF NEW SHARES UNDER GENERAL MANDATE DURING THE SIX MONTHS ENDED 30 JUNE 2024

On 4 January 2024, the Company and KGI Asia Limited (the "Placing Agent") entered into a placing agreement. Pursuant to the placing agreement, the Company has conditionally agreed to place, through the Placing Agent on a best efforts basis, up to 16,733,000 new shares of the Company at HK$1.21 per share to not less than six placees. The new shares were allotted and issued pursuant to the general mandate granted to the Directors pursuant to the resolutions of the shareholders of the Company passed at the annual general meeting of the Company held on 27 June 2023. On 19 January 2024, 16,733,000 new shares of the Company have been successfully allotted and issued to not less than six placees at HK$1.21 per share. The net proceeds from the placing of approximately HK$19.89 million were intended to be used as general working capital and future business opportunities and investments of the Group. For details, please refer to the announcements of the Company dated 4 January 2024 and 19 January 2024.

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2024 has been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/gilstongroup/). The interim report for the six months ended 30 June 2024 will be made available to Shareholders and on the same websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Board"	means	the board of Directors
"CG Code"	means	code on corporate governance practices as set out in Appendix C1 to the Listing Rules
"Company"	means	Gilston Group Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010 and the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	means	the director(s) of the Company

"Group"	means	the Company and its subsidiaries
"HK$" and "HK cents"	means	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	means	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	means	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	means	the stock market operated by the Stock Exchange, which excludes the GEM and the options market
"Model Code"	means	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"OEM"	means	original equipment manufacturer or manufacturing
"PRC" or "China" or "Mainland China"	means	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	means	Renminbi, the lawful currency of the PRC
"SFO"	means	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	means	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	means	holder(s) of issued Share(s)
"Stock Exchange"	means	The Stock Exchange of Hong Kong Limited

* *The English translation or transliteration of the Chinese name(s), where indicated, is included for information purposes only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By Order of the Board
Gilston Group Limited
Yip Siu Lun Dave
Chairman and executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Mr. Yip Siu Lun Dave, Mr. Mak Yung Pan Andrew, Mr. Wu Cody Zhuo-xuan and Ms. Cheung Ka Yuen; the non-executive Director is Ms. Lin Ping; and the independent non-executive Directors are Mr. Leung Ka Tin, Mr. Cheng Hong Kei and Mr. Ko Kwok Shu.