TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2019

Stock code: 458

Contents

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

Audit Committee

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

Remuneration Committee

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

Share Option Committee

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

Chief Financial Officer

CHAN Man Ying, Vivian

Company Secretary

TO Hon Fai

Auditor

KPMG, *Certified Public Accountants*

Legal Advisors

On Hong Kong Law	:	Reed Smith Richards Butler
On Bermuda Law	:	Appleby

Principal Bankers

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

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

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Tristate Holdings Limited
5th Floor, 66–72 Lei Muk Road
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Hong Kong

Tel	:	(852) 2279-3888
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Email	:	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

Consolidated Interim Financial Statements

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2019 together with comparative figures for 2018.

Condensed Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019 HK$'000	2018 (Note) HK$'000
Revenue	5 & 6	**1,304,391**	983,848
Cost of sales		**(939,625)**	(768,091)
Gross profit		**364,766**	215,757
Other income and other gains	7	**14,150**	2,378
Selling and distribution expenses		**(143,168)**	(72,837)
General and administrative expenses		**(244,005)**	(228,496)
Loss from operations	8	**(8,257)**	(83,198)
Finance income	9	**1,319**	2,276
Finance costs	9	**(16,527)**	(3,434)
Loss before taxation		**(23,465)**	(84,356)
Income tax (charge)/credit	10	**(10,706)**	421
Loss for the period		**(34,171)**	(83,935)
Attributable to:			
Equity shareholders of the Company		**(35,028)**	(84,179)
Non-controlling interests		**857**	244
Loss for the period		**(34,171)**	(83,935)
Loss per share attributable to equity shareholders of the Company:	11		
Basic		**(HK$0.13)**	(HK$0.31)
Diluted		**(HK$0.13)**	(HK$0.31)

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June 2019 HK$'000	2018 (Note) HK$'000
Loss for the period	**(34,171)**	(83,935)
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value changes on cash flow hedges		
– Gains/(losses) arising during the period	**1,078**	(3,413)
– Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
– Cost of sales	**1,853**	(914)
– General and administrative expenses	**324**	1,310
Exchange difference on translation of financial statements of overseas subsidiaries	**7,369**	(12,083)
Other comprehensive income for the period	**10,624**	(15,100)
Total comprehensive income for the period	**(23,547)**	(99,035)
Attributable to:		
Equity shareholders of the Company	**(24,404)**	(99,279)
Non-controlling interests	**857**	244
Total comprehensive income for the period	**(23,547)**	(99,035)

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 17 form part of the interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2019 – unaudited

	Note	At 30 June 2019 HK$'000	At 31 December 2018 (Note) HK$'000
Non-Current Assets			
Property, plant and equipment	3 & 13	**624,163**	308,963
Leasehold land and land use rights	3 & 14	**–**	126,310
Intangible assets	15	**474,723**	491,905
Other long-term assets		**20,557**	13,006
Deferred tax assets		**3,558**	5,230
Defined benefit plan assets		**7,765**	7,930
Forward foreign exchange contracts		**248**	964
Interest in an associate		**–**	–
		1,131,014	954,308
Current Assets			
Inventories	16	**603,165**	402,939
Accounts receivable and bills receivable	17	**342,318**	297,609
Forward foreign exchange contracts		**1,308**	449
Prepayments and other receivables		**93,201**	74,337
Current tax recoverable		**265**	258
Cash and bank balances	18	**162,753**	321,892
		1,203,010	1,097,484
Current Liabilities			
Accounts payable and bills payable	19	**224,691**	166,179
Accruals and other payables and contract liabilities	20	**245,367**	245,689
Lease liabilities	3	**57,091**	–
Forward foreign exchange contracts		**6,210**	8,350
Current tax liabilities		**22,041**	13,078
Bank borrowings	21	**113,177**	73,792
		668,577	507,088
Net Current Assets		**534,433**	590,396
Total Assets Less Current Liabilities		**1,665,447**	1,544,704

	Note	At 30 June 2019 HK$'000	At 31 December 2018 (Note) HK$'000
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**34,704**	26,486
Licence fees payable		**308,446**	310,548
Lease liabilities	3	**140,849**	–
Deferred tax liabilities		**22,978**	25,148
Forward foreign exchange contracts		**4,206**	5,178
		511,183	367,360
Net Assets		**1,154,264**	1,177,344
Capital and Reserves			
Share capital	22	**27,161**	27,161
Reserves		**1,128,572**	1,152,509
Total equity attributable to equity shareholders of the Company		**1,155,733**	1,179,670
Non-controlling interests		**(1,469)**	(2,326)
Total Equity		**1,154,264**	1,177,344

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 17 form part of the interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2019	**27,161**	**1,152,509**	**1,179,670**	**(2,326)**	**1,177,344**
Total comprehensive income for the period	**–**	**(24,404)**	**(24,404)**	**857**	**(23,547)**
Share option scheme – value of employee services	**–**	**467**	**467**	**–**	**467**
Balance at 30 June 2019	**27,161**	**1,128,572**	**1,155,733**	**(1,469)**	**1,154,264**

	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2018	27,161	1,270,425	1,297,586	(2,948)	1,294,638
Total comprehensive income for the period	–	(99,279)	(99,279)	244	(99,035)
Share option scheme – value of employee services	–	321	321	–	321
Balance at 30 June 2018	27,161	1,171,467	1,198,628	(2,704)	1,195,924

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 17 form part of the interim financial statements.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June 2019 HK$'000	2018 (Note) HK$'000
Operating activities			
Cash used in operations		**(150,139)**	(326,780)
Income tax paid		**(2,120)**	(406)
Net cash used in operating activities		**(152,259)**	(327,186)
Investing activities			
Interest received		**1,319**	2,276
Payment for the purchase of property, plant and equipment		**(26,390)**	(21,993)
Proceeds from disposals of property, plant and equipment and leasehold land		**105**	607
Net proceeds from disposal of a subsidiary		**5,655**	–
Decrease in short-term bank deposits, with maturities over 3 months		**–**	5,866
Decrease in bank structured deposits		**27,888**	251
Increase in pledged bank deposits		**–**	(23,544)
Net cash generated from/(used in) investing activities		**8,577**	(36,537)
Financing activities			
Capital element of lease rentals paid		**(21,335)**	–
Interest element of lease rentals paid		**(3,875)**	–
Interest paid		**(1,981)**	(1,699)
Proceeds from new bank borrowings		**257,226**	352,172
Repayment of bank borrowings		**(217,841)**	(270,989)
Net cash generated from financing activities		**12,194**	79,484

	Note	Six months ended 30 June 2019 HK$'000	2018 (Note) HK$'000
Decrease in cash and cash equivalents		**(131,488)**	(284,239)
Cash and cash equivalents at beginning of the period	18	**262,686**	458,500
Effect on foreign exchange rate changes		**319**	(718)
Cash and cash equivalents at end of the period	18	**131,517**	173,543

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 7 to 17 form part of the interim financial statements.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

1. General Information

Tristate Holdings Limited (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 (together the "Group") are (i) garment manufacturing, and (ii) brands business.

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

The unaudited consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. The unaudited consolidated interim financial statements for the six months ended 30 June 2019 were approved for issue by the Board on 26 August 2019.

These consolidated interim financial statements have not been audited or reviewed by external auditors.

2. Basis of Preparation and Accounting Policies

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

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 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 2018 that is included in the 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 2018 are available from the Company's head office and principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2019.

3. Changes in Accounting Policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparative for 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. Changes in Accounting Policies (Continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 13.

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. Changes in Accounting Policies (Continued)

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.64%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 as disclosed in the 2018 annual consolidated financial statements to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000*
Operating lease commitment at 31 December 2018	92,504
Less: short-term leases and other leases with remaining lease term ending on or before 31 December 2019 exempt from capitalisation	(13,159)
Add: lease payments excluded from operating lease commitment under early termination options	119,010
	198,355
Less: total future interest expenses	(50,486)
Total lease liabilities recognised at 1 January 2019	147,869

The right-of-use assets in relation to lease previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *HK$'000*	**Capitalisation of operating lease contracts** *HK$'000*	**Carrying amount at 1 January 2019** *HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16			
Property, plant and equipment	308,963	272,385	581,348
Leasehold land and land use rights	126,310	(126,310)	–
Total non-current assets	**954,308**	**146,075**	**1,100,383**
Accruals and other payables and contract liabilities	245,689	(1,794)	243,895
Lease liabilities	–	32,109	32,109
Current liabilities	**507,088**	**30,315**	**537,403**
Net current assets	**590,396**	**(30,315)**	**560,081**
Total assets less current liabilities	**1,544,704**	**115,760**	**1,660,464**
Lease liabilities (non-current)	–	115,760	115,760
Total non-current liabilities	**367,360**	**115,760**	**483,120**
Net assets	**1,177,344**	**–**	**1,177,344**

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

3. Changes in Accounting Policies (Continued)

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 *HK$'000*	At 1 January 2019 *HK$'000*
Included in "Property, plant and equipment":		
– Prepaid leasehold land and land use rights	**124,279**	126,310
– Land and properties leased for own use	**191,051**	144,632
– Plant, machinery and equipment	**1,313**	1,474
	316,643	272,416

(d) Impact on the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This has impacted the reported results in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial results for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	Six months ended 30 June				
	2019				**2018**
	Amounts reported under HKFRS 16 (A) *HK$'000*	**Add back: HKFRS 16 depreciation and interest expense** (B) *HK$'000*	**Deduct: Estimated amounts related to operating leases and prepaid leasehold land and land use rights as if under HKAS 17** *(Note)* (C) *HK$'000*	**Hypothetical amounts for 2019 as if under HKAS 17** (A + B – C) *HK$'000*	**Compared to amounts reported for 2018 under HKAS 17** *HK$'000*
Financial results for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16					
Loss from operations	(8,257)	27,009	(26,975)	(8,223)	(83,198)
Finance costs	(16,527)	3,875	–	(12,652)	(3,434)
Loss before taxation	(23,465)	30,884	(26,975)	(19,556)	(84,356)
Loss for the period	(34,171)	30,884	(26,975)	(30,262)	(83,935)

Note:

The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

4. Estimates

The preparation of the interim financial statements in conformity with HKAS 34 requires 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.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

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. This measurement basis is equivalent to profit/loss for the period of that reportable segment.

Segment assets include all tangible, 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	
	2019	2018 *(Note (i))*	**2019**	2018 *(Note (i))*	**2019**	2018 *(Note (i))*	**2019**	2018 *(Note (i))*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**995,308**	836,023	**310,929**	153,778	**–**	–	**1,306,237**	989,801
Less: Inter-segment revenue	**(1,846)**	(5,953)	**–**	–	**–**	–	**(1,846)**	(5,953)
Revenue	**993,462**	830,070	**310,929**	153,778	**–**	–	**1,304,391**	983,848
Reportable segment EBITDA *(Note (ii))*	**62,523**	3,604	**(22,387)**	(51,886)	**22,176**	(1,791)	**62,312**	(50,073)
Finance income	**–**	–	**–**	–	**1,319**	2,276	**1,319**	2,276
Finance costs								
– Interest on bank borrowings	**–**	–	**–**	–	**(1,626)**	(1,699)	**(1,626)**	(1,699)
– Interest on licence fees payable	**–**	–	**(10,671)**	(1,735)	**–**	–	**(10,671)**	(1,735)
– Interest on lease liabilities	**(1,566)**	–	**(2,044)**	–	**(265)**	–	**(3,875)**	–
– Others	**–**	–	**–**	–	**(355)**	–	**(355)**	–
Depreciation charge								
– Owned property, plant and equipment	**(14,518)**	(15,532)	**(6,397)**	(4,324)	**(6,819)**	(7,298)	**(27,734)**	(27,154)
– Right-of-use assets	**(3,105)**	–	**(19,067)**	–	**(4,837)**	–	**(27,009)**	–
Amortisation of leasehold land and land use rights *(Note (i))*	**–**	(161)	**–**	–	**–**	(1,711)	**–**	(1,872)
Amortisation of intangible assets								
– Licence rights	**–**	–	**(15,792)**	(4,063)	**–**	–	**(15,792)**	(4,063)
– Other intangible assets	**–**	–	**(34)**	(36)	**–**	–	**(34)**	(36)
Reportable segment profit/(loss) before taxation	**43,334**	(12,089)	**(76,392)**	(62,044)	**9,593**	(10,223)	**(23,465)**	(84,356)
Income tax (charge)/credit	**(5,178)**	738	**(4,623)**	(85)	**(905)**	(232)	**(10,706)**	421
Reportable segment profit/(loss) for the period	**38,156**	(11,351)	**(81,015)**	(62,129)	**8,688**	(10,455)	**(34,171)**	(83,935)

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

5. Segment Information (Continued)

	Garment manufacturing		Brands business		Unallocated (Note (iii))		Total	
	At 30 June 2019	At 31 December 2018 (Note (i))	**At 30 June 2019**	At 31 December 2018 (Note (i))	**At 30 June 2019**	At 31 December 2018 (Note (i))	**At 30 June 2019**	At 31 December 2018 (Note (i))
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**1,096,683**	801,906	**938,680**	803,795	**298,661**	446,091	**2,334,024**	2,051,792
Reportable segment liabilities	**445,114**	332,362	**605,655**	468,294	**128,991**	73,792	**1,179,760**	874,448

	Six months ended 30 June							
	Garment manufacturing		Brands business		Unallocated		Total	
	2019	2018 (Note (i))	**2019**	2018 (Note (i))	**2019**	2018 (Note (i))	**2019**	2018 (Note (i))
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Provision for impairment of receivables, net	**(46)**	(922)	**(1,531)**	(198)	**–**	–	**(1,577)**	(1,120)
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(1,011)**	(5,625)	**6,052**	3,934	**–**	–	**5,041**	(1,691)
Net (loss)/gain on disposals of property, plant and equipment	**(54)**	50	**–**	–	**–**	40	**(54)**	90
Net gain on disposal of a subsidiary	**–**	–	**–**	–	**10,914**	–	**10,914**	–
Additions to non-current assets	**11,165**	12,527	**69,417**	400,299	**17,309**	2,689	**97,891**	415,515

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(ii) 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 management for monitoring business performance. It may not be comparable to similar measures presented by other companies.

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

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "PRC"), the United States of America (the "US"), the United Kingdom (the "UK") and Canada, while the Group's production facilities, trademark and other assets are located predominantly in the PRC, Luxembourg and Thailand. The PRC includes the Mainland China, Hong Kong and Macau. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by location of assets are as follows:

	Six months ended 30 June											
	US		UK		PRC		Canada		Other countries		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**242,495**	223,010	**347,343**	249,353	**203,110**	143,040	**180,713**	127,532	**330,730**	240,913	**1,304,391**	983,848

Included in revenue derived from the PRC was HK$105,298,000 (2018: HK$118,926,000) related to revenue generated in Hong Kong.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

5. Segment Information (Continued)

For the six months ended 30 June 2019, revenues from three (2018: three) customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 15%, 14% and 11% (2018: 16%, 16% and 11%) of the total revenue respectively.

	PRC		Luxembourg		Thailand		Other countries		Total	
	At 30 June 2019	At 31 December 2018 *(Note (i))*	**At 30 June 2019**	At 31 December 2018 *(Note (i))*	**At 30 June 2019**	At 31 December 2018 *(Note (i))*	**At 30 June 2019**	At 31 December 2018 *(Note (i))*	**At 30 June 2019**	At 31 December 2018 *(Note (i))*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (ii))*	**732,249**	630,541	**174,565**	175,919	**74,199**	70,467	**138,430**	63,257	**1,119,443**	940,184

Included in non-current assets located in the PRC was HK$331,180,000 (2018: HK$324,881,000) related to assets located in Hong Kong.

Notes:

(i) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

6. Seasonality of Operations

The Group's business experiences higher sales revenue in the second half of the year as compared with 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.

7. Other Income and Other Gains

	Six months ended 30 June	
	2019 ***HK$'000***	2018 *HK$'000*
Net gain on disposal of a subsidiary *(Note)*	**10,914**	–
Government subsidy	**763**	508
Sundry income	**2,473**	1,870
	14,150	2,378

Note:

During the six months ended 30 June 2019, the Group disposed of a wholly-owned subsidiary incorporated in the Philippines, with a net gain of HK$10,914,000. Out of the total consideration of HK$16,725,000, a retention money of HK$1,520,000 will be received by the Group in 2024 while the rest of the consideration is to be received in 2019. The subsidiary was the owner of a parcel of land and certain factory buildings in the Philippines, and had been inactive in early years.

8. Loss from Operations

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

	Six months ended 30 June	
	2019 ***HK$'000***	2018 *(Note)* *HK$'000*
Amortisation of leasehold land and land use rights	**–**	1,872
Amortisation of intangible assets	**15,826**	4,099
Depreciation charge		
– Owned property, plant and equipment	**27,734**	27,154
– Right-of-use assets	**27,009**	–
Lease payments in respect of land and buildings	**15,037***	24,564
Provision for impairment of receivables, net	**1,577**	1,120
(Reversal of)/provision for write-down of inventories to net realisable value, net	**(5,041)**	1,691
Employment benefit expenses	**366,030**	338,319
Net loss/(gain) on disposals of property, plant and equipment	**54**	(90)

* This represented rentals relating to short-term lease and shop turnover rents.

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

9. Finance Income/Finance Costs

	Six months ended 30 June	
	2019	2018 *(Note)*
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**1,319**	2,276
Finance costs		
Interest on bank borrowings	**1,626**	1,699
Interest on licence fees payable	**10,671**	1,735
Interest on lease liabilities	**3,875**	–
Others	**355**	–
	16,527	3,434

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

10. Income Tax (Charge)/Credit

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax *(Note)*		
Hong Kong profits tax	**(7,181)**	(27)
Non-Hong Kong tax	**(3,879)**	(354)
Under-provision for prior year	**(131)**	(76)
Deferred income tax	**485**	878
	(10,706)	421

Note:

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2018: 16.5%) to the six months ended 30 June 2019, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant countries.

11. Loss Per Share

Basic loss per share is calculated by dividing the consolidated loss attributable to equity shareholders of the Company of HK$35,028,000 (2018: HK$84,179,000) by the weighted average number of 271,607,253 (2018: 271,607,253) ordinary shares in issue for the half year.

Diluted 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 2019 and 30 June 2018, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the six months ended 30 June 2019 and 30 June 2018.

12. Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (2018: Nil).

13. Property, Plant and Equipment

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

During the six months ended 30 June 2019, 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$71,501,000. 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 Hong Kong and the PRC where majority of the Group's stores operate.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2019, the Group acquired items of plant and equipment with a cost of HK$26,390,000 (six months ended 30 June 2018: HK$21,993,000). Items of plant and equipment with a net book value of HK$159,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$517,000), resulting in a loss on disposal of HK$54,000 (six months ended 30 June 2018: a gain on disposal of HK$90,000).

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

14. Leasehold Land and Land Use Rights

The balance represents prepaid lease payments on lease of lands outside Hong Kong with the tenure of 25 to 50 years. Upon initial adoption of HKFRS 16 at 1 January 2019, amount of HK$126,310,000 was reclassified to "right-of-use assets" under "property, plant and equipment".

15. Intangible assets

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Licence rights *(Note (i))*		
Opening net book amount	**315,848**	24,741
Additions	**–**	333,975
Derecognition	**–**	(20,973)
Amortisation	**(15,792)**	(20,718)
Exchange differences	**–**	(1,177)
Closing net book amount	**300,056**	315,848
Trademark *(Note (ii))*		
Opening net book amount	**175,919**	183,378
Exchange differences	**(1,354)**	(7,459)
Closing net book amount	**174,565**	175,919
Others		
Opening net book amount	**138**	215
Amortisation	**(34)**	(71)
Exchange differences	**(2)**	(6)
Closing net book amount	**102**	138
Total intangible assets	**474,723**	491,905

Notes:

(i) Licence rights

Licence rights of brands represent capitalisation of the minimum contractual obligation payable to brand licensors at the time of inception. They are recognised based on discount rates approximately 6.3% to 6.9% per annum at the dates 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.

16. Inventories

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Raw materials	**149,069**	93,776
Work-in-progress	**259,171**	151,736
Finished goods	**152,690**	138,269
Goods in transit	**42,235**	19,158
	603,165	402,939

Increase in raw materials and work-in-progress reflects seasonal requirements for second half year shipment of garment manufacturing segment.

17. Accounts Receivable and Bills Receivable

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

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Less than 3 months	**337,573**	295,927
3 months to 6 months	**4,745**	1,682
Over 6 months	**3,244**	1,790
	345,562	299,399
Less: Provision for impairment	**(3,244)**	(1,790)
	342,318	297,609

The majority of accounts receivable are with customers having an appropriate credit history and are on open account with customers. The Group grants its customers credit terms mainly ranging from 30 to 60 days.

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

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

18. Cash and Bank Balances

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Short-term bank deposits	**341**	342
Cash at bank and on hand	**131,176**	262,344
Cash and cash equivalents in the consolidated cash flow statement	**131,517**	262,686
Bank structured deposits	**–**	27,888
Pledged bank deposits *(Note (i))*	**31,236**	31,318
Cash and bank balances in the consolidated statement of financial position *(Note (ii))*	**162,753**	321,892

Notes:

(i) At 30 June 2019, bank deposits of HK$31,236,000 (31 December 2018: HK$31,318,000) was pledged to secure bank guarantee facilities granted to the Group.

(ii) The decrease in cash and bank balances reflects the seasonal working capital financing requirements.

19. Accounts Payable and Bills Payable

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

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Less than 3 months	**209,897**	147,661
3 months to 6 months	**3,336**	11,895
Over 6 months	**11,458**	6,623
	224,691	166,179

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

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

20. Accruals and Other Payables and Contract Liabilities

(a) Accruals and other payables

Accruals and other payables mainly consist of accrued employee costs and 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 2019, all of the contract liabilities of HK$9,976,000 (31 December 2018: HK$4,902,000) are expected to be settled within one year.

21. Bank Borrowings

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
United States dollars	**109,125**	71,106
Euro	**4,052**	2,686
	113,177	73,792

The bank borrowings were unsecured and covered by corporate guarantees from the Company. The bank borrowings were due for repayment within three months at the end of the reporting period. The carrying amounts of bank borrowings approximate their fair values.

22. Share Capital

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Authorised: 500,000,000 (2018: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	2019		2018	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
As at 1 January and 30 June/ 31 December	**271,607,253**	**27,161**	271,607,253	27,161

23. Capital Commitments

	At 30 June 2019 ***HK$'000***	At 31 December 2018 *HK$'000*
Authorised but not contracted for	**6,664**	–

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2019

24. 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	
	2019 **HK$'000**	2018 HK$'000
A related company		
Rental payment	**3,510**	3,349

Note:

In February 2019, the Group entered into a two-year lease 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$620,000 per month commencing from 1 April 2019 after the previous lease ended on 31 March 2019. 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 lease agreement, the Group recognised a right-of-use asset and a lease liability of HK$16,362,000 in relation to this lease.

The entire issued share capital of TDB, a related company, was held by a discretionary trust of which two directors of the Company were eligible beneficiaries at the date of the lease agreement.

(b) Transactions with key management

(i) Key management compensation

	Six months ended 30 June	
	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and bonuses	**9,445**	10,292
Defined contribution plans	**277**	331
Share-based compensation expense		
– share options granted	**325**	212
	10,047	10,835

(ii) Advance to an employee

In June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement and the amendment agreements dated in June 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 has been fully repaid in 2016. The remaining cash advance of HK$8,500,000 ("long-term portion") was to be waived by the subsidiary in equal amount semi-annually over 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.

25. Fair Value of Financial Instruments

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 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.

There was no transfer of financial assets between fair value hierarchy classifications for the period/year ended 30 June 2019 and 31 December 2018. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Forward foreign exchange contracts are measured at fair value and classified as Level 2 valuations at 30 June 2019 and 31 December 2018. Level 2 hedging derivatives comprise forward foreign exchange contracts. 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 for Level 2 derivatives. There was no change in valuation techniques during the period.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

26. Comparative Figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

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 2019.

Overview

The Group's 2019 first half performance continues to reflect our dedication to investment in brands business with the support from our garment manufacturing business.

For the six months ended 30 June 2019, the Group recorded EBITDA profit of HK$62 million (2018: negative EBITDA of HK$50 million), with loss attributable to equity shareholders reduced to HK$35 million as compared with a loss of HK$84 million in 2018.

The improved 2019 first half results were mainly attributable to the continued good performance of our garment manufacturing business and our premium Italian sportswear brand C.P. Company; and offset by the investment in developing our licensed brands, Nautica and Spyder.

Despite reporting a positive EBITDA, the Group reported a loss attributable to equity shareholders, which is mainly caused by:

– the change in accounting policy for leases in 2019 under which, HK$31 million of depreciation and interest cost in relation to lease accounting was recorded below 2019 EBITDA.

– recognition of brands licence right amortisation and imputed interest on licence fees payable totalling HK$27 million (2018: HK$6 million) below EBITDA pursuant to the accounting policy for the long-term licences contracted by the Group.

Own Brands

C.P. Company continued to report strong year-on-year growth in revenue. Revenue in the 2019 first half increased by 61% over 2018. Wholesale channel continued to pose strong growth in particular for sales to Italy, the UK, Benelux, South Korea and France. UK and Italy remained the largest contributors accounted for over 50% of the C.P. Company revenue. Brand awareness, measured with the digital key performance indicators (such as number of Google searches for the brand, social media growth and engagement) have been growing even faster worldwide. To complement the wholesale business, the brand started to develop direct retail with the opening of Milan flagship store and Foxtown Mendrisio outlet in April 2019, followed by Beijing flagship in June this year.

In 2019, C.P. Company marketing campaign kicked-off a two-season collaboration with hip hop Artist Rejjie Snow. The brand also had a very successful launch of collaboration with Patta, an Amsterdam based retailer relevant in street culture and the release of its first official Bespoke Colour event in February 2019. The C.P. Company Bespoke Colour project pays homage to its origins as a pioneer in garment dyeing and offers a customised dyeing service to customers with any colour they wish. The finished garment will be dyed with a distinctive colour in limited edition. The Bespoke Colour project gained very good media exposure and interest from the industry. Our global marketing campaign "#EyesOnTheCity" continued to develop unique narratives that explore different urban scenarios and exceptional landscape in cities through the personal perspective of our customers and featured stories from acclaimed C.P. Company fans.

Our unique French concept premium ladies wear Cissonne achieved good traction in the China premium ladies fashion market. The brand gradually expanded through direct retailing in China major cities with increasing sell-through. The brand has now four stores located in Shanghai Kerry Centre, Beijing Oriental Plaza, Beijing China World Trade Center and Shanghai Zhenning Road respectively.

Licensed Brands

In 2018, the Group took major steps towards establishing long-term sustainable business platform with entering into long-term licence agreements with Authentic Brands Group for two high potential international brands, Nautica and Spyder. The Group was licensed to distribute the two brands in the Greater China market.

Since the Group re-entered the licence for Nautica in mid-2018, we have worked closely with the brand owner, retail operators, and landlords to energise the brand and increase retail sell-through in the competitive and challenging China retail market. With our strength in product development and our many years of experience with the brand, we introduced our own designed collections from Spring 2019. The highlight of our brand development strategy is the design and launch of the "Black Sail" collection which features premium, technical fabrics and innovative designs. It is the "best of the best" from the Nautica brand and is only offered at our top stores with limited quantity. In addition to the wholesale business, with an eye towards getting closer with our consumers, we have built out our direct-to-consumer ("DTC") network of stores in Tier 1 markets. As of 30 June 2019, Nautica had 51 direct retail stores, predominantly in Shanghai, Beijing, and Hong Kong. We will continue to develop our DTC business across offline, online, full-price and outlet.

Spyder is our licensed active sports brand. While Spyder enjoys a 40-year history and is widely recognised as one of the leading technical ski wear brands in the world, it is new to the China market. We have formulated detailed strategies for brand positioning, product collections and distribution channels. The brand launched its first stores in Beijing and Taiyuan, Shanxi as well as opened its official TMall store by the end of July.

Garment Manufacturing

Our garment manufacturing business continued the growth in revenue and profitability with increased orders from both key premium business customers and better business customers. Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. Meanwhile, our Philippines, Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. We continue to maintain steady and long-term relationship with our customers and have also expanded our customer base. Our unique manufacturing system allows us to safeguard product quality, as well as meeting customers' stringent requirements on changes in product type and variations in quantity especially for fashion and complicated outerwear products. With our manufacturing system, our Panyu factory is capable of handling small quantities orders with high production efficiency. We have also developed our Southeast Asian factories to manufacture outerwear products with positive response from customers. All these measures helped to control rising factory costs and price pressure from our customers.

Financial Highlights

	Note	First half 2019	First half 2018 (Note 1)
Operating results (HK$ million)			
Revenue		**1,304**	984
Gross profit		**365**	216
EBITDA		**62**	(50)
Amortisation of licence right	2	**(16)**	(4)
Interest on licence payable	2	**(11)**	(2)
Depreciation on right-of-use asset	3	**(27)**	–
Interest on lease liabilities	3	**(4)**	–
Other depreciation		**(28)**	(27)
Loss attributable to equity shareholders		**(35)**	(84)
Segment results (HK$ million)			
Garment manufacturing EBITDA		**63**	4
Depreciation on right-of-use asset	3	**(3)**	–
Interest on lease liabilities	3	**(2)**	–
Garment manufacturing results after tax		**38**	(11)
Brands business EBITDA		**(22)**	(52)
Amortisation of licence right	2	**(16)**	(4)
Interest on licence payable	2	**(11)**	(2)
Depreciation on right-of-use asset	3	**(19)**	–
Interest on lease liabilities	3	**(2)**	–
Brands business results after tax		**(81)**	(62)
Cash flow (HK$ million)			
Cash used in operations		**(150)**	(327)
		At 30 June 2019	At 31 December 2018
Financial position (HK$ million)			
Property, plant and equipment	3	**624**	309
Leasehold land and land use rights	3	**–**	126
Cash and bank balances		**163**	322
Lease liabilities	3	**198**	–
Bank borrowings		**113**	74
Total equity		**1,154**	1,177

Notes:

1. The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

2. 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 and Spyder.

3. The increase in property, plant and equipment, lease liabilities, depreciation on right-of-use assets and interest on lease liabilities and the decrease in leasehold land and land use rights are due to adoption of new accounting standard on leases with effective from 1 January 2019.

Financial Review

For the six months ended 30 June 2019, the Group recorded EBITDA profit of HK$62 million (2018: negative EBITDA of HK$50 million), with loss attributable to equity shareholders reduced to HK$35 million as compared with a loss of HK$84 million in 2018.

The improved 2019 first half results were mainly attributable to the continued good performance of our garment manufacturing business and our own brand C.P. Company; and offset by our investments in Nautica and Spyder. Despite a positive EBITDA, the Group reported a loss attributable to equity shareholders, which is mainly caused by the change in accounting policy on leases (with the recognition of HK$31 million of depreciation and interest cost in relation to lease accounting) and the recognition of brands licence right amortisation and imputed interest on licence fees payable totalling HK$27 million pursuant to the accounting policy for our long-term licences.

Change in Accounting Policy

The Group adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated the 2018 comparative figures, as permitted under the transitional provisions in the new standard. The adjustments arising from the new standard are recognised in the opening balance on 1 January 2019. Under the new lease accounting, the Group is required to capitalise all leases when it is the lessee, other than those short-term leases within 12 months.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, and subsequently measured at amortised cost with interest expense calculated using the effective interest method. The associated right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made on or before the commencement date. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The Group presents right-of-use assets under property, plant and equipment and lease liabilities separately in the statement of financial position. Major effect on adopting HKFRS 16 is as follows:

Items of statement of financial position impacted by HKFRS 16:

	At 30 June 2019 HK$ million	At 1 January 2019 HK$ million
Right-of-use assets balance (for assets reclassified from leasehold land and land use rights on 1 January 2019)	**124**	126
Right-of-use assets balance for other leased assets	**192**	146
Lease liabilities balance	**198**	148

Items of statement of profit or loss impacted by HKFRS 16:

	Six months ended 30 June				
	2019				2018
	Amounts reported under HKFRS 16 (A) HK$ million	Add back: HKFRS 16 depreciation and interest expense (B) HK$ million	Deduct: Estimated amounts as if under HKAS 17 (C) HK$ million	Hypothetical amounts for 2019 as if under HKAS 17 (A + B – C) HK$ million	Compared to amounts reported for 2018 under HKAS 17 HK$ million
Depreciation on right-of-use assets, including prepaid leasehold land and land use rights	(27)	27	(2)	(2)	(2)
Interest on lease liabilities	(4)	4	–	–	–
Lease payments in respect of land and buildings	(15)*	–	(25)	(40)	(25)
	(46)	31	(27)	(42)	(27)

* This represented rentals relating to short-term leases and shop turnover rents.

Revenue

Total revenue of the Group for the first half of 2019 was HK$1,304 million (2018: HK$984 million), representing an increase of 33% as compared with 2018.

Revenue from brands business was HK$311 million in the first half of 2019, as compared with HK$154 million in 2018. The increase was due to strong growth of wholesale by C.P. Company in key European countries, especially for Italy and the UK; and the increased revenue contribution from Nautica which only generated revenue from May last year.

Revenue from the garment manufacturing segment was HK$993 million, as compared with HK$830 million in 2018. Revenue from premium business, which accounted for 66% (2018: 70%) of the segment revenue, increased by 13% as compared with last year. Such increase was due to continued strong order growth from key customers. Revenue from better business also increased by 32%, mainly from the growth of orders in our Southeast Asian factories. In general, sales of fashion and complicated outerwear products of our premium business shifted our peak production season to the second and third quarters while sales income are skewed towards Fall/Winter seasons.

Geographically, major markets of the Group are the US and Canada, the UK and the People's Republic of China (the "PRC"), which accounted for 32% (2018: 36%), 27% (2018: 25%) and 16% (2018: 15%) of the Group's total revenue respectively.

The Group's business has been skewed towards the second half year mainly due to the seasonality effect in terms of higher quantity and unit selling price for Fall/Winter and holiday seasons shipment for both our garment manufacturing (in particular premium outerwear products) and brands business. The Group expects that the pattern of a larger proportion of sales and earnings record in the second half year will continue.

Gross Profit

During the period, the Group's overall gross profit recorded at HK$365 million (2018: HK$216 million), representing a gross profit margin of 28.0% (2018: 21.9%). The increase in gross profit was mainly attributable to increased turnover from both brands business and garment manufacturing business. Gross profit margin of the garment manufacturing business was higher than the previous year due to the continuous growth from both premium and better business and improvement in production efficiency. The Group's overall gross profit margin increased in 2019 due to the rise in revenue of overall higher margin brands business and the continuous revenue growth and efficiency improvement of our manufacturing business.

Other Income and Other Gains

Other income and other gains in the first half of 2019 mainly included net gain on disposal of a Philippines subsidiary of HK$10.9 million. The subsidiary was the owner of a parcel of land and certain factory buildings in the Philippines, and had been inactive since the Group consolidated its factory operation in the Philippines in early years.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, agency commission, shop and sample expenses. Selling and distribution expenses increased as compared to 2018 mainly due to Nautica recorded full half year shop and other selling expenses in 2019 and C.P. Company's increase in agency commission, shop and marketing expenses in line with revenue growth.

General and Administrative Expenses

General and administrative expenses increased as compared with 2018 mainly due to the growth of both our brands business and garment manufacturing business.

Income Tax Expenses

Income tax expenses increased in this first half year mainly due to higher profit from our garment manufacturing business and the profit arising from C.P. Company.

Segment Results

Under brands business, C.P. Company reported a profit in the first half of 2019. Segment loss of brands business increased in 2019 was mainly due to the early redevelopment and development stages for the Nautica and Spyder businesses respectively and increase recognition of licence right amortisation and imputed interest on licence fees payable for Nautica and Spyder.

Garment manufacturing business has turnaround to profit in the first half of 2019 as compared with a loss in 2018. This is mainly due to the increased revenue and gross profit as well as improved production efficiency.

Financial Resources and Liquidity

As at 30 June 2019, cash and bank balances amounted to HK$163 million (31 December 2018: HK$322 million) which mainly represented United States dollars ("US dollars") and Renminbi bank deposits and balances. Due to seasonality reasons, the Group utilises more cash in the first half year to finance working capital and generates more revenue and cash in the second half year. In the first half of 2019, the Group used less cash in operations as compared with same period in 2018. This is mainly due to more cash received from the good performing garment manufacturing business.

The Group maintained sufficient banking facilities to support its business. Short-term bank borrowings of the Group amounted to HK$113 million as at 30 June 2019 (31 December 2018: HK$74 million). Such borrowings were mainly denominated in US dollars and bearing interest at fixed rates. The Group did not have any long-term bank borrowings outstanding as at 30 June 2019. As at 30 June 2019 and 31 December 2018, bank deposits of HK$31 million was pledged to secure bank guarantee 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 comprised total equity plus net borrowings. The Group did not have net borrowings as at 30 June 2019 and 31 December 2018, and accordingly, no information on gearing ratio as at that dates is provided.

Shareholders' equity at 30 June 2019 decreased mainly due to loss attributable to equity shareholders for the current period, and partially set off by positive exchange difference on translating the financial statements of overseas subsidiaries, mainly from appreciation of Thai Baht during the period.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. The Group manages the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2019, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC; and Pound Sterling and Japanese Yen sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitments as disclosed in note 23 to the condensed consolidated financial statements, there was no other material capital commitments or contingent liabilities as at 30 June 2019.

Human Resources

The Group had about 9,930 employees as at 30 June 2019 (31 December 2018: 9,860). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded with discretionary bonuses and share options.

Outlook

The Group is dedicated to growing our brands business and at the same time continuing to strengthen our garment manufacturing business. Strategically, we target to grow our own brands worldwide, with our licensed active sports and lifestyle brands to the premium retail market in Greater China.

C.P. Company, our major own brand, has year-on-year high double-digit growth in revenue since acquisition. The momentum for the brand is very positive. Building on the heritage of C.P. Company's proprietary fabrics, garment dye and goggle jackets, we continue to strengthen our product range, innovation and design. We will continue to grow number of doors in existing key and growing wholesale markets (Italy, the UK, Benelux, South Korea, France and Germany). We will further expand into other countries in Europe as well as the North America and Asian markets. The brand plans to open more direct retail stores at suitable locations. Seasonal advertising campaign, in store activations and special projects to gain press attention and enhance the brand's experience value continue to be the marketing pillars for C.P. Company. With more direct retail, we are working on a strong digital infrastructure that will allow us to collect and leverage end-consumer data (socio-demographic information, shopping preferences, interests, etc) in an omnichannel environment.

For the Nautica business, we commence the brand's evolution towards becoming an easy-to-wear, functional, sports-lifestyle brand. We will expand the Black Sail collection and open Black Sail concept stores in key locations. We work closely with retail partners to support the expansion of our footprint across the country and drive per store revenue. Specialised IT systems are constructed for real-time tracking of all key metrics and capturing a consumer database for targeted communication and sales activities. Nautica will invest in celebrity and key opinion leader campaigns to influence target consumers to drive affinity and sales.

Management Discussion and Analysis

On the back of resounding success in the Korean retail market, Spyder's introduction to China has been well-received and we have contracted important retail operators in several key markets in both the North and South regions of China. Our design teams, in both Shanghai and Seoul, supported by our advanced supply chain operation will continue to enhance our product ranges and customise styling for the China market. Marketing campaigns will focus on communicating the authenticity of the brand and its long history in the technical, competitive ski industry. We will also package and present the brand in specialty environments – specifically gyms and ski resorts. Investment in our mono-brand store environments will continue to be the most important media channel for the brand. Specialised IT systems are in place to garner and analyse first-hand consumer data and will enable quick response production opportunities as well as intelligence to maximise sales, enforce our retail price strategies, and enhance inventory control.

Cissonne will continue to grow direct to customer retail in China and improve sell through in key cities. We will further increase the brand awareness through marketing and celebrity seeding.

We will continue to improve the performance of our garment manufacturing business, which provides steady cashflow to the Group. We will maintain long-term relationship with our key customers and at the same time to develop new customers leveraging on our strength from sample development to managing bulk production. Our diversified production base allows us to serve our customers at different price range. To provide more flexibility to our customers, we have also expanded our supply chain in Southeast Asian countries. To control the rising factory costs, we will impose tight material utilisation control and continue to drive efficiency and enhance our competitiveness by applying our unique manufacturing system in our factories to guarantee quality consistency, high productivity and cost efficiency. With the US-China trade conflict escalated, the US announced their plan for additional tariff of 15% on majority of apparel products importing from China from 1 September 2019. If the USA and China fail to reach a negotiated trade agreement, it will be disruptive to the global supply chain and may result in higher cost to be borne among our customers, consumers and our business. We do not anticipate the new tariffs cause significant impact to our garment manufacturing business in the rest of the year as our diversified production and customer base spread across geographies could alleviate its impact. We will closely monitor the development of trade war and mitigate its pressure when it gets worse. We believe that our garment manufacturing business will maintain stable performance and continue to generate strong cash inflow to support the Group's business. C.P. Company is well positioned to further grow in revenue and profitability. For the rest of 2019, the Group will continue to invest and develop our long-term licensed brands Nautica and Spyder. We are confident that we are on the right track for the long-term success of the Group.

Disclosure of Interests

Directors' interests in securities

As at 30 June 2019, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

Name of Director	Long/short position	Number of shares held: Through spouse or minor child	Number of shares held: Through controlled corporation	Number of shares held: Total	Approximate percentage of issued share capital
Mr. WANG Kin Chung, Peter	Long position	3,212,000 *(Note 1)*	182,577,000 *(Note 2)*	185,789,000	68.40%

Interests in shares of Hua Thai Manufacturing Public Company Limited ("Hua Thai")

Name of Director	Long/short position	Class	Number of shares held: Through spouse or minor child	Number of shares held: Total	Approximate percentage of issued share capital
Ms. WANG KOO Yik Chun	Long position	Ordinary share	2,500 *(Note 3)*	2,500	0.03%

Notes:

1. 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
2. 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.
3. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 30 June 2019, 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 kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders

As at 30 June 2019, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held: Directly beneficially owned	Number of shares held: Through spouse or minor child	Number of shares held: Through controlled corporation	Number of shares held: Total	Approximate percentage of issued share capital
Ms. Daisy TING	Long position	3,212,000	182,577,000 *(Note)*	–	185,789,000	68.40%
New Perfect Global Limited	Long position	–	–	182,577,000 *(Note)*	182,577,000	67.22%
Silver Tree Holdings Inc.	Long position	182,577,000 *(Note)*	–	–	182,577,000	67.22%

Note:

These interests relate to the same block of shares of the Company, which 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. Since Ms. Daisy TING is the spouse of Mr. WANG Kin Chung, Peter, she is deemed to be interested in the shares controlled by Mr. WANG Kin Chung, Peter under Part XV of the SFO.

Save as disclosed above, as at 30 June 2019, no other 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 kept by the Company pursuant to Section 336 of the SFO.

Share Options

A new share option scheme (the "2016 Share Option Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2016 (the "2016 AGM") for granting of share options to eligible persons to subscribe for shares of the Company.

In relation to the share option scheme adopted by the Company on 2 April 2007 (the "2007 Share Option Scheme"), the termination of which was approved at the 2016 AGM. Upon termination, no further share options can be offered under the 2007 Share Option Scheme but all outstanding share options granted thereunder shall continue to be valid and exercisable in accordance with the terms of the 2007 Share Option Scheme.

Movements in the share options under the share option schemes of the Company during the six months ended 30 June 2019 were as follows:

A. The 2007 Share Option Scheme

		Number of share options				
Date of grant	**Participant**	**At 1 January 2019**	**Lapsed during the period**	**At 30 June 2019**	**Exercise price per share**	**Exercisable period**
9 June 2014	Employees (in aggregate)	106,000	(106,000)	**–**	HK$3.10	9 June 2014 – 8 June 2019
		106,000	(106,000)	**–**	HK$3.10	9 June 2015 – 8 June 2019
		106,000	(106,000)	**–**	HK$3.10	9 June 2016 – 8 June 2019
		106,000	(106,000)	**–**	HK$3.10	9 June 2017 – 8 June 2019
8 June 2015	Employees (in aggregate)	135,000	–	**135,000**	HK$2.97	8 June 2015 – 7 June 2020
		135,000	–	**135,000**	HK$2.97	8 June 2016 – 7 June 2020
		135,000	–	**135,000**	HK$2.97	8 June 2017 – 7 June 2020
		135,000	–	**135,000**	HK$2.97	8 June 2018 – 7 June 2020
9 May 2016	Employees (in aggregate)	141,000	–	**141,000**	HK$2.28	9 May 2016 – 8 May 2021
		141,000	–	**141,000**	HK$2.28	9 May 2017 – 8 May 2021
		141,000	–	**141,000**	HK$2.28	9 May 2018 – 8 May 2021
		141,000	–	**141,000**	HK$2.28	9 May 2019 – 8 May 2021
	Total	1,528,000	(424,000)	**1,104,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.

2. No options were granted, exercised or cancelled during the period.

Share Options (Continued)

B. The 2016 Share Option Scheme

Date of grant	Participant	Number of share options: At 1 January 2019	Granted during the period	At 30 June 2019	Exercise price per share	Exercisable period
5 June 2017	Employees (in aggregate)	239,000	–	**239,000**	HK$1.68	5 June 2017 – 4 June 2022
		239,000	–	**239,000**	HK$1.68	5 June 2018 – 4 June 2022
		239,000	–	**239,000**	HK$1.68	5 June 2019 – 4 June 2022
		239,000	–	**239,000**	HK$1.68	5 June 2020 – 4 June 2022
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 *(Notes 2 & 3)*	Employees (in aggregate)	–	359,000	**359,000**	HK$1.58	3 June 2019 – 2 June 2024
		–	359,000	**359,000**	HK$1.58	3 June 2020 – 2 June 2024
		–	359,000	**359,000**	HK$1.58	3 June 2021 – 2 June 2024
		–	359,000	**359,000**	HK$1.58	3 June 2022 – 2 June 2024
	Total	2,012,000	1,436,000	**3,448,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.

2. The Company received a consideration of HK$1.00 from each of the grantees for the options granted during the period.

3. The closing price of the shares of the Company on 31 May 2019, being the business day immediately before the date on which the options were granted, as quoted on the Stock Exchange, was HK$1.58.

4. No options were exercised, cancelled or lapsed during the period.

5. The fair value of the options granted during the period determined using the Trinomial valuation model was HK$0.58 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK$1.58
Exercise price	HK$1.58
Dividend yield	0%
Volatility	42.25%
Annual risk-free interest rate	1.486%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 1,269 days historical volatilities of comparable companies within the industry.

The aggregate fair value of the options granted during the period amounted to HK$834,000 is to be recognised as employment benefit 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 limitation of the Trinomial valuation model.

Corporate Governance Code

During the six months ended 30 June 2019, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, except for the deviation from code provisions A.2.1 and A.5 as explained below:

– Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

– Code provision A.5 stipulates that every listed company should establish a nomination committee.

Considered reasons for the deviation from code provisions A.2.1 and A.5 were set out in the Corporate Governance Report of the Company's Annual Report for the year ended 31 December 2018 (the "2018 Annual Report").

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Model Code

The Company has adopted the Model Code as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

Change in Director's Biographical Details

There is no change in Director's biographical details since the date of the 2018 Annual Report which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (2018: Nil).

Audit Committee's Review of Financial Statements

The Audit Committee has reviewed the unaudited Consolidated Interim Financial Statements and the Interim Report of the Group for the six months ended 30 June 2019 in conjunction with the management of the Group.

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

Hong Kong, 26 August 2019