

TRISTATE

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report
2021

Stock code: 458



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Contents

Corporate Information	2
Consolidated Interim Financial Statements	
Condensed Consolidated Interim Statement of Profit or Loss	3
Condensed Consolidated Interim Statement of Comprehensive Income	3
Condensed Consolidated Interim Statement of Financial Position	4
Condensed Consolidated Interim Statement of Changes in Equity	5
Condensed Consolidated Interim Cash Flow Statement	6
Notes to the Consolidated Interim Financial Statements	7
Management Discussion and Analysis	15
Shareholders' Information and Corporate Governance	
Disclosure of Interests	19
Share Options	20
Corporate Governance Code	22
Purchase, Sale or Redemption of Shares	22
Model Code	22
Changes in Directors' Biographical Details	22
Interim Dividend	22
Audit Committee's Review of Financial Statements	22

Corporate Information

Board of Directors

Executive Director:

WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:

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

Independent Non-Executive Directors:

LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN

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
*Public Interest Entity Auditor registered in
accordance with the Financial Reporting Council Ordinance*

Legal Advisors

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

Principal Banks

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation 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.tristatewww.com>

Corporate Communications

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

Listing Information

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

Principal Registrar and Transfer Office

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

Branch Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

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 2021 together with comparative figures for 2020.

Condensed Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2021 – unaudited

	Note	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	5 & 6	1,230,004	892,306
Cost of sales		(723,230)	(622,220)
Gross profit		506,774	270,086
Other net income	7	1,626	3,392
Selling and distribution expenses		(279,525)	(178,822)
General and administrative expenses		(231,241)	(211,270)
Loss from operations	8	(2,366)	(116,614)
Finance income	9	797	839
Finance costs	9	(15,873)	(17,095)
Loss before taxation		(17,442)	(132,870)
Income tax charge	10	(13,593)	(2,704)
Loss for the period		(31,035)	(135,574)
Attributable to:			
Equity shareholders of the Company		(33,591)	(135,591)
Non-controlling interests		2,556	17
Loss for the period		(31,035)	(135,574)
Loss per share attributable to equity shareholders of the Company:	11		
Basic		(HK\$0.12)	(HK\$0.50)
Diluted		(HK\$0.12)	(HK\$0.50)

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Loss for the period	(31,035)	(135,574)
Other comprehensive income, net of nil tax unless specified:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value changes on cash flow hedges		
– Gains/(losses) arising during the period	2,013	(1,832)
– Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
– Cost of sales	(5,900)	2,761
– General and administrative expenses	(1,653)	(299)
Exchange difference on translation of financial statements of overseas subsidiaries	(10,695)	(16,838)
Other comprehensive income for the period	(16,235)	(16,208)
Total comprehensive income for the period	(47,270)	(151,782)
Attributable to:		
Equity shareholders of the Company	(49,826)	(151,799)
Non-controlling interests	2,556	17
Total comprehensive income for the period	(47,270)	(151,782)

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

Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2021 – unaudited

		At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
	Note		
Non-Current Assets			
Property, plant and equipment	13	559,040	626,540
Intangible assets	14	418,475	439,809
Other long-term assets		22,282	22,554
Deferred tax assets		22,210	8,272
Defined benefit plan assets		13,849	13,943
Forward foreign exchange contracts		1,198	1,229
Interest in an associate		–	–
		1,037,054	1,112,347
Current Assets			
Inventories	15	545,735	397,324
Accounts receivable and bills receivable	16	310,467	282,037
Forward foreign exchange contracts		8,691	12,714
Prepayments and other receivables		74,424	74,854
Current tax recoverable		3,105	3,151
Cash and bank balances	17	227,628	358,613
		1,170,050	1,128,693
Current Liabilities			
Accounts payable and bills payable	18	252,452	218,259
Accruals and other payables and contract liabilities	19	340,093	308,868
Lease liabilities		76,460	86,101
Forward foreign exchange contracts		1,486	–
Current tax liabilities		40,174	30,100
Bank borrowings	20	46,429	54,292
		757,094	697,620
Net Current Assets		412,956	431,073
Total Assets Less Current Liabilities		1,450,010	1,543,420

		At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
	Note		
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		30,925	32,843
Licence fees payable		271,015	286,618
Lease liabilities		124,036	153,585
Deferred tax liabilities		28,434	27,777
Bank borrowings	20	4,216	4,395
		458,626	505,218
Net Assets		991,384	1,038,202
Capital and Reserves			
Share capital	21	27,161	27,161
Reserves		959,455	1,008,829
Total equity attributable to equity shareholders of the Company		986,616	1,035,990
Non-controlling interests		4,768	2,212
Total Equity		991,384	1,038,202

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

Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021 – unaudited

	Attributable to equity shareholders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2021	27,161	1,008,829	1,035,990	2,212	1,038,202
Total comprehensive income for the period	–	(49,826)	(49,826)	2,556	(47,270)
Share option scheme – value of employee services	–	452	452	–	452
Balance at 30 June 2021	27,161	959,455	986,616	4,768	991,384

	Attributable to equity shareholders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2020	27,161	1,109,877	1,137,038	(434)	1,136,604
Total comprehensive income for the period	–	(151,799)	(151,799)	17	(151,782)
Share option scheme – value of employee services	–	468	468	–	468
Balance at 30 June 2020	27,161	958,546	985,707	(417)	985,290

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

Consolidated Interim Financial Statements

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2021 – unaudited

	Six months ended 30 June		Note	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000		2021 HK\$'000	2020 HK\$'000
Operating activities					
Loss before taxation	(17,442)	(132,870)			
Adjustments for:					
Write-down of inventories to net realisable value, net	2,463	23,033			
Provision for impairment of receivables, net	611	3,140			
Depreciation on owned property, plant and equipment	42,067	38,140			
Depreciation of right-of-use assets	51,146	46,892			
Amortisation of intangible assets	15,792	15,826			
Other operating activities	11,227	2,890			
Changes in working capital:					
Increase in inventories	(150,874)	(118,992)			
(Increase)/decrease in accounts receivable and bills receivable	(29,041)	109,398			
Decrease in prepayments and other receivables	952	11,608			
Increase in accounts payable and bills payable	34,192	36,597			
Increase/(decrease) in accruals and other payables and contract liabilities	5,481	(17,463)			
Increase/(decrease) in retirement benefits and other post retirement obligations	689	(3,777)			
Cash (used in)/generated from operations	(32,737)	14,422			
Income tax paid	(15,046)	(13,700)			
Net cash (used in)/generated from operating activities	(47,783)	722			
Investing activities					
Interest received	547	356			
Payment for the purchase of owned property, plant and equipment	(17,438)	(17,114)			
Proceeds from disposals of property, plant and equipment	216	165			
Decrease/(increase) in pledged bank deposits	32,751	(7,556)			
Net cash generated from/(used in) investing activities	16,076	(24,149)			
Financing activities					
Capital element of lease rentals paid	(51,494)	(33,670)			
Interest element of lease rentals paid	(4,491)	(4,906)			
Interest paid	(986)	(1,573)			
Proceeds from new bank borrowings	196,294	91,501			
Repayment of bank borrowings	(204,336)	(95,772)			
Net cash used in financing activities	(65,013)	(44,420)			
Decrease in cash and cash equivalents	(96,720)	(67,847)			
Cash and cash equivalents at beginning of the period	17	314,423			250,944
Effect on foreign exchange rate changes		(1,514)			(1,571)
Cash and cash equivalents at end of the period	17	216,189			181,526

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

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 2021 were approved for issue by the Board on 30 August 2021.

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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 2020 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 29 March 2021.

3. Changes in Accounting Policies

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

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021 (2021 amendment)

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this accounting period. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 13(a)). There is no impact on the opening balance of equity at 1 January 2021.

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.

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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 or 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	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Reportable segment revenue	613,925	611,296	647,700	295,228	-	-	1,261,625	906,524
Less: Inter-segment revenue	(31,621)	(14,218)	-	-	-	-	(31,621)	(14,218)
Revenue	582,304	597,078	647,700	295,228	-	-	1,230,004	892,306
Reportable segment EBITDA (Note (i))	27,323	15,539	76,882	(31,854)	2,434	559	106,639	(15,756)
Finance income	-	-	284	483	513	356	797	839
Finance costs								
- Interest on bank borrowings	-	-	(18)	-	(968)	(1,570)	(986)	(1,570)
- Interest on licence fees payable	-	-	(10,396)	(10,616)	-	-	(10,396)	(10,616)
- Interest on lease liabilities	(1,349)	(1,496)	(2,996)	(3,224)	(146)	(186)	(4,491)	(4,906)
- Others	-	-	-	(3)	-	-	-	(3)
Depreciation charge								
- Owned property, plant and equipment	(11,741)	(13,318)	(24,363)	(18,747)	(5,963)	(6,075)	(42,067)	(38,140)
- Right-of-use assets	(3,932)	(3,587)	(43,552)	(37,404)	(3,662)	(5,901)	(51,146)	(46,892)
Amortisation of intangible assets								
- Licence rights	-	-	(15,792)	(15,792)	-	-	(15,792)	(15,792)
- Other intangible assets	-	-	-	(34)	-	-	-	(34)
Reportable segment profit/(loss) before taxation	10,301	(2,862)	(19,951)	(117,191)	(7,792)	(12,817)	(17,442)	(132,870)
Income tax (charge)/credit	(1,664)	442	(12,973)	(1,365)	1,044	(1,781)	(13,593)	(2,704)
Reportable segment profit/(loss) for the period	8,637	(2,420)	(32,924)	(118,556)	(6,748)	(14,598)	(31,035)	(135,574)

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. Segment Information (Continued)

	Garment manufacturing		Brands business		Unallocated (Note (iii))		Total	
	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
	Reportable segment assets	775,540	680,484	1,080,969	1,080,444	350,595	480,112	2,207,104
Reportable segment liabilities	366,486	341,433	786,198	799,339	63,036	62,066	1,215,720	1,202,838

	Six months ended 30 June							
	Garment manufacturing		Brands business		Unallocated		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Reversal of/(provision for) impairment of receivables, net	314	(1,636)	(925)	(1,504)	-	-	(611)	(3,140)
Reversal of write-down/(write-down) of inventories to net realisable value, net	556	(13,768)	(3,019)	(9,265)	-	-	(2,463)	(23,033)
Net gain/(loss) on disposals of property, plant and equipment	198	55	(1,750)	(896)	-	-	(1,552)	(841)
Additions to property, plant and equipment including right-of-use assets	11,263	2,248	38,238	68,292	15,222	1,091	64,723	71,631

Notes:

- (i) EBITDA is defined as earnings before finance income, finance costs, income tax (charge)/credit, depreciation and amortisation. EBITDA is a non-HKFRS measure used by management for monitoring business performance. It may not be comparable to similar measures presented by other companies.
- (ii) Upon adoption of HKFRS 16 from 2019, the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use assets, instead of recognising rental expenses incurred under operating leases on straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.
- (iii) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, property, plant and equipment and lease liabilities for corporate purposes.

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

	Six months ended 30 June													
	UK		PRC		Canada		Italy		Singapore		Other countries		Total	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	289,695	212,672	369,233	186,989	93,766	106,449	165,401	94,274	64,781	93,342	247,128	198,580	1,230,004	892,306

Included in revenue derived from the PRC was HK\$59,352,000 (2020: HK\$70,563,000) related to revenue generated in Hong Kong.

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. Segment Information (Continued)

For the six months ended 30 June 2021, revenues from one customer (2020: two customers) in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 14% (2020: 16% and 11%) of the total revenue.

	PRC (Note (ii))		Luxembourg (Note (iii))		Switzerland (Note (iii))		Thailand		Other countries		Total	
	At	At	At	At	At	At	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets (Note (i))	620,392	662,271	-	187,130	198,809	17,359	69,795	76,854	110,801	145,289	999,797	1,088,903

Notes:

- (i) Non-current assets exclude forward foreign exchange contracts, deferred tax assets and defined benefit plan assets.
- (ii) Included in non-current assets located in the PRC was HK\$252,367,000 (2020: HK\$261,981,000) related to assets located in Hong Kong.
- (iii) During the six months period ended 30 June 2021, the Group's "C.P. Company" trademark holding subsidiary company was migrated from Luxembourg to Switzerland for more efficient corporate structure and management.

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 Net Income

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Government subsidy (Note)	516	3,227
Net loss on disposal of property, plant and equipment	(1,552)	(841)
Net gain on derecognition of right-of-use assets and lease liabilities	1,289	-
Sundry income	1,373	1,006
	1,626	3,392

Note:

During the six months ended 30 June 2021, certain subsidiary companies of the Group received government subsidies of HK\$516,000 (2020: HK\$3,227,000), majority of which were COVID-19-related subsidies from the local governments.

8. Loss from Operations

Loss from operations is arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Amortisation of intangible assets	15,792	15,826
Depreciation charge		
– Owned property, plant and equipment	42,067	38,140
– Right-of-use assets	51,146	46,892
Expenses related to short-term leases and variable lease payments	14,347	14,013
Provision for impairment of receivables, net	611	3,140
Provision for write-down of inventories to net realisable value, net	2,463	23,033
Employment benefit expenses	334,760	313,697

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

9. Finance Income/Finance Costs

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Finance income		
Interest income from bank deposits	547	356
Imputed interest on long-term rental deposit	250	483
	797	839
Finance costs		
Interest on bank borrowings	986	1,570
Interest on licence fees payable	10,396	10,616
Interest on lease liabilities	4,491	4,906
Others	–	3
	15,873	17,095

10. Income Tax Charge

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current income tax (Note)		
Hong Kong profits tax	(1,520)	(49)
Non-Hong Kong tax	(25,109)	(1,555)
Over/(under) provision for prior year	4	(41)
Deferred income tax	13,032	(1,059)
	(13,593)	(2,704)

Note:

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2020: 16.5%) to the six months ended 30 June 2021.

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\$33,591,000 (2020: HK\$135,591,000) by the weighted average number of 271,607,253 (2020: 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 2021 and 30 June 2020, 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 2021 and 30 June 2020.

12. Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

13. Property, Plant and Equipment

(a) Right-of-use assets

During the six months ended 30 June 2021, 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\$47,286,000 (six months ended 30 June 2020: HK\$54,517,000).

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

During the six months ended 30 June 2021 and 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments under retail store leases for the interim reporting period is summarised below:

	Six months ended 30 June 2021			
	Fixed payments HK\$'000	Variable payments HK\$'000	COVID-19-related rent concessions HK\$'000	Total payments HK\$'000
Retail stores – Hong Kong	4,100	54	(646)	3,508
Retail stores – Mainland China	39,390	1,273	–	40,663
Retail stores – Europe	2,804	49	–	2,853

	Six months ended 30 June 2020			
	Fixed payments HK\$'000	Variable payments HK\$'000	COVID-19-related rent concessions HK\$'000	Total payments HK\$'000
Retail stores – Hong Kong	2,826	–	(322)	2,504
Retail stores – Mainland China	29,544	463	(3,554)	26,453
Retail stores – Europe	2,106	70	–	2,176
Retail stores – Japan	42	–	–	42

As disclosed in Note 3, the Group has early adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

13. Property, Plant and Equipment (Continued)

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of plant and equipment with a cost of HK\$17,438,000 (six months ended 30 June 2020: HK\$17,114,000). Items of plant and equipment with a net book value of HK\$1,768,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$1,006,000), resulting in a loss on disposal of HK\$1,552,000 (six months ended 30 June 2020: a loss on disposal of HK\$841,000).

14. Intangible Assets

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Licence rights (Note (i))		
Opening net book amount	252,678	284,263
Amortisation	(15,792)	(31,585)
Closing net book amount	236,886	252,678
Trademark (Note (ii))		
Opening net book amount	187,131	171,344
Exchange differences	(5,542)	15,787
Closing net book amount	181,589	187,131
Others		
Opening net book amount	–	67
Amortisation	–	(34)
Exchange differences	–	(33)
Closing net book amount	–	–
Total intangible assets	418,475	439,809

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.

15. Inventories

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Raw materials	134,595	51,174
Work-in-progress	165,640	114,706
Finished goods	222,149	216,065
Goods in transit	23,351	15,379
	545,735	397,324

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

16. Accounts Receivable and Bills Receivable

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Less than 3 months	278,104	242,656
3 months to 6 months	32,950	39,381
Over 6 months	5,688	7,555
	316,742	289,592
Less: Provision for impairment	(6,275)	(7,555)
	310,467	282,037

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 60 to 90 days.

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

17. Cash and Bank Balances

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Short-term bank deposits	361	357
Cash at bank and on hand	215,828	314,066
Cash and cash equivalents in the consolidated cash flow statement	216,189	314,423
Pledged bank deposits (Note)	11,439	44,190
Cash and bank balances in the consolidated statement of financial position	227,628	358,613

Note:

At 30 June 2021, bank deposits of HK\$11,439,000 (31 December 2020: HK\$44,190,000) was pledged to secure bank facilities granted to the Group.

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

18. Accounts Payable and Bills Payable

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

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Less than 3 months	227,708	196,810
3 months to 6 months	13,199	14,105
Over 6 months	11,545	7,344
	252,452	218,259

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

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

19. Accruals and Other Payables and Contract Liabilities

(a) Accruals and other payables

Accruals and other payables mainly consist of accrued employee costs, current portion of licence fees payable, deposits received and other payables for 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 2021, all of the contract liabilities of HK\$20,609,000 (31 December 2020: HK\$483,000) are expected to be settled within one year.

20. Bank Borrowings

At 30 June 2021, the bank borrowings were repayable as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 year or on demand	46,429	54,292
After 2 years but within 5 years	4,216	4,395
	50,645	58,687

At 30 June 2021, the bank borrowings were denominated in foreign currencies as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
United States dollars	44,787	22,554
Swiss Francs	4,216	4,395
Renminbi	–	30,399
Hong Kong dollars	790	–
Euro	852	1,339
	50,645	58,687

The bank borrowings were unsecured and except for the long-term Swiss Franc bank borrowings, all other bank loans were covered by corporate guarantees from the Company. The carrying amounts of bank borrowings approximate their fair values.

21. Share Capital

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Authorised: 500,000,000 (2020: 500,000,000) shares of HK\$0.10 each	50,000	50,000

Issued and fully paid ordinary share capital:

	2021		2020	
	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

22. Capital Commitments

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Contracted but not provided for in respect of leasehold improvement	2,843	1,915

The Group was committed at 30 June 2021 to enter into several leases that are not yet commenced, the lease payments under which amounted to HK\$11,717,000 per annum (31 December 2020: HK\$586,000 per annum).

Consolidated Interim Financial Statements

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2021

23. Related Party Transactions

(a) Transactions with related parties

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
A related company		
Rental payment to TDB under new tenancy agreement	1,590	–
Rental payment to TDB under former tenancy agreement	1,860	3,720

Notes:

- (i) In February 2021, the Group entered into a two-year lease ("new tenancy agreement") with TDB Company Limited ("TDB") in respect of certain properties from TDB for factory, storage and ancillary office. The amount of rent payable by the Group under the lease is HK\$530,000 per month commencing from 1 April 2021 after the previous lease ("former tenancy agreement") ended on 31 March 2021. The subject lease was determined with reference to comparable rental transactions and offerings as available in the relevant market with similar age, size, use and attributes. At the date of the new tenancy agreement, the Group recognised right-of-use asset and lease liability in relation to this lease.
- (ii) The entire issued share capital of TDB, a related company, is held by a discretionary trust of which one director of the Company is an eligible beneficiary as at 30 June 2021.

(b) Transactions with key management

(i) Key management compensation

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and bonuses	9,963	10,682
Defined contribution plans	242	195
Share-based compensation expense – share options granted	333	338
	10,538	11,215

(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.

24. 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 2021 and 31 December 2020. 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 2021 and 31 December 2020. 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 2021 and 31 December 2020.

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 2021.

Overview

For the six months ended 30 June 2021, the Group recorded a loss attributable to equity shareholders of HK\$34 million as compared with the loss of HK\$136 million for the corresponding period of last year. In the last year, the Group's business and financial performance were affected by the outbreak of COVID-19 pandemic ("COVID-19"). The better performance and substantial decrease in loss in the 2021 first half year is mainly attributable to the followings:

- a) Improved performance and reduction of losses for our brands business. Among our brands:
 - (i) Our own brand C.P. Company continued to record revenue growth and the brand had shipped more Fall/Winter wholesale orders in the first half of 2021, while most of the Fall/Winter 2020 shipment were deferred to the second half of the last year. The brand reported net profit in this first half year, comparing to a loss in the same period of last year; and
 - (ii) Our licensed brand Nautica has achieved better operating performance in the first half of 2021 as compared with the same period of the previous year.
- b) Our garment manufacturing business returned to half-year profit in 2021 as it benefited from less inventory provision made, better material utilisation and lower administrative expenses from various cost reduction measures implemented by the Group since last year in responding to the pandemic.

Own Brands

While COVID-19-related restrictions brought challenges to the fashion industry in Europe, C.P. Company had a relatively small impact and continued its year-on-year revenue growth in the first half of 2021. The brand also reported net profit in the first half of 2021 as compared with a loss in the last year. Demand of its product and sell through of key wholesale accounts continued to be strong and the brand has shipped more Fall/Winter wholesale orders in this first half year. Wholesale business in Italy and the UK remained the largest contributors of C.P. Company's revenue. The growth of e-commerce also surpassed expectations and has strong growth opportunities. To complement the wholesale business in Europe, the brand has five directly managed retail stores and outlets in the famous streets of Milan, Switzerland and Amsterdam.

A main focus of 2021 is to celebrate C.P. Company's 50th anniversary, which brings an unprecedented visibility for the brand with extensive media coverage throughout the year. The celebration involves intensive program of authentic collaborations, monthly launch of special products, community initiatives and respectful homages to five decades of garment innovations. Worked with renowned curator and photographer, C.P. Company has launched its first monograph "*C.P. COMPANY 971-021. An informal history of Italian sportswear*", to celebrate its archive and history. By inviting 50 fans across different generations and photographed wearing iconic C.P. Company garments, this epic book tells the history of C.P. Company and their passion for the brand. The volume also contains glossary featuring over 300 garments from the brand's archive, highlights manufacturing techniques and stories behind their development and the contemporary relevance.

Our unique French concept premium ladies wear Cissonne continued to gradually expand through direct retailing in China major cities. The brand has now eight stores located in Shanghai Kerry Centre, Shanghai Grand Gateway 66, The Malls at Oriental Plaza, Beijing China World Trade Center, Nanjing Deji Plaza, Qingdao MIXC, Ningbo MIXC and Shanghai Zhenning Road respectively.

Licensed Brands

In the first half of 2021, we have mixed performance from our long-term licensed brands in China. For Nautica, we saw healthy sales and sales margin increases in China across all channels (full price, outlets and e-commerce). The brand has been performing well even compared to pre-pandemic levels. The management team has executed its retail pricing strategy and controlled garment costs and retail discount. A flagship concept introduced in March 2021 has been successful and will be rolled out to additional markets. CRM initiatives continue to be a key part of our efforts and investments, with over 80% of offline sales in the first half of 2021 coming from registered members. The improved performance has significantly reduced the brand's net losses in the first half of 2021 compared with last year. As of 30 June 2021, Nautica had 71 directly managed retail stores and another 74 stores operated by partners (30 June 2020: 126 stores in total).

Spyder was officially launched in China in November 2019. Being a new brand in its early development stage, COVID-19 hit Spyder hard in first quarter 2020 and compelled us to slow down its expansion. While sales (both overall and comps) have increased in the first half of 2021, traction at retail and the performance of the Spring/Summer 2021 collection fell short of expectations. This has led us to once again put expansion plans on hold, revamp the Spring/Summer 2022 collection as well as make some organisational changes. We are looking forward to a better Fall/Winter 2021 which will lead us into the Winter Olympics in Beijing where the brand will receive significant coverage as the exclusive technical apparel sponsor to the United States National Ski Team. As of 30 June 2021, Spyder had 48 stores across China (30 June 2020: 36 stores).

Garment Manufacturing

In the period under review, the ongoing pandemic continued to impact major economies and our garment manufacturing business. The spread of coronavirus variants, lockdowns, prevention rules and restrictions are still causing disruptions to both our customers' business as well as our production facilities. Amid these challenges, our garment manufacturing business has reported a fairly steady revenue in this first half year when comparing with the previous year. It is also encouraging that the business has returned to half year profit, mainly attributed to less inventory provision made, better material utilisation and cost saving measures implemented since the last year in responding to the pandemic.

Our China and Thailand factories are serving our "premium business" for fashion and complicated outerwear products. In the period under review, our China factories saw business returned from some key customers together with increased China domestic demands.

Our Philippines, Vietnam and Myanmar factories allow us to stay competitive in cost to support our "better business" for better tailoring products. Our Philippines factory was most hit by the pandemic in 2020 and orders reduction has continued. We have taken measures to scale down its workforce since the second half of 2020. In February 2021, the Myanmar military seized control of the country. This together with the pandemic have led us to downsize our Myanmar factory's capacity. We have managed to fill the capacity with returning business from customers and our own/licensed brands' production. Due to local measures to battle COVID-19, our Vietnam factory has recently been under a lockdown from mid of July till mid of September this year. We are working closely with our customers and suppliers and will reallocate certain fourth quarter orders to our other factories.

Management Discussion and Analysis

Financial Highlights

Note	First half 2021	First half 2020
Operating results (HK\$ million)		
	1,230	892
Revenue		
	507	270
Gross profit		
	107	(16)
EBITDA		
Depreciation on right-of-use assets	2 (51)	(47)
Interest on lease liabilities	2 (4)	(5)
Amortisation of licence right Interest on licence fees payable	1 (16)	(16)
Depreciation on owned property, plant and equipment	1 (10)	(11)
Loss attributable to equity shareholders	(42)	(38)
	(34)	(136)
Segment results (HK\$ million)		
Garment manufacturing EBITDA	27	16
Depreciation on right-of-use assets	2 (4)	(4)
Interest on lease liabilities	2 (1)	(1)
Depreciation on owned property, plant and equipment	(12)	(13)
Garment manufacturing results after tax	9	(2)
Brands business EBITDA	77	(32)
Depreciation on right-of-use assets	2 (44)	(37)
Interest on lease liabilities	2 (3)	(3)
Amortisation of licence right Interest on licence fees payable	1 (16)	(16)
Depreciation on owned property, plant and equipment	1 (10)	(11)
Brands business results after tax	(24)	(19)
	(33)	(119)
Cash flow (HK\$ million)		
Cash (used in)/generated from operations	(33)	14
Payment for the purchase of owned property, plant and equipment	(17)	(17)
Financing activities for lease payments	2 (56)	(39)
	At 30 June 2021	At 31 December 2020
Financial position (HK\$ million)		
Cash and bank balances	228	359
Bank borrowings	51	59
Total equity	991	1,038

Notes:

- Licence related amortisation and imputed interest on licence fees payable being non-cash items recognised in accordance with accounting policy for our long-term licences – Nautica and Spyder.
- Upon adoption of HKFRS 16 from 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability and the depreciation on the right-of-use asset, instead of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. In the cash flow statement, the Group as a lessee is required to classified rentals paid under the capitalised leases as financing cash outflows.

Financial Review

Revenue

Total revenue of the Group for the first half of 2021 was HK\$1,230 million (2020: HK\$892 million), representing an increase of 38% as compared with 2020.

Revenue from brands business was HK\$648 million in the first half of 2021, as compared to HK\$295 million in 2020. C.P. Company continued to report revenue growth as compared to the same period last year. The brand had shipped more Fall/Winter wholesale orders in the first half of 2021, while most of the Fall/Winter 2020 shipment were deferred to the second half of the last year. Our licensed business in China, in particular Nautica, also recorded healthy revenue increase in first half of 2021 as compared with the COVID-19 disrupted year of 2020.

Revenue from the garment manufacturing business was HK\$582 million, as compared with HK\$597 million in 2020. Revenue from premium business, which accounted for 72% (2020: 71%) of the segment revenue, down marginally by 2% as compared with the last year. Revenue from better business also decreased by 3%. The fairly steady revenue recorded in this first half year is in line with expectation as COVID-19 continued to impact our customers during this period.

Geographically, major markets of the Group are the UK, the People's Republic of China, Italy and Canada, which accounted for 24% (2020: 24%), 30% (2020: 21%), 13% (2020: 11%) and 8% (2020: 12%) of the Group's total revenue respectively. The change was mainly due to the increase in revenue of our brands business.

The Group's business continues to be 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 record in the second half year will continue.

Management Discussion and Analysis

Gross Profit

During the period, the Group's overall gross profit recorded at HK\$507 million (2020: HK\$270 million), representing a gross profit margin of 41.2% (2020: 30.3%). The increase in gross profit was mainly attributable to the increased turnover. Gross profit margin of garment manufacturing business has improved comparing to last year mainly driven by less inventory provision made and better material utilisation. Gross profit margin of brands business also rose over 2020 reflecting better supply chain management and reduced purchase costs. The Group's overall gross profit margin increased in 2021 also due to the rise in revenue proportion of brands business which has an overall higher margin.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly retail shop expenses, advertising and promotion and commissions paid to retail partners and sales agents. Selling and distribution expenses increased as compared to 2020 mainly due to increase in Nautica and Spyder shop expenses and commissions paid to retail partners as more retail stores opened comparing with same period in 2020.

General and Administrative Expenses

General and administrative expenses increased as compared with 2020 mainly due to administrative costs of brands business rose in line with business growth, and partially offset by savings in garment manufacturing business as benefited from cost reduction measures implemented since the last year.

Segment Results

The substantial decrease in segment loss of brands business in the first half of 2021 was attributed to C.P. Company posted net profit during the period and Nautica has achieved better operating performance with reduced losses.

Garment manufacturing business has returned to half-year profit in 2021 as compared to a marginal loss in the last year.

Financial Resources and Liquidity

As at 30 June 2021, cash and bank balances amounted to HK\$228 million (31 December 2020: HK\$359 million) which mainly represented United States dollars ("US dollars"), Renminbi and Euro bank deposits and balances. For the cash flow, the Group used more cash in the first half of 2021 as compared with the first half of 2020. It was mainly due to our garment manufacturing business had more cash received in first half of 2020 by reducing accounts receivables from a higher level at the beginning of the last year.

The Group maintained sufficient banking facilities to support its business. At 30 June 2021, the Group had short-term bank borrowings of HK\$47 million and a long-term Swiss Franc COVID-19 bridging loan of HK\$4 million borrowed by our subsidiary in Switzerland (31 December 2020: total bank loan of HK\$59 million). Short-term bank borrowings were mainly denominated in US dollars and bearing interest at fixed rates. As at 30 June 2021, bank deposits of HK\$11 million (31 December 2020: HK\$44 million) were pledged to secure bank facilities granted to the Group. Gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 30 June 2021 and 31 December 2020, and accordingly, no information on gearing ratio as at that dates is provided.

Shareholders' equity at 30 June 2021 decreased mainly due to loss attributable to equity shareholders for the current period and the negative exchange difference on translating the financial statements of overseas subsidiaries, mainly from the depreciation 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 2021, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in China and Pound Sterling sales receipts of a European subsidiary.

Contingent Liabilities and Capital Commitments

Apart from the capital commitments as disclosed in Note 22 to the consolidated interim financial statements, there was no other material capital commitments or contingent liabilities as at 30 June 2021.

Human Resources

The Group had about 6,630 employees as at 30 June 2021 (31 December 2020: 7,320 employees). 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

Our own global brand C.P. Company has a sound business foundation and reported year-on-year double-digit revenue growth since acquisition. Amid COVID-19 challenges, the brand has contributed net profit in the first half of 2021. The impressive performance reinforces our confidence in the brand's ability to post revenue and profitability growth for the full year of 2021 and the years to come. The brand will expand collections to drive revenue and upgrade our positioning in existing markets. We will continue to focus on existing key and growing wholesale markets (Italy, the UK, Benelux, South Korea, France, and Germany), and will expand into other countries in Europe, the Middle East, South American and Asian markets. The brand will continue to grow existing e-commerce channels and invest in localised digital channels in Asian countries. We also plan to open more direct retail stores at suitable time and locations. The 50th anniversary celebration will continue and also bring the most signature collaborations in the second half till end of the year.

Management Discussion and Analysis

Building on our strong design and supply chain teams and Nautica's aspirational image and long history in China, we have a clear path for the brand in terms of distribution channel mix, key retail metrics and business model. We have identified a clear product structure and our pricing and discount strategies across channels has supported healthy margins and topline growth. We will continue to invest into expanding and serving our loyal consumers. In the second half of 2021, we will focus on further growth in our business in outlets and e-commerce and extend the success of the flagship concept. As we execute our business plan together with our retail partners, we will keep an eye on the development and potential impact of Delta variant outbreaks.

Spyder's positioning is very much on trend in the huge and growing premium sports apparel market in China. Spyder's Fall/Winter collections have performed well since its introduction into the China market. We feel confident that our Fall/Winter 2021 collection will continue this trend of strong sell-through. We will focus on opening key outlet stores and strengthen our e-commerce channel management. Both channels will be supported by dedicated collections and strategic pricing. We will also mobilise our CRM efforts and investments on member recruitment, activation, and retention. In order to conserve cash, our footprint will only be modestly expanded in the second half year – with an eye towards more aggressive expansion in the second half of 2022.

Same as the last year, revenue of our garment manufacturing business in the second half this year will be better than the first half. The ongoing uncertainties surrounding the disruptive force of coronavirus variants and post-pandemic demand recovery remain challenging to our garment manufacturing business in the foreseeable future. We will continue our measures to control factory operating costs and right-size capacity in order to maintain flexibility when market recovers. Our diversified production base, unique production system together with flexible supply chain enable us to work closely with our premium brands customers to respond to their recovering needs.

The Group is dedicated to investing in the long term success of our brands business and at the same time strengthening our garment manufacturing business. We are cautiously optimistic about further improvement in the Group's 2021 second half and full year financial performance. The Company will closely monitor the development of the pandemic and its impact to our business. We believe the Group has sound and solid foundation to overcome the ongoing challenge of the pandemic. We are confident that we are able to weather through the challenges and achieve business growth and long-term sustainability of the Group.

Shareholders' Information and Corporate Governance

Disclosure of Interests

Directors' interests in securities

As at 30 June 2021, 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			Approximate percentage of issued share capital
		Through spouse or minor child	Through controlled corporation	Total	
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		Approximate percentage of issued share capital
			Through spouse or minor child	Total	
Ms. WANG KOO Yik Chun	Long position	Ordinary share	2,500 (Note 3)	2,500	0.03%

Notes:

- 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
- 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.
- 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 2021, 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 2021, 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				Approximate percentage of issued share capital
		Directly beneficially owned	Through spouse or minor child	Through controlled corporation	Total	
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 2021, 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.

Shareholders' Information and Corporate Governance

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 2021 were as follows:

A. The 2007 Share Option Scheme

Date of grant	Participant	Number of share options			Exercise price per share	Exercisable period
		At 1 January 2021	Lapsed during the period	At 30 June 2021		
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	564,000	(564,000)	–		

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.

Shareholders' Information and Corporate Governance

Share Options (Continued)

B. The 2016 Share Option Scheme

Date of grant	Participant	Number of share options			Exercise price per share	Exercisable period
		At 1 January 2021	Granted during the period	At 30 June 2021		
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	Employees (in aggregate)	359,000	–	359,000	HK\$1.58	3 June 2019 – 2 June 2024
		359,000	–	359,000	HK\$1.58	3 June 2020 – 2 June 2024
		359,000	–	359,000	HK\$1.58	3 June 2021 – 2 June 2024
		359,000	–	359,000	HK\$1.58	3 June 2022 – 2 June 2024
8 June 2020	Employees (in aggregate)	367,000	–	367,000	HK\$1.40	8 June 2020 – 7 June 2025
		367,000	–	367,000	HK\$1.40	8 June 2021 – 7 June 2025
		367,000	–	367,000	HK\$1.40	8 June 2022 – 7 June 2025
		367,000	–	367,000	HK\$1.40	8 June 2023 – 7 June 2025
7 June 2021 (Notes 2 & 3)	Employees (in aggregate)	–	450,000	450,000	HK\$1.00	7 June 2021 – 6 June 2026
		–	450,000	450,000	HK\$1.00	7 June 2022 – 6 June 2026
		–	450,000	450,000	HK\$1.00	7 June 2023 – 6 June 2026
		–	450,000	450,000	HK\$1.00	7 June 2024 – 6 June 2026
	Total	4,916,000	1,800,000	6,716,000		

Notes:

- The above options vest in four equal tranches over a period of three years from the relevant date of grant.
- The Company received a consideration of HK\$1.00 from each of the grantees for the options granted during the period.
- The closing price of the shares of the Company on 4 June 2021, being the business day immediately before the date on which the options were granted, as quoted on the Stock Exchange, was HK\$1.00.
- No options were exercised, cancelled or lapsed during the period.
- The fair value of the options granted during the period determined using the Trinomial valuation model was HK\$0.37 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK\$1.00
Exercise price	HK\$1.00
Dividend yield	0%
Volatility	45.07%
Annual risk-free interest rate	0.467%

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

The aggregate fair value of the options granted during the period amounted to HK\$674,000 is to be recognised as employment benefit expense 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.

Shareholders' Information and Corporate Governance

Corporate Governance Code

During the six months ended 30 June 2021, 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 2020 (the "2020 Annual Report").

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2021, 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 2021.

Change in Directors' Biographical Details

There is no change in Directors' biographical details since the date of the 2020 Annual Report of the Company 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 2021 (2020: 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 2021 in conjunction with the management of the Group.

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

Hong Kong, 30 August 2021