



Tristate Holdings Limited
(Incorporated in Bermuda with limited liability)

Interim Report

2007

Stock Code : 458

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CORPORATE INFORMATION

CHAIRMAN EMERITUS

TANG Chi Chien, Jack, *CBE (H)*

BOARD OF DIRECTORS

Executive Director:

WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:

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

Independent Non-Executive Directors:

LO Kai Yiu, Anthony
James Christopher KRALIK
John Zhuang YANG

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

MAK WANG Wing Yee, Winnie,
Chairlady of the Remuneration Committee
LO Kai Yiu, Anthony
James Christopher KRALIK
John Zhuang YANG

SHARE OPTION COMMITTEE

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

CHIEF FINANCIAL OFFICER AND QUALIFIED ACCOUNTANT

LI Kwan In

COMPANY SECRETARY

KWOK Shuk Chong

AUDITOR

PricewaterhouseCoopers, *Certified Public Accountants*

LEGAL ADVISORS

On Hong Kong Law : 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 Tokyo-Mitsubishi UFJ, Ltd.
The Bank of East Asia, Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE COMMUNICATIONS

The Company Secretary
Tristate Holdings Limited
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Kwai Chung
New Territories
Hong Kong
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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

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda
Tel : (441) 299-3882
Fax : (441) 295-6759

BRANCH REGISTRAR AND TRANSFER OFFICE

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The board of directors (the "Board" or the "Directors") 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 2007.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

	Note	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Revenue	4	1,240,010	1,167,555
Cost of sales		(970,118)	(915,806)
Gross profit		269,892	251,749
Other income		2,895	985
Selling and distribution expenses		(47,163)	(41,288)
General and administrative expenses		(165,773)	(162,409)
Profit from operations	5	59,851	49,037
Finance income	6	6,290	5,136
Finance costs	6	(5,159)	(3,779)
Profit before income tax		60,982	50,394
Income tax expense	7	(9,101)	(5,681)
Profit for the half year		51,881	44,713
Attributable to:			
Equity holders of the Company		49,732	42,392
Minority interests		2,149	2,321
		51,881	44,713
Interim dividend	8	21,499	18,811
Earnings per share attributable to equity holders of the Company:			
Basic and diluted	9	HK\$0.19	HK\$0.16

The accompanying notes form an integral part of the Condensed Consolidated Interim Financial Information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007

	Note	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	432,063	410,545
Investment properties	11	7,555	7,662
Leasehold land and land use rights	12	29,553	29,292
Intangible assets — license rights	13	49,726	55,331
Other long-term assets		11,552	11,297
Deferred income tax assets		6,574	6,537
		537,023	520,664
CURRENT ASSETS			
Inventories		470,840	336,143
Accounts receivable and bills receivable	14	311,293	391,687
Prepayments and other receivables		53,657	41,374
Income tax recoverable/prepayment		26,152	16,398
Cash and cash equivalents		262,005	331,257
		1,123,947	1,116,859
CURRENT LIABILITIES			
Accounts payable and bills payable	15	177,737	196,897
Accruals and other payables		156,608	170,601
Income tax liabilities		25,751	27,724
Bank borrowings	16	203,825	163,626
		563,921	558,848
NET CURRENT ASSETS		560,026	558,011
TOTAL ASSETS LESS CURRENT LIABILITIES		1,097,049	1,078,675
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		34,392	36,482
License fees payable		37,676	42,226
Deferred income tax liabilities		109,401	107,843
		181,469	186,551
NET ASSETS		915,580	892,124
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		26,874	26,874
Reserves		883,181	849,708
		910,055	876,582
Minority interests		5,525	15,542
TOTAL EQUITY		915,580	892,124

The accompanying notes form an integral part of the Condensed Consolidated Interim Financial Information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Unaudited			
	Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2007	26,874	849,708	15,542	892,124
Currency translation differences	—	13,302	—	13,302
Profit for the half year	—	49,732	2,149	51,881
Total recognised income and expense for the half year	—	63,034	2,149	65,183
	26,874	912,742	17,691	957,307
Dividend paid to equity holders of the Company	—	(29,561)	—	(29,561)
Dividend paid to a minority shareholder of a subsidiary	—	—	(6,080)	(6,080)
Decrease in minority interests on acquisition of additional interest in a subsidiary	—	—	(6,086)	(6,086)
As at 30 June 2007	26,874	883,181	5,525	915,580

	Unaudited			
	Share capital HK\$'000	Reserves HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2006	26,874	716,871	16,364	760,109
Deferred tax credited to equity	—	284	—	284
Currency translation differences	—	13,220	—	13,220
Profit for the half year	—	42,392	2,321	44,713
Total recognised income and expense for the half year	—	55,896	2,321	58,217
	26,874	772,767	18,685	818,326
Dividend paid to equity holders of the Company	—	(40,310)	—	(40,310)
Dividend paid to a minority shareholder of a subsidiary	—	—	(4,400)	(4,400)
Decrease in minority interests on acquisition of additional interest in a subsidiary	—	—	(369)	(369)
As at 30 June 2006	26,874	732,457	13,916	773,247

The accompanying notes form an integral part of the Condensed Consolidated Interim Financial Information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(35,112)	(68,056)
NET CASH USED IN INVESTING ACTIVITIES	(38,698)	(21,463)
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,558	56,088
DECREASE IN CASH AND BANK OVERDRAFTS	(69,252)	(33,431)
CASH AND BANK OVERDRAFTS, beginning of the half year	331,257	317,892
CASH AND BANK OVERDRAFTS, end of the half year	262,005	284,461
ANALYSIS OF CASH AND BANK OVERDRAFTS		
Cash and cash equivalents	262,005	284,614
Bank overdrafts	—	(153)
	262,005	284,461

The accompanying notes form an integral part of the Condensed Consolidated Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2007

1. GENERAL INFORMATION

Tristate Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The address of its head office and principal place of business in Hong Kong is 5/F., 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 trading, and (ii) branded product distribution and trading.

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

This unaudited Condensed Consolidated Interim Financial Information is presented in Hong Kong dollars ("HK\$") unless otherwise stated. This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2007 has been approved for issue by the board of directors of the Company on 17 September 2007.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2006.

The accounting policies are consistent with those as described in the annual financial statements for the year ended 31 December 2006, except that the Group has adopted the new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Hong Kong (IFRIC*) Interpretations ("HK(IFRIC)-Interpretations") which are effective from accounting periods beginning on or after 1 January 2007 and relevant to its operations. The impacts on the Group's accounting policies upon adoption of the new/revised HKFRSs, HKASs and HK(IFRIC)-Interpretations are set out in Note 3 below.

* IFRIC: International Financial Reporting Interpretations Committee

3. IMPACTS OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS

In 2007, the Group adopted the following HK(IFRIC)-Interpretation, HKFRS and HKAS and the impacts on the Group's accounting policies are set out below:

HK(IFRIC)-Interpretation 10	Interim Financial Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures

HK(IFRIC)-Interpretation 10 prohibits the impairment loss recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of HK(IFRIC)-Interpretation 10 is not expected to have any impact on the unaudited Condensed Consolidated Interim Financial Information and the annual consolidated financial statements.

HKFRS 7 and HKAS 1 (Amendment) introduce new disclosures relating to financial instruments and capital in the Group's annual financial statements. The adoption does not have any impact on the unaudited Condensed Consolidated Interim Financial Information and full disclosures as required by HKFRS 7 and HKAS 1 (Amendment) will be made in the annual consolidated financial statements for the year ending 31 December 2007.

The following HK(IFRIC)-Interpretations, HKFRS and amendment to HKAS have been issued by HKICPA but are not yet effective for the accounting periods beginning on 1 January 2007 and have not been early adopted:

- HK(IFRIC)-Interpretation 11, HKFRS 2 – Group and Treasury Share Transactions, effective for accounting periods beginning on or after 1 March 2007. The management of the Group considers the interpretation is not relevant to the Group's operations.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

3. IMPACTS OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS (continued)

- HK(IFRIC)-Interpretation 12, Service Concession Arrangements, effective for accounting periods beginning on or after 1 January 2008. The management of the Group considers the interpretation is not relevant to the Group's operations.
- HKFRS 8, Operating Segments, effective for accounting periods beginning on or after 1 January 2009. HKFRS 8 supersedes HKAS 14, Segment Reporting, which requires segments to be identified and reported on by way of a risk and return analysis for external reporting purposes. HKFRS 8 requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. The Group will apply HKFRS 8 from 1 January 2009 onwards. The management of the Group has made a preliminary assessment and considers that the adoption of HKFRS 8 may result in new and additional segment disclosure.
- HKAS 23 (Revised), Borrowing Costs, effective for accounting periods beginning on or after 1 January 2009. HKAS 23 (Revised) removes the option to capitalise borrowing costs relating to qualifying assets or expense the borrowing cost and requires management to capitalise borrowing costs attributable to qualifying assets. The Group will apply HKAS 23 (Revised) from 1 January 2009 onwards, but it is not expected to have any impact on the Group's consolidated financial statements.

The following interpretations are mandatory for accounting periods beginning on or after 1 March 2006 but are not relevant to the Group's operations:

- HK(IFRIC)-Interpretation 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies;
- HK(IFRIC)-Interpretation 8, Scope of HKFRS 2; and
- HK(IFRIC)-Interpretation 9, Reassessment of Embedded Derivatives.

4. SEGMENT INFORMATION

(a) Primary reporting format — Business segments

The Group conducts the majority of its business activities in two segments: (i) garment manufacturing and trading, and (ii) branded product distribution and trading. The segment results are as follows:

	Garment manufacturing and trading		Branded product distribution and trading		Group	
	Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006	Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006	Unaudited Six months ended 30 June 2007	Unaudited Six months ended 30 June 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,097,615	1,036,239	142,395	131,316	1,240,010	1,167,555
Segment results	52,349	43,638	7,502	5,399	59,851	49,037
Finance income					6,290	5,136
Finance costs					(5,159)	(3,779)
Profit before income tax					60,982	50,394
Income tax expense					(9,101)	(5,681)
Profit for the half year					51,881	44,713

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

4. SEGMENT INFORMATION (continued)

(a) Primary reporting format — Business segments (continued)

	Garment manufacturing and trading		Branded product distribution and trading		Unallocated ^(Note)		Group	
	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Segment assets	1,255,900	1,140,157	136,317	163,056	268,753	334,310	1,660,970	1,637,523
Segment liabilities	320,722	332,709	85,690	113,497	338,978	299,193	745,390	745,399
Net assets							915,580	892,124

	Garment manufacturing and trading		Branded product distribution and trading		Unallocated ^(Note)		Group	
	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Capital expenditure	32,171	21,313	3,216	1,571	—	—	35,387	22,884
Amortisation of leasehold land and land use rights	444	192	—	—	—	104	444	296
Amortisation of license rights	—	—	5,605	2,899	—	—	5,605	2,899
Depreciation on property, plant and equipment	22,686	23,619	1,273	1,249	285	74	24,244	24,942
Depreciation on investment properties	—	—	—	—	107	107	107	107

Note: Unallocated assets mainly include land and building not in use, investment properties and corporate cash. Unallocated liabilities mainly include income tax liabilities and corporate borrowings.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

4. SEGMENT INFORMATION (continued)

(b) Secondary reporting format — Geographical segments

The Group's revenue is mainly derived from customers located in the United States of America, Asia and Europe, while the Group's production facilities and other assets are located predominantly in the People's Republic of China (the "PRC") and Thailand. The PRC includes the mainland of the PRC ("Mainland China"), Hong Kong and Macau. An analysis of the Group's external revenue by location of customers and an analysis of the Group's assets and capital expenditure by location of assets are as follows:

	The United States of America		Asia		Europe		Group	
	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Revenue	914,967	934,666	191,172	162,089	133,871	70,800	1,240,010	1,167,555

	PRC		Thailand		Other locations		Group	
	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Segment assets	950,310	922,591	236,799	213,234	205,108	167,388	1,392,217	1,303,213
Unallocated assets							268,753	334,310
							1,660,970	1,637,523

	PRC		Thailand		Other locations		Group	
	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Capital expenditure	30,022	9,334	909	3,864	4,456	9,686	35,387	22,884

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

5. PROFIT FROM OPERATIONS

Profit from operations is stated after crediting and charging the following:

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
<i>Crediting</i>		
Reversal of provision for impairment of receivables	356	631
<i>Charging</i>		
Amortisation of leasehold land and land use rights	444	296
Depreciation on property, plant and equipment	24,244	24,942
Depreciation on investment properties	107	107
Net loss on disposals of property, plant and equipment	548	513
Amortisation of license rights	5,605	2,899
Write-down of inventories to net realisable value	9,061	8,367
Employment expenses	280,510	262,941

6. FINANCE INCOME / FINANCE COSTS

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Finance income		
Interest income on bank deposits	6,290	5,136
Finance costs		
Interest on bank loans and overdrafts	3,769	2,221
Imputed interest on license fees payable	1,390	1,558
	5,159	3,779

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Current income tax		
Hong Kong profits tax	7,293	5,021
Non-Hong Kong tax	2,214	1,523
Deferred income tax	(406)	(863)
	9,101	5,681

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the half year. Income tax on non-Hong Kong profit has been calculated on the relevant estimated assessable profit for the half year at the income tax rates prevailing in the countries/places in which the Group operates.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

7. INCOME TAX EXPENSE (continued)

In early 2006, the Hong Kong Inland Revenue Department ("HK IRD") initiated a tax audit on certain companies of the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 and 2000/2001. These companies have filed objections to the HK IRD against the protective assessments. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is still at a preliminary fact-finding stage, its outcome cannot be readily ascertained with any degree of accuracy. The management of the Group has reviewed the situation and after seeking necessary professional advice considers that sufficient tax related provisions have been made in the Condensed Consolidated Interim Financial Information in respect of the two years' protective assessments which the Group had received.

8. INTERIM DIVIDEND

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
Declared HK\$0.08 (2006: HK\$0.07) per share	21,499	18,811

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit attributable to equity holders of the Company for the half year of 2007 of HK\$49,732,000 (2006: HK\$42,392,000) by the weighted average number of shares in issue during the half year of 2007 of 268,735,253 (2006: 268,735,253).

As there was no potential dilutive share, diluted earnings per share equal to the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Opening net book amount	410,545	356,082
Additions	35,387	33,203
Disposals	(784)	(2,431)
Surplus on revaluation credited to assets revaluation reserve	—	55,002
Deficit on revaluation recognised in the income statement	—	(812)
Depreciation	(24,244)	(55,766)
Exchange differences	11,159	25,267
Closing net book amount	432,063	410,545

11. INVESTMENT PROPERTIES

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Opening net book amount	7,662	8,854
Depreciation	(107)	(214)
Impairment	—	(978)
Closing net book amount	7,555	7,662

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

12. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Opening net book amount	29,292	19,674
Additions	404	9,954
Amortisation	(444)	(657)
Exchange differences	301	321
Closing net book amount	29,553	29,292

13. INTANGIBLE ASSETS — LICENSE RIGHTS

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Opening net book amount	55,331	62,305
Amortisation	(5,605)	(6,974)
Closing net book amount	49,726	55,331

License rights represent capitalisation of the expected variable payments based on pre-determined criteria on future revenue from the licensed business that can be reliably estimated at the time of the inception. They are recognised based on a discount rate equal to the Group's weighted average borrowing rate of approximately 5.0% per annum at the date of inception. Subsequent to the half year of 2007, the Group has entered into an agreement to terminate one of the license agreements and the details are set out in Note 19.

14. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging analysis is as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Less than 3 months	307,472	384,698
3 months to 6 months	3,821	6,989
Over 6 months	3,223	4,457
	314,516	396,144
Less: impairment of receivables	(3,223)	(4,457)
	311,293	391,687

The majority of the sales are covered by letters of credit with bills payable at sight. The remaining portion of the sales is on open account with credit term of approximately 30 days and is substantially covered by credit insurance.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

15. ACCOUNTS PAYABLE AND BILLS PAYABLE

The aging analysis is as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Less than 3 months	170,413	189,922
3 months to 6 months	5,287	4,731
Over 6 months	2,037	2,244
	177,737	196,897

Payment terms with suppliers are on letters of credit and open account. Certain suppliers grant credit periods ranging from 30 to 60 days.

16. BANK BORROWINGS

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Short-term bank loans	203,825	163,626

The carrying amounts of the bank borrowings approximate their fair values.

17. COMMITMENTS

(a) Operating lease commitments

- (i) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings, as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Not later than 1 year	26,871	21,951
Later than 1 year and not later than 5 years	26,942	16,654
Later than 5 years	16,440	15,290
	70,253	53,895

- (ii) The Group had future aggregate minimum lease rental receipts under non-cancellable operating leases in respect of land and buildings, as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Not later than 1 year	1,136	1,166
Later than 1 year and not later than 5 years	83	438
	1,219	1,604

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2007

17. COMMITMENTS (continued)

(b) Capital commitments

The Group had capital commitments in relation to construction of production facilities and purchase of equipment, as follows:

	Unaudited As at 30 June 2007 HK\$'000	Audited As at 31 December 2006 HK\$'000
Contracted but not provided for	24,528	—
Authorised but not contracted for	—	21,318
	24,528	21,318

18. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 30 June 2007 HK\$'000	Unaudited Six months ended 30 June 2006 HK\$'000
A related company		
Rental expense	2,229	2,229
Key management compensation		
Salaries, allowances and bonuses	8,799	10,294
Defined contribution plans	263	362
Other retirement benefits	291	183
	9,353	10,839

19. EVENT AFTER BALANCE SHEET DATE

On 11 July 2007, the Group entered into an agreement to terminate a license agreement effective 31 August 2007 (the "Termination") in return for a compensation. In addition, the Group will only be required to pay royalty based on the actual sales up to the date of Termination and is not obligated to pay the minimum royalty which is a higher amount based on the original agreement. The franchise agreements between the Group and its franchisees relating to the said license are to be terminated and all the stores operated by the Group and such franchisees are to be taken over by the new operator. The aggregate financial effect resulting from the Termination is a net gain of approximately HK\$11,000,000.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

In this Management Discussion and Analysis, we present the business review and explain the financial performance of Tristate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") over the six months ended 30 June 2007.

BUSINESS REVIEW

For the half year of 2007, the total revenue of the Group was HK\$1,240,010,000 (2006: HK\$1,167,555,000), representing an increase of 6% as compared with the corresponding period of 2006.

Revenue from garment manufacturing and trading segment increased by 6% as compared with the corresponding period of 2006. This was mainly due to increase of orders from the Group's major customers during the half year of 2007.

Revenue for branded product distribution and trading segment increased by 8% when compared with the corresponding period of 2006. Such increase was mainly caused by a satisfactory revenue growth from the branded product distribution business.

Geographically, the United States of America continued to be the major export market for the Group contributing 74% (2006: 80%) of the total revenue while export sales to Asia and Europe accounted for 15% (2006: 14%) and 11% (2006: 6%) of the Group's total revenue respectively. The Group's garment manufacturing revenue is generally subject to seasonality. The management of the Group seeks to minimise the impact of seasonality by focusing on key customers with relatively even year-round orders.

Gross profit of the Group increased to HK\$269,892,000 (2006: HK\$251,749,000) during the period while gross profit margin remained stable at 22%. Selling and distribution expenses increased by 14% mainly due to the increase in sales related promotion expenses and license right amortisation of the branded product distribution and trading segment. General and administrative expenses increased by 2% during the half year of 2007 as compared with prior year.

The increased profitability of both garment manufacturing and branded product distribution segments resulted in an increase in the profit attributable to equity holders of the Company from HK\$42,392,000 for the half year of 2006 to HK\$49,732,000 for the half year of 2007.

In early 2006, the Hong Kong Inland Revenue Department ("HK IRD") initiated a tax audit on certain companies of the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 and 2000/2001. These companies have filed objections to the HK IRD against the protective assessments. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is still at a preliminary fact-finding stage, its outcome cannot be readily ascertained with any degree of accuracy. The management of the Group has reviewed the situation and after seeking necessary professional advice considers that sufficient tax related provisions have been made in the Condensed Consolidated Interim Financial Information in respect of the two years' protective assessments which the Group had received.

New production facilities of the Group in the Hefei Economic & Technological Development Area in Anhui Province, Mainland China will be ready for full scale operation during the second half of 2007. It is expected that the Group's operating cost efficiency would improve.

During the first half of 2007, the Group further increased its equity interest in Hua Thai Manufacturing Public Company Limited ("Hua Thai"), a subsidiary of the Company listed on The Stock Exchange of Thailand (the "Thailand Stock Exchange"), from 97% as at 31 December 2006 to 99% as at 30 June 2007. On 11 September 2007, the board of directors of Hua Thai has resolved to approve the recommendation regarding the delisting of its shares from the Thailand Stock Exchange to its shareholders. In this connection, Prime-Time Company Limited, a wholly-owned subsidiary of the Company, has proposed to make a tender offer to acquire all of the remaining Hua Thai shares being approximately 1% of the shares in Hua Thai. The proposed delisting of Hua Thai shares and the related tender offer is estimated to have no significant impact on the consolidated financial statements of the Group.

During the half year of 2007 and up to the date of this Interim Report, there were no material acquisitions or disposals of subsidiaries or associated companies or investment in associated companies.

On 11 July 2007, in connection with a licensor's proposal for strategic change of its brand business in the People's Republic of China, the Group has entered into an agreement to terminate one of the branded product distribution agreements for a compensation from the licensor. The termination will not have significant impact on the Group's branded product business. The Group will continue to expand its existing branded product business by entering into additional distribution rights agreements and setting up new retail stores when opportunities arise.

Save as disclosed herein, no important events affecting the Group have occurred since the end of 30 June 2007 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

During the half year of 2007, the Group continued to maintain a healthy liquidity position. As at 30 June 2007, cash and cash equivalents amounted to HK\$262,005,000 (31 December 2006: HK\$331,257,000) which were mainly denominated in United States dollars and Chinese Renminbi. The short-term bank borrowings of the Group amounted to HK\$203,825,000 as at 30 June 2007 (31 December 2006: HK\$163,626,000). The borrowings were denominated in United States dollars and Thai Bahts and were at floating interest rates. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 30 June 2007. Facilities extended to the subsidiaries were not charged with the Group's assets. As the Group did not have net bank borrowings as at 30 June 2007 and 31 December 2006, no information on gearing ratio as at 30 June 2007 and 31 December 2006 is provided as such information is not relevant.

Most of the Group's receipts and payments were denominated in Hong Kong dollars, Chinese Renminbi or United States dollars. The management of the Group monitors the related foreign exchange risk exposure closely and considers hedging significant foreign exchange risk exposure should the need arise.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Other than disclosed, there were no material capital commitments or contingent liabilities as at 30 June 2007 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group has about 20,000 (31 December 2006: 19,000) employees as of 30 June 2007. Fair and competitive remuneration packages and benefits are offered to competent employees. Discretionary bonuses are granted to eligible employees with outstanding performance. In addition, a new share option scheme ("2007 Share Option Scheme") has been adopted by the Board on 2 April 2007 and approved by shareholders of the Company at the Annual General Meeting held on 6 June 2007 for granting of options to eligible persons under the 2007 Share Option Scheme for subscribing for shares in the Company. Further details on the Company's share option schemes are set out under the "Share Options" section of this Interim Report.

FUTURE DEVELOPMENT

The second half of 2007 is expected to be challenging to the Group in view of continuing price pressure and fierce competition in the market. In addition, the Group is facing the economic uncertainty of the United States of America and the appreciation of Asian currencies against Hong Kong dollars. Nevertheless, we will strive to maintain our position as a leading manufacturer for a wide range of garments, including ladies' suits and tailored related separates for women and casual and lifestyle clothes for men. The Group's current sales orders on hand are consistent with that of the last comparable period.

Going forward, the Group will continue focusing on its core customers and product offerings but will also explore business opportunities to expand the existing business segments. We will constantly review our systems to improve our production efficiency and control our costs to improve margins. The Group will strive to deliver satisfactory returns to our shareholders.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE

INTERIM DIVIDEND

The board of directors (the "Board" or the "Directors") of Tristate Holdings Limited (the "Company") has resolved to declare an interim dividend of HK\$0.08 per share for the six months ended 30 June 2007, amounting to a total of HK\$21,499,000 (2006: HK\$0.07 per share, totalling HK\$18,811,000). The interim dividend will be payable on Wednesday, 17 October 2007 to shareholders whose names appear on the Register of Members of the Company on Friday, 12 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Monday, 8 October 2007 to Friday, 12 October 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 5 October 2007.

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2007, the interests and short positions of the Directors and the chief executive of the Company in 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 "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

Name of Director	Long/short position	Number of shares held				Total	Approximate percentage of issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation(s)	Through discretionary trust(s)/as beneficiary or trustee of trust(s)		
WANG Kin Chung, Peter	Long position	—	3,000,000 (Note a)	178,427,000 (Note b)	—	181,427,000	67.51%

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

Name of Director	Long/short position	Class	Number of shares held			Total	Approximate percentage of issued share capital
			Directly beneficially owned	Through spouse or minor children			
WANG KOO Yik Chun	Long position	Ordinary share	—	2,500 (Note c)		2,500	0.03%

Save as disclosed above, as at 30 June 2007, 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 required to be (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

Substantial shareholders

The register of substantial shareholders maintained under Section 336 of the SFO shows that, as at 30 June 2007, the Company had been notified that the following persons (not being a Director or the chief executive of the Company) were interested in the following interests and/or short positions in the shares or underlying shares of the Company:

Name of shareholder	Long/short position	Number of shares held				Total	Approximate percentage of issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation(s)	Through discretionary trust(s)/as beneficiary or trustee of trust(s)		
Daisy TING	Long position	3,000,000	178,427,000 <i>(Note d)</i>	—	—	181,427,000	67.51%
Silver Tree Holdings Inc.	Long position	178,427,000 <i>(Note b)</i>	—	—	—	178,427,000	66.40%
TANG Yue Nien, Martin	Long position	—	—	—	23,860,000 <i>(Note e)</i>	23,860,000	8.88%
Arbor Trust Limited	Long position	—	—	—	23,860,000 <i>(Note e)</i>	23,860,000	8.88%

Save as disclosed above, as at 30 June 2007, no other person (other than a Director or the chief executive of the Company) known to any Director or the chief executive of the Company had an interest or short position in the shares or underlying shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Notes to "Directors' interests in securities" and "Substantial shareholders" sections above (per information as at 30 June 2007):

- a. 3,000,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
- b. 178,427,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly-owned by Mr. WANG Kin Chung, Peter.
- c. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.
- d. 178,427,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly-owned by Mr. WANG Kin Chung, Peter (see Note b), the spouse of Ms. Daisy TING.
- e. Arbor Trust Limited held 23,860,000 shares as trustee of a trust of which Mr. TANG Yue Nien, Martin was a discretionary beneficiary.

SHARE OPTIONS

A new share option scheme ("2007 Share Option Scheme") was adopted by the Board on 2 April 2007 and was approved by the shareholders of the Company at the Annual General Meeting held on 6 June 2007 (the "2007 AGM") for granting of options to eligible persons under such scheme for subscribing shares in the Company. The share option scheme adopted by the Company on 28 November 1997 ("1997 Share Option Scheme") which originally will expire on 28 November 2007 was cancelled at the 2007 AGM. Further details of the 2007 Share Option Scheme are set out in the circular of the Company dated 8 May 2007. As at the date of this Interim Report, 26,873,525 shares, representing 10% of the issued share capital of the Company as at 6 June 2007 which was the date of approval of the 2007 Share Option Scheme, are available for issue under the 2007 Share Option Scheme.

No share options under the 1997 Share Option Scheme and the 2007 Share Option Scheme were outstanding at the beginning and at the end of the six months ended 30 June 2007 and no share options were granted, exercised, cancelled or lapsed during the said period.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the half year of 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the half year of 2007, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules, except for the deviation from code provisions A.2.1 and B.1.1. By the end of 30 June 2007, action has been taken resulting in compliance with code provision B.1.1.

During the half year of 2007 and up to the date of this Interim Report, Mr. WANG Kin Chung, Peter is the Chairman and the Chief Executive Officer ("CEO") of the Company, and that the functions of the Chairman and the CEO in the Company's strategic planning and development process overlap. These constitute a deviation from code provision A.2.1 of the Code which stipulates that the roles of the Chairman and the CEO should be separate and should not be performed by the same individual. However, the Board considered that it is beneficial to the Company that the Chairman and the CEO both take part in the Company's strategic planning and development process. The Board also considers that it would be appropriate and in the best interest of the Company and its shareholders as a whole that Mr. WANG Kin Chung, Peter holds both the offices of the Chairman and the CEO given the current size of the Group and its present stage of development.

Following the resignation of Mr. YUAN Ching Man, James as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company with effect from 3 April 2007, the Company was temporarily non-compliant with code provision B.1.1 of the Code which requires that a majority of the members of the Remuneration Committee should be independent non-executive directors. On 28 June 2007, Mr. WANG Kin Chung, Peter resigned as a member of the Remuneration Committee resulting in compliance with code provision B.1.1 by the Company thereafter.

On 28 August 2007, Professor John Zhuang YANG has been appointed as an independent non-executive Director and a member of the Remuneration Committee of the Company and Mr. James Christopher KRALIK, an existing independent non-executive Director, has been appointed as a member of the Audit Committee of the Company. Subsequent to the aforesaid appointments, the Company complied with rules 3.11 and 3.23 of the Listing Rules respectively.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. By responding to specific enquiries from the Company, the Directors have confirmed that they complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transaction by Directors throughout the half year of 2007.

AUDIT COMMITTEE

The Audit Committee comprises Mr. LO Kai Yiu, Anthony and Mr. James Christopher KRALIK (being the independent non-executive Directors), and Ms. MAK WANG Wing Yee, Winnie (being the non-executive Director). The Audit Committee has reviewed the unaudited Condensed Consolidated Interim Financial Information and the Interim Report of the Group for the six months ended 30 June 2007 in conjunction with the management of the Group.

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

Hong Kong, 17 September 2007