Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2009

Stock Code : 458

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*
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 COMPANY SECRETARY
LO Yiu Hee

AUDITOR
PricewaterhouseCoopers, *Certified Public Accountants*

LEGAL ADVISORS
On Hong Kong Law : Richards Butler in association with Reed Smith LLP
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
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CORPORATE COMMUNICATIONS
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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

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BRANCH REGISTRAR AND TRANSFER OFFICE
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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 2009 together with comparative figures for 2008.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2009

		Unaudited six months ended 30 June	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Revenue	4	**1,339,249**	1,516,364
Cost of sales		**(1,050,382)**	(1,220,408)
Gross profit		**288,867**	295,956
Other income and other gains		**3,531**	3,264
Gain on disposal of non-current assets held for sale	5	**–**	15,125
Selling and distribution expenses		**(77,273)**	(68,890)
General and administrative expenses		**(187,834)**	(210,930)
Restructuring costs	6	**(166,445)**	–
(Loss)/profit from operations	7	**(139,154)**	34,525
Finance income	8	**1,478**	3,978
Finance costs	8	**(4,870)**	(5,010)
Provision for impairment in an associate		**(592)**	–
Share of results of associates		**(142)**	13
(Loss)/profit before income tax		**(143,280)**	33,506
Income tax credit	9	**4,481**	159
(Loss)/profit for the half year		**(138,799)**	33,665
Attributable to:			
Equity holders of the Company		**(138,771)**	33,684
Minority interests		**(28)**	(19)
		(138,799)	33,665
Interim dividend	10	**–**	16,124
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic	11	**(HK$0.52)**	HK$0.13
Diluted	11	**(HK$0.52)**	N/A

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the half year	**(138,799)**	33,665
Other comprehensive income:		
Fair value losses on cash flow hedges		
Losses arising during the half year	**(25,708)**	–
Transfer to the consolidated income statement	**(9,903)**	–
Income tax effect	**19**	–
Fair value (loss)/gain on net investment hedge	**(14,268)**	856
Currency translation differences		
Gain arising during the half year	**12,521**	17,219
Transfer to the consolidated income statement	**138,928**	–
Effect of change in income tax rate on assets revaluation reserve	**(20)**	–
Other comprehensive income, net of tax	**101,569**	18,075
Total comprehensive (loss)/income for the half year	**(37,230)**	51,740
Attributable to:		
Equity holders of the Company	**(37,202)**	51,778
Minority interests	**(28)**	(38)
	(37,230)	51,740

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Note	**Unaudited As at 30 June 2009 HK$'000**	Audited As at 31 December 2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**598,754**	571,338
Investment properties	13	**1,051**	1,065
Leasehold land and land use rights	14	**38,448**	27,824
Intangible assets	15	**156,992**	159,738
Other long-term assets		**20,168**	19,627
Deferred income tax assets		**7,702**	6,676
Investments in associates		**4,192**	4,991
		827,307	791,259
CURRENT ASSETS			
Inventories		**309,452**	343,472
Accounts receivable and bills receivable	16	**346,878**	384,874
Forward foreign exchange contracts		**4,703**	45,621
Prepayments and other receivables		**83,360**	73,445
Cash and bank balances	17	**371,319**	300,349
		1,115,712	1,147,761
Non-current assets held for sale		**–**	5,599
		1,115,712	1,153,360
CURRENT LIABILITIES			
Accounts payable and bills payable	18	**170,744**	185,269
Forward foreign exchange contracts		**36,306**	–
Accruals and other payables		**212,419**	205,633
Income tax liabilities		**41,566**	43,674
Bank borrowings	19	**268,537**	210,842
		729,572	645,418
NET CURRENT ASSETS		**386,140**	507,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,213,447**	1,299,201
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**25,819**	33,694
License fees payable		**119,416**	124,247
Deferred income tax liabilities		**72,567**	83,629
Other long-term liabilities		**5,882**	6,589
		223,684	248,159
NET ASSETS		**989,763**	1,051,042
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**26,874**	26,874
Reserves		**962,475**	1,023,726
		989,349	1,050,600
Minority interests		**414**	442
TOTAL EQUITY		**989,763**	1,051,042

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Minority interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2009	**26,874**	**1,023,726**	**1,050,600**	**442**	**1,051,042**
Total comprehensive loss for the half year	**–**	**(37,202)**	**(37,202)**	**(28)**	**(37,230)**
Share option scheme – value of employee services	**–**	**137**	**137**	**–**	**137**
Dividends paid to equity holders of the Company	**–**	**(24,186)**	**(24,186)**	**–**	**(24,186)**
As at 30 June 2009	**26,874**	**962,475**	**989,349**	**414**	**989,763**

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2008	26,874	956,113	982,987	487	983,474
Total comprehensive income for the half year	–	51,778	51,778	(38)	51,740
Dividends paid to equity holders of the Company	–	(32,248)	(32,248)	–	(32,248)
As at 30 June 2008	26,874	975,643	1,002,517	449	1,002,966

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**59,642**	(52,357)
NET CASH USED IN INVESTING ACTIVITIES	**(60,715)**	(101,494)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**31,276**	(9,547)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**30,203**	(163,398)
CASH AND CASH EQUIVALENTS, beginning of the half year	**284,851**	389,398
CASH AND CASH EQUIVALENTS, end of the half year	**315,054**	226,000

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 2009

1. GENERAL INFORMATION

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 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong.

The principal activities of the Group are (i) garment manufacturing, and (ii) branded product distribution, retail and trading.

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

The unaudited Condensed Consolidated Interim Financial Information is presented in Hong Kong dollars ("HK$"), unless otherwise stated. The unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2009 has been approved for issue by the Board on 31 August 2009.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied in preparing the unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2009 are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2008, except as described in Note 3 below.

3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2009, the Group has adopted the following new standards, amendments and interpretations to existing standards which are mandatory for the first time for the Group's financial year beginning 1 January 2009 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The unaudited Condensed Consolidated Interim Financial Information has been prepared under the revised disclosure requirements.

HKAS 1 (Amendment), 'Presentation of Financial Statements' resulting from improvements to HKFRSs published in October 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial Instruments: Recognition and Measurement' are examples of current assets and liabilities. The amendment has no impact on the unaudited Condensed Consolidated Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 19 (Amendment), 'Employee Benefits'. The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. In addition, the distinction between short-term and long-term employee benefits is based on whether benefits are due to be settled within or after 12 months of employee service being rendered. HKAS 19 (Amendment) has also been amended to be consistent with HKAS 37, 'Provision, Contingent Liabilities and Contingent Assets', which requires contingent liabilities to be disclosed, not recognised. The adoption of HKAS 19 (Amendment) has no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKAS 23 (Revised), 'Borrowing Costs'. The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of HKAS 23 (Revised) has no impact on the unaudited Condensed Consolidated Interim Financial Information as the Group's existing accounting policy on borrowing costs complies with the revised requirements.

HKAS 23 (Amendment), 'Borrowing Costs' resulting from improvements to HKFRSs published in October 2008. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39, 'Financial Instruments: Recognition and Measurement'. The amendment has no impact on the unaudited Condensed Consolidated Interim Financial Information as the Group's existing accounting policy on borrowing costs complies with the amended requirements.

HKAS 27 (Amendment), 'Consolidated and Separate Financial Statements'. Where an investment in a subsidiary that is accounted for under HKAS 39, 'Financial Instruments: Recognition and Measurement', is classified as held for sale under HKFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', HKAS 39 would continue to be applied. The amendment has no impact on the unaudited Condensed Consolidated Interim Financial Information because it is the Group's policy for an investment in subsidiary to be recorded at cost in the stand-alone financial statements of each entity.

HKAS 28 (Amendment), 'Investments in Associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial Instruments: Disclosures'). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The adoption of HKAS 28 (Amendment) has no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKAS 36 (Amendment), 'Impairment of Assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculation should be made. The Group will make the required disclosure where applicable for impairment tests in its annual financial statements for the year ending 31 December 2009.

HKAS 38 (Amendment), 'Intangible Assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. An expense is therefore recognised when an entity has a right to access or receipt of goods and services. The adoption of HKAS 38 (Amendment) has no impact on the unaudited Condensed Consolidated Interim Financial Information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'. The amendment relevant to the Group clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. In addition, the definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. The adoption of HKAS 39 (Amendment) has no impact on the unaudited Condensed Consolidated Interim Financial Information as there was no movement into and out of the fair value through profit or loss category during the half year.

HKFRS 2 (Amendment), 'Share-based Payment – Vesting Conditions and Cancellations'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such, these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of HKFRS 2 (Amendment) has no impact on the unaudited Condensed Consolidated Interim Financial Information as the Group's existing accounting policy on share-based payment complies with the amended requirements.

HKFRS 7 (Amendment), 'Financial Instruments: Disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its annual financial statements for the year ending 31 December 2009.

HKFRS 8, 'Operating Segments'. HKFRS 8 replaces HKAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision maker. The adoption of HKFRS 8 resulted in no change in the identification of reportable segments presented in the unaudited Condensed Consolidated Interim Financial Information but has led to increased disclosures. The unallocated assets and liabilities and their results under the previous HKAS 14 presentation are included under the reportable segments after the adoption of HKFRS 8. The 2008 comparative figures have also been presented on the same basis.

HK(IFRIC*) – Interpretation 13, 'Customer Loyalty Programmes'. HK(IFRIC) – Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The adoption of HK(IFRIC) – Interpretation 13 has no material impact on the unaudited Condensed Consolidated Interim Financial Information.

* IFRIC: International Financial Reporting Interpretations Committee

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC) – Interpretation 16, 'Hedges of a Net Investment in a Foreign Operation'. HK(IFRIC) – Interpretation 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The Effects of Changes in Foreign Exchange Rates', do apply to the hedged item. The adoption of HK(IFRIC) – Interpretation 16 has no impact on the unaudited Condensed Consolidated Interim Financial Information as the Group's existing accounting policy on net investment hedges complies with the interpretation.

The following amendments and interpretation to existing standards are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant to the Group:

HKAS 32 (Amendment), 'Financial Instruments: Presentation'.

HK(IFRIC) 9 (Amendment), 'Reassessment of Embedded Derivatives' and HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.

HK(IFRIC) – Interpretation 15, 'Agreements for the Construction of Real Estate'.

The following amendments to existing standards and interpretation relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

HKFRS 3 (Revised), 'Business Combinations' and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates' and HKAS 31, 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

HKICPA's improvements to HKFRSs published in May 2009:

HKAS 7 (Amendment), 'Statement of Cash Flows', effective for periods beginning on or after 1 January 2010. Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply HKAS 7 (Amendment) from 1 January 2010.

HKAS 17 (Amendment), 'Leases', effective for periods beginning on or after 1 January 2010. The amendment removes the specific guidance on classification of long-term leases of land as operating lease. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply HKAS 17 (Amendment) from 1 January 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

3. IMPACT OF ADOPTING NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 36 (Amendment), 'Impairment of Assets', effective for periods beginning on or after 1 January 2010. This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in HKFRS 8, 'Operating Segments'. The amendment will not have any impact on the Group's financial statements as the Group's current basis for goodwill impairment test complies with the amendment.

HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', effective for periods beginning on or after 1 January 2010. Loan prepayment penalties are treated as closely related embedded derivatives, only if the penalties are payments that compensate the lender for loss of interest by reducing the economic loss from reinvestment risk. In addition, the scope exemption to business combination contracts only applies to forward contracts that are firmly committed to be completed between the acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date. Therefore option contracts are not in this scope exemption. This amendment also clarifies that in a cash flow hedge of a forecast transaction that a reclassification of the gains or losses on the hedged item from equity to profit or loss is made during the period the hedged forecast cash flows affect profit or loss. The Group will apply HKAS 39 (Amendment) from 1 January 2010.

HKFRS 2 (Amendment), 'Share-based Payment', effective for periods beginning on or after 1 July 2009. This clarification confirms that HKFRS 3 (Revised), 'Business Combinations' does not change the scope of HKFRS 2.

HKFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations', effective for periods beginning on or after 1 January 2010. Disclosures in standards other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs specifically require disclosures for them. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirements of HKAS 1, 'Presentation of Financial Statements'. The Group will apply HKFRS 5 (Amendment) from 1 January 2010.

HKFRS 8 (Amendment), 'Operating Segments', effective for periods beginning on or after 1 January 2010. Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply HKFRS 8 (Amendment) from 1 January 2010.

HK(IFRIC) – Interpretation 16 (Amendment), 'Hedges of a Net Investment in a Foreign Operation', effective for periods beginning on or after 1 July 2009. This amendment removes the restriction on the entity that can hold hedging instruments in a net investment hedge. The hedging instruments can be held by the foreign operation that itself is being hedged. The Group will apply HK(IFRIC) – Interpretation 16 (Amendment) from 1 January 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)
For the six months ended 30 June 2009

4. SEGMENT INFORMATION

Reportable segments are identified and 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) in order to assess performance and allocate resources. The chief operating decision makers assess the performance of the reportable segments based on the profit and loss generated.

The Group has two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The segment information is as follows:

	Unaudited six months ended 30 June					
	Garment manufacturing		Branded product distribution, retail and trading		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,125,504**	1,373,130	**213,745**	143,234	**1,339,249**	1,516,364
(Loss)/profit for the half year	**(148,150)**	30,158	**9,351**	3,507	**(138,799)**	33,665

	Garment manufacturing		Branded product distribution, retail and trading		Total	
	Unaudited As at 30 June 2009	Audited As at 31 December 2008	**Unaudited As at 30 June 2009**	Audited As at 31 December 2008	**Unaudited As at 30 June 2009**	Audited As at 31 December 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total assets	**1,650,224**	1,667,865	**292,795**	276,754	**1,943,019**	1,944,619
including:						
Investment in associates	**4,192**	4,991	**–**	–	**4,192**	4,991
Additions to non-current assets *(Note)*	**66,841**	201,043	**2,544**	135,119	**69,385**	336,162
Total liabilities	**764,392**	713,302	**188,864**	180,275	**953,256**	893,577

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

4. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June					
	Garment manufacturing		Branded product distribution, retail and trading		Total	
	2009 **HK$'000**	2008 *HK$'000*	**2009** **HK$'000**	2008 *HK$'000*	**2009** **HK$'000**	2008 *HK$'000*
Finance income	**1,219**	3,443	**259**	535	**1,478**	3,978
Finance costs	**(2,465)**	(4,360)	**(2,405)**	(650)	**(4,870)**	(5,010)
Provision for impairment in an associate	**(592)**	–	**–**	–	**(592)**	–
Share of results of associates	**(142)**	13	**–**	–	**(142)**	13
Income tax credit/(expense)	**7,517**	3,282	**(3,036)**	(3,123)	**4,481**	159
Amortisation of leasehold land and land use rights	**(456)**	(423)	**–**	–	**(456)**	(423)
Amortisation of license rights	**–**	–	**(4,885)**	(2,198)	**(4,885)**	(2,198)
Depreciation on property, plant and equipment	**(25,732)**	(25,713)	**(2,313)**	(2,461)	**(28,045)**	(28,174)
Depreciation on investment properties	**(14)**	(21)	**–**	–	**(14)**	(21)
Provision for impairment of receivables, net	**(4,610)**	(1,147)	**(195)**	113	**(4,805)**	(1,034)
Write-down of inventories to net realisable value, net	**(4,708)**	(8,029)	**(2,234)**	(1,132)	**(6,942)**	(9,161)
Gain on disposal of non-current assets held for sale	**–**	15,125	**–**	–	**–**	15,125
Restructuring costs	**(166,445)**	–	**–**	–	**(166,445)**	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

4. SEGMENT INFORMATION (continued)

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

	Unaudited six months ended 30 June									
	The United States of America		UK		PRC		Other countries		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**750,993**	981,477	**263,185**	251,266	**211,494**	206,886	**113,577**	76,735	**1,339,249**	1,516,364

Included in revenue derived from the PRC was HK$61,815,000 (2008: HK$53,863,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2009, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 29% and 15% (2008: 29% and 6%) of the total revenue respectively.

	PRC		Thailand		Other locations		Total	
	Unaudited	Audited	**Unaudited**	Audited	**Unaudited**	Audited	**Unaudited**	Audited
	As at	As at	**As at**	As at	**As at**	As at	**As at**	As at
	30 June	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note)*	**559,181**	515,382	**142,574**	146,107	**117,850**	123,094	**819,605**	784,583

Included in non-current assets located in the PRC was HK$160,423,000 (2008: HK$177,532,000) related to assets located in Hong Kong.

Note: Non-current assets exclude deferred income tax assets.

5. GAIN ON DISPOSAL OF NON-CURRENT ASSETS HELD FOR SALE

In April 2008, the Group completed its disposal of an investment property located in Hong Kong for HK$21,000,000 and recognised a net gain of HK$15,125,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

6. RESTRUCTURING COSTS

Restructuring costs comprise the following:

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Redundancy costs	**25,715**	–
Impairment of property, plant and equipment	**1,802**	–
Realisation of accumulated translation reserve	**138,928**	–
	166,445	–

During the period, the Group has restructured its overseas operations, including closing down a factory in the Philippines and scaling down operations in Thailand and Vietnam, and has implemented plans to liquidate certain subsidiaries. In this connection, redundancy costs were incurred and the related portion of the accumulated translation reserve was transferred from equity to consolidated income statement.

7. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after crediting and charging the following:

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**263**	–
Charging		
Amortisation of leasehold land and land use rights	**456**	423
Depreciation on property, plant and equipment	**28,045**	28,174
Depreciation on investment properties	**14**	21
Net loss on disposals of property, plant and equipment	**–**	383
Amortisation of license rights	**4,885**	2,198
Provision for impairment of receivables, net	**4,805**	1,034
Write-down of inventories to net realisable value, net	**6,942**	9,161
Employment expenses	**324,468**	339,074

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

8. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**1,478**	3,978
Finance costs		
Interest on bank loans and overdrafts	**2,233**	4,360
Imputed interest on license fees payable	**2,405**	650
Imputed interest on other long-term liabilities	**232**	–
	4,870	5,010

9. INCOME TAX CREDIT

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(2,086)**	(3,299)
Non-Hong Kong tax	**(6,402)**	(4,825)
Deferred income tax	**12,969**	8,283
	4,481	159

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within 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 to 2002/2003 in view of the statutory time bar. 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 ongoing, its outcome cannot be readily ascertained. Management 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 protective assessments which the Group had received.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

10. INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (2008: HK$0.06 per share, totalling HK$16,124,000).

11. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the consolidated loss attributable to equity holders of the Company for the six months ended 30 June 2009 of HK$138,771,000 (2008: profit of HK$33,684,000) by the weighted average number of shares in issue during the six months ended 30 June 2009 of 268,735,253 (2008: 268,735,253).

Diluted (loss)/earnings 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. As the exercise price of the share options granted by the Company was higher than the average market price of the Company's shares for the six months ended 30 June 2009, those outstanding share options granted, which amounted to 1,464,000 shares as at 30 June 2009, have no dilutive effect on loss per share for the six months ended 30 June 2009. There was no dilutive potential ordinary share outstanding during the six months ended 30 June 2008.

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2009	Audited As at 31 December 2008
	HK$'000	*HK$'000*
Opening net book amount	**571,338**	468,334
Additions	**58,276**	165,423
Acquisition of a subsidiary	**–**	4,542
Disposals	**(1,900)**	(3,284)
Impairment	**(1,802)**	(4,025)
Depreciation	**(28,045)**	(57,331)
Exchange differences	**887**	(2,321)
Closing net book amount	**598,754**	571,338

13. INVESTMENT PROPERTIES

	Unaudited As at 30 June 2009	Audited As at 31 December 2008
	HK$'000	*HK$'000*
Opening net book amount	**1,065**	1,649
Depreciation	**(14)**	(35)
Transfer to non-current assets held for sale	**–**	(549)
Closing net book amount	**1,051**	1,065

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

14. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Opening net book amount	**27,824**	28,868
Additions	**11,109**	–
Disposals	**–**	(1,281)
Amortisation	**(456)**	(856)
Exchange differences	**(29)**	1,093
Closing net book amount	**38,448**	27,824

15. INTANGIBLE ASSETS

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
License rights		
Opening net book amount	**139,337**	18,269
Addition	**–**	126,546
Amortisation	**(4,885)**	(5,478)
Closing net book amount	**134,452**	139,337
Goodwill		
Opening net book amount	**20,401**	–
Acquisition of a subsidiary	**–**	28,925
Subsequent adjustment on consideration	**(1,075)**	–
Exchange differences	**3,214**	(8,524)
Closing net book amount	**22,540**	20,401
Total intangible assets	**156,992**	159,738

License rights represent capitalisation of the minimum contractual obligation at the time of the inception. They are recognised based on discount rates equal to the Group's weighted average borrowing rates of approximately 3.0% to 5.0% per annum at the dates of inception.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

16. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging analysis is as follows:

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Less than 3 months	**350,766**	380,352
3 months to 6 months	**3,485**	4,522
Over 6 months	**1,000**	3,954
	355,251	388,828
Less: provision for impairment of receivables	**(8,373)**	(3,954)
	346,878	384,874

Majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from 30 to 45 days. Accounts receivable and bills receivable are covered by letters of credit issued by banks or on open account terms; and majority of the latter is covered by credit insurance.

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

17. CASH AND BANK BALANCES

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Cash and cash equivalents	**315,054**	284,851
Pledged bank deposits *(Note)*	**56,265**	15,498
	371,319	300,349

Note: As at 30 June 2009, bank deposits amounted to HK$56,265,000 (31 December 2008: HK$15,498,000) were pledged as collateral for certain foreign currency exchange contract facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

Accounts payable and bills payable comprise:

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Third parties	**168,099**	180,828
Associates	**2,645**	4,441
	170,744	185,269
The aging analysis is as follows:		
Less than 3 months	**159,415**	171,284
3 months to 6 months	**4,593**	10,418
Over 6 months	**6,736**	3,567
	170,744	185,269

Majority of payment terms with suppliers are within 60 days.

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

19. BANK BORROWINGS

	Unaudited As at 30 June 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Short-term bank loans	**268,537**	210,842

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

20. 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 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Not later than 1 year	**45,049**	43,614
Later than 1 year and not later than 5 years	**39,053**	41,534
Later than 5 years	**12,537**	12,753
	96,639	97,901

(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 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Not later than 1 year	**453**	656
Later than 1 year and not later than 5 years	**106**	61
	559	717

(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 2009 *HK$'000*	Audited As at 31 December 2008 *HK$'000*
Contracted but not provided for	**3,030**	38,422
Authorised but not contracted for	**33,578**	62,855
	36,608	101,277

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2009

21. RELATED PARTY TRANSACTIONS

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

	Unaudited six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(a) Associates		
Processing charges	**8,373**	15,554
Purchase of accessories	**4,426**	–
	12,799	15,554
(b) A related company		
Rental expense	**2,229**	2,229
(c) Key management compensation		
Salaries, allowances and bonuses	**7,377**	8,962
Defined contribution plans	**211**	278
Other benefits	**1,699**	221
Share-based compensation expense – share options granted	**58**	–
	9,345	9,461

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of Tristate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") over the six months ended 30 June 2009.

BUSINESS REVIEW

For the six months ended 30 June 2009, the Group recorded a loss attributable to equity holders of HK$138,771,000 as compared with a profit of HK$33,684,000 for the corresponding period in 2008. The current period loss was mainly attributable to restructuring costs of HK$166,445,000 relating to overseas operations. After considering the impact of the unprecedented global financial downturn on future orders, the uncertainty regarding a rapid recovery, our cost competitiveness and labour efficiency, we have decided to restructure our operations in the Philippines, Vietnam and Thailand. In this connection, redundancy costs of HK$25,715,000 were incurred and negative translation reserve balances of HK$138,928,000 related to the operations in the Philippines were transferred from cumulative translation reserve (a non-cash equity item) to the consolidated income statement. Excluding the impact of the aforesaid restructuring costs and the one-time gain on disposal of an investment property in 2008, profit in the first half of 2009 from underlying operations increased by 41% to HK$27,291,000 when compared to the previous year.

Total revenue of the Group for the first half of 2009 was HK$1,339,249,000 (2008: HK$1,516,364,000), representing a decrease of 12% as compared with the corresponding period in 2008. Revenue generated from the garment manufacturing segment decreased by 18% as compared with 2008. This was mainly due to the decline in sales orders as a result of the overall weak market environment.

Revenue from the branded product distribution, retail and trading segment increased by 49% when compared with 2008. Such increase was mainly due to the revenue contributions from the branded product trading business as well as the distribution operations in the People's Republic of China (the "PRC").

Geographically, sales during the first half of 2009 to the United States of America, the United Kingdom (the "UK") and the PRC accounted for 56% (2008: 65%), 20% (2008: 17%) and 16% (2008: 14%) respectively of the Group's total revenue. This trend reflects the Group's strategy of diversification and reduced reliance on the US market. The Group's garment manufacturing business is generally subject to seasonality and management seeks to minimise the impact of seasonality by focusing on key customers with relatively even year-round orders.

Gross profit margin of the Group for the first half year of 2009 increased to 22% from 20% in 2008. This was mainly attributable to cost reduction resulted from the restructuring of overseas operations and the initiatives on manufacturing cost savings. Selling and distribution expenses increased by 12% mainly due to the increased sales in the branded product distribution and retail segment. General and administrative expenses decreased by 11% as a result of the restructuring and cost control measures. Velmore Group, which was acquired in March 2008, has been integrated into the Group. The acquisition is strategically important as it provided the Group with access to the UK market and the ability to provide complete apparel solution to key customers.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within 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 to 2002/2003 in view of the statutory time bar. 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 ongoing, its outcome cannot be readily ascertained. Management 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 protective assessments which the Group had received.

BUSINESS REVIEW (continued)

The Group's third production facility in the Hefei Economic & Technological Development Area in Anhui Province commenced production in February 2009 and further improved the cost competitiveness of the Group.

There were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2009 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2009 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

Despite the restructuring, the Group continued to maintain a healthy balance sheet and liquidity position. As at 30 June 2009, cash and bank balances amounted to HK$371,319,000 (31 December 2008: HK$300,349,000) which were mainly denominated in United States dollars and Renminbi. The short-term bank borrowings of the Group amounted to HK$268,537,000 as at 30 June 2009 (31 December 2008: HK$210,842,000). Such borrowings were denominated in United States dollars, Hong Kong dollars and Thai Bahts. As at 30 June 2009, HK$169,384,000 (31 December 2008: HK$119,320,000) and HK$99,153,000 (31 December 2008: HK$91,522,000) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 30 June 2009. Apart from the pledging of HK$56,265,000 (31 December 2008: HK$15,498,000) bank deposits as collateral for certain foreign exchange facilities, facilities extended to the Group were not secured with the Group's assets. As the Group did not have net borrowings as at 30 June 2009 and 31 December 2008, no information on gearing ratio as at these two dates is provided.

Most of the Group's receipts and payments were denominated in United States dollars, Pound Sterling, Hong Kong dollars, Renminbi and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2009, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures for payment of factory expenses denominated in Renminbi, Pound Sterling for sales receipts and Euro for payments to suppliers. Further, the Group also had forward foreign exchange contracts to hedge against its net investment in the UK.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 20 to the Condensed Consolidated Interim Financial Information, there were no material capital commitments or contingent liabilities as at 30 June 2009 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 15,000 employees as at 30 June 2009 (31 December 2008: 17,000). Fair and competitive remuneration packages and benefits are offered to competent employees. Discretionary bonuses are granted to eligible employees with outstanding performance. In addition, the Company has a share option scheme for granting of options to eligible persons to subscribe for shares in the Company.

FUTURE DEVELOPMENT

The global financial crisis in 2008 second half has led to recession in major economies and the garment manufacturing business of the Group was affected by a slowdown in demand, price contraction as well as volatility in foreign currencies. The Group has taken measures to mitigate the adverse impact by offering a variety of value added services to its customers, restructuring of overseas operations and implementing stringent cost control.

The global economy, particularly the US economy, is showing signs of bottoming out in the first half of 2009. It is however too early to expect a strong recovery in the near future and the outlook of the global economy remains challenging and uncertain.

Amid the volatile global economy, the PRC government adopted various macro-economic policies to support a stable economic development. As such, the Group plans to continue its expansion of branded product distribution, retail and trading business in the PRC, including pursuit of opportunities to broaden its brand portfolio.

Going forward, the Group will continue focusing on its core customers and product offerings and implementing cost control. Taking into consideration the present uncertain global economic environment, the Group remains cautious about its overall performance for the year 2009.

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2009, 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 "Hong Kong 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 Hong Kong Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	**Long/short position**	**Through spouse or minor children**	**Through controlled corporation(s)**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	3,388,000 *(Note 1)*	178,442,000 *(Note 2)*	181,830,000	67.66%

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

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

Notes:

1. 3,388,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.

2. 178,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.

3. 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 30 June 2009, 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 Hong Kong Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS (continued)

Substantial shareholders

As at 30 June 2009, 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:

		Number of shares held			
Name of shareholder	Long/short position	Directly beneficially owned	Through spouse or minor children	Total	Approximate percentage of issued share capital
Ms. Daisy TING	Long position	3,388,000	178,442,000 *(Note)*	181,830,000	67.66%
Silver Tree Holdings Inc.	Long position	178,442,000 *(Note)*	–	178,442,000	66.40%
Mr. TANG Yue Nien, Martin	Long position	21,300,000	–	21,300,000	7.93%

Note:

178,442,000 shares were beneficially owned by Silver Tree Holdings Inc., 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 2009, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

Movement in the share options granted under the share option scheme of the Company during the period and outstanding as at 30 June 2009 were as follows:

		Number of share options				
Date of grant	Participant	At 01/01/2009	Lapsed during the period	At 30/06/2009	Exercise price per share	Exercisable period
02/07/2008	Employees	447,000	(81,000)	366,000	HK$1.86	02/07/2008 – 01/07/2013
	(in aggregate)	447,000	(81,000)	366,000	HK$1.86	02/07/2009 – 01/07/2013
		447,000	(81,000)	366,000	HK$1.86	02/07/2010 – 01/07/2013
		447,000	(81,000)	366,000	HK$1.86	02/07/2011 – 01/07/2013
	Total	1,788,000	(324,000)	1,464,000		

Notes:

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

2. No share options had been granted, exercised or cancelled during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2009, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, save for the deviation from code provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from code provision A.2.1 were set out in the Corporate Governance Report of the Company's last Annual Report for the year ended 31 December 2008 issued in April 2009 (the "2008 Annual Report").

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2009. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the said period.

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 2009.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2008 Annual Report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. WANG Shui Chung, Patrick

Cessation of appointment

- Member of the Hong Kong Task Force on Economic Challenges (task completed)

New appointment

- Member of Steering Committee on the Promotion of Electric Vehicles appointed by The Government of the Hong Kong Special Administrative Region

Mr. LO Kai Yiu, Anthony

Cessation of appointment

- Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation

New appointment

- Chairman of Shanghai Century Capital Limited

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (2008: HK$0.06 per share, totalling HK$16,124,000).

AUDIT COMMITTEE

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 2009 in conjunction with the management of the Group.

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

Hong Kong, 31 August 2009