Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report

2010

Stock Code : 458

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*
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
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
5th Floor, 66–72 Lei Muk Road
Kwai Chung
New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : http://www.tristateww.com

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

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 2010 together with comparative figures for 2009.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2010

		Unaudited six months ended 30 June	
			As restated
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	4	**1,333,613**	1,339,249
Cost of sales		**(1,005,513)**	(1,049,558)
Gross profit		**328,100**	289,691
Other income and other gains		**6,564**	2,679
Selling and distribution expenses		**(101,148)**	(77,273)
General and administrative expenses		**(184,365)**	(185,960)
Restructuring costs	5	**–**	(166,445)
Profit/(loss) from operations	6	**49,151**	(137,308)
Finance income	7	**2,179**	1,478
Finance costs	7	**(4,207)**	(4,870)
Share of losses of associates		**–**	(142)
Provision for impairment in an associate		**–**	(592)
Profit/(loss) before income tax		**47,123**	(141,434)
Income tax (expense)/credit	8	**(8,819)**	4,101
Profit/(loss) for the half year		**38,304**	(137,333)
Attributable to:			
Equity holders of the Company		**38,307**	(137,305)
Non-controlling interests		**(3)**	(28)
		38,304	(137,333)
Interim dividend	9	**16,124**	–
Earnings/(loss) per share attributable to equity holders of the Company:			
Basic	10	**HK$0.14**	(HK$0.51)
Diluted	10	**HK$0.14**	(HK$0.51)

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 2010

	Unaudited six months ended 30 June	
		As restated
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the half year	**38,304**	(137,333)
Other comprehensive income:		
Fair value gains/(losses) on cash flow hedges		
Gains/(losses) arising during the half year	**4,445**	(25,708)
Transfer to the consolidated income statement	**(6,109)**	(9,903)
Income tax effect	**38**	19
Fair value gain/(loss) on net investment hedge	**921**	(14,268)
Currency translation differences		
Gain arising during the half year	**5,799**	10,973
Transfer from translation reserve to the consolidated income statement	**–**	138,928
Other comprehensive income, net of tax	**5,094**	100,041
Total comprehensive income/(loss) for the half year	**43,398**	(37,292)
Attributable to:		
Equity holders of the Company	**43,401**	(37,264)
Non-controlling interests	**(3)**	(28)
	43,398	(37,292)

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 2010

	Note	**Unaudited As at 30 June 2010 HK$'000**	As restated As at 31 December 2009 HK$'000	As restated As at 1 January 2009 HK$'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	**530,977**	524,371	502,551
Investment properties	12	**1,357**	1,375	3,259
Leasehold land and land use rights	13	**169,780**	33,574	23,481
Intangible assets	14	**132,414**	140,074	159,738
Other long-term assets		**16,143**	18,454	19,627
Deferred income tax assets		**8,217**	9,071	6,676
Defined benefit plan assets		**4,338**	4,211	–
Investments in associates		**–**	–	4,991
		863,226	731,130	720,323
CURRENT ASSETS				
Inventories		**319,141**	271,970	343,472
Accounts receivable and bills receivable	15	**366,610**	293,327	384,874
Forward foreign exchange contracts		**808**	1,639	45,621
Prepayments and other receivables		**98,431**	130,232	73,445
Cash and bank balances	16	**336,417**	401,403	300,349
		1,121,407	1,098,571	1,147,761
Non-current assets held for sale		**–**	3,237	5,599
		1,121,407	1,101,808	1,153,360
CURRENT LIABILITIES				
Accounts payable and bills payable	17	**173,144**	165,195	185,269
Accruals and other payables		**246,724**	260,921	205,633
Forward foreign exchange contracts		**1,091**	10,084	–
Current income tax liabilities		**48,493**	48,648	43,674
Bank borrowings	18	**335,389**	170,343	210,842
		804,841	655,191	645,418
NET CURRENT ASSETS		**316,566**	446,617	507,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,179,792**	1,177,747	1,228,265
NON-CURRENT LIABILITIES				
Retirement benefits and other post retirement obligations		**14,898**	15,205	33,694
License fees payable		**100,173**	111,308	124,247
Deferred income tax liabilities		**58,317**	59,435	73,131
Other long-term liabilities		**2,731**	5,054	6,589
		176,119	191,002	237,661
NET ASSETS		**1,003,673**	986,745	990,604
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		**26,874**	26,874	26,874
Reserves		**976,401**	959,470	963,288
		1,003,275	986,344	990,162
Non-controlling interests		**398**	401	442
TOTAL EQUITY		**1,003,673**	986,745	990,604

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 2010

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2010, as previously reported	**26,874**	**1,019,052**	**1,045,926**	**401**	**1,046,327**
Effect of change in accounting policy *(Note 3)*	**–**	**(59,582)**	**(59,582)**	**–**	**(59,582)**
As at 1 January 2010, as restated	**26,874**	**959,470**	**986,344**	**401**	**986,745**
Total comprehensive income/(loss) for the half year	**–**	**43,401**	**43,401**	**(3)**	**43,398**
Share option scheme – value of employee services	**–**	**404**	**404**	**–**	**404**
Dividends paid to equity holders of the Company	**–**	**(26,874)**	**(26,874)**	**–**	**(26,874)**
As at 30 June 2010	**26,874**	**976,401**	**1,003,275**	**398**	**1,003,673**

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2009, as previously reported	26,874	1,023,726	1,050,600	442	1,051,042
Effect of change in accounting policy *(Note 3)*	–	(60,438)	(60,438)	–	(60,438)
As at 1 January 2009, as restated	26,874	963,288	990,162	442	990,604
Total comprehensive loss for the half year	–	(37,264)	(37,264)	(28)	(37,292)
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, as restated	26,874	901,975	928,849	414	929,263

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 2010

		Unaudited six months ended 30 June	
	Note	**2010** **HK$'000**	2009 HK$'000
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(35,722)**	59,642
NET CASH USED IN INVESTING ACTIVITIES		**(150,249)**	(60,715)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**136,327**	31,276
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(49,644)**	30,203
CASH AND CASH EQUIVALENTS, at beginning of the half year	16	**382,497**	284,851
CASH AND CASH EQUIVALENTS, at end of the half year	16	**332,853**	315,054

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 2010

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 2010 has been approved for issue by the Board on 30 August 2010.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'.

It should be read in conjunction with the annual financial statements for the year ended 31 December 2009, 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 2010 are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009, except as described in Note 3 below.

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs AND CHANGE IN ACCOUNTING POLICY

Adoption of new/revised HKFRSs

In 2010, the Group has adopted the following revised standards and amendments to existing standards which are mandatory for the first time for the Group's financial year beginning 1 January 2010 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKFRS 2 (Amendment), 'Group Cash-settled Share-based Payment Transactions'. In addition to incorporating HK(IFRIC*) – Interpretation 8, 'Scope of HKFRS 2' and HK(IFRIC) – Interpretation 11, 'HKFRS 2 – Group and Treasury Share Transactions', the amendment expands on the guidance in HK(IFRIC) – Interpretation 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance has no impact on the unaudited Condensed Consolidated Interim Financial Information.

* IFRIC: International Financial Reporting Interpretations Committee

HKFRS 3 (Revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements' and HKAS 28, 'Investments in Associates'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes in relation to contingent payments, measurement of non-controlling interests in the acquiree and acquisition-related costs. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in income statement. The revised standard and consequential amendments have 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 2010

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs AND CHANGE IN ACCOUNTING POLICY (continued)

Adoption of new/revised HKFRSs (continued)

HKAS 17 (Amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. The Group has reassessed the classification of unexpired leasehold land as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property.

The effect of adoption of this amendment is analysed on pages 10 and 11.

The following new and revised standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2010 and the Group has not early adopted them:

HKFRS 9, 'Financial Instruments' (effective for annual period starting from 1 January 2013). HKFRS 9 improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of HKAS 39. The approach in HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The Group will apply HKFRS 9 from 1 January 2013.

HKAS 24 (Revised), 'Related Party Disclosures' (effective for annual period starting from 1 January 2011). HKAS 24 (Revised) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply HKAS 24 (Revised) from 1 January 2011.

Change in accounting policy

In previous years, the Group's freehold land and buildings held for own use as factories and offices were carried in the consolidated statement of financial position at revalued amounts less subsequent depreciation for buildings and impairment losses (the "Revaluation Model"). With effect from 1 January 2010, the Group changed its accounting policy for own-use freehold land and buildings to the cost model under HKAS 16 (the "Cost Model"). The change was made to increase the relevance of financial data to the users of the financial statements by taking into consideration the following factors:

(a) With the restructuring of the Group's operations in 2009 (Note 5), the construction of a major manufacturing facility in the People's Republic of China (the "PRC") which was completed in 2009 as well as the acquisition of an office building in the PRC during the current period, the majority of the Group's properties are now located in the PRC whereby a significant portion are accounted for as leasehold land at cost. Management considers that it is more consistent and appropriate to use the Cost Model for its freehold land and buildings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs AND CHANGE IN ACCOUNTING POLICY (continued)

Change in accounting policy (continued)

(b) The market values of freehold land and buildings are volatile and are influenced by various factors which are seldom associated with the underlying operation and performance of the Group. Adoption of the Cost Model will avoid fluctuations in the Group's financial statements resulting from the cyclical volatility associated with the Revaluation Model and the Group's financial performance could be more comparable on a year-on-year basis.

(c) A majority of comparable companies within the garment manufacturing and retail industry adopt the Cost Model. Therefore, using the Cost Model can align the Group's accounting policy with industry peers. Management considers that the Cost Model improve comparability of the Group's financial performance with industry peers.

(d) Management considers that the Revaluation Model involves expense out of proportion to the benefit to the shareholders of the Company.

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated interim income statement is as follows:

	Unaudited six months ended 30 June 2010		Unaudited six months ended 30 June 2009	
	HKAS 17 (Amendment) ***HK$'000***	**Change to Cost Model for freehold land and buildings** ***HK$'000***	HKAS 17 (Amendment) *HK$'000*	Change to Cost Model for freehold land and buildings *HK$'000*
Decrease in depreciation under cost of sales	**–**	**818**	–	824
(Increase)/decrease in depreciation under general and administrative expenses	**(12)**	**1,085**	(59)	1,022
Decrease in amortisation of leasehold land and land use rights under general and administrative expenses	**12**	**–**	59	–
Decrease in net gain on disposals of non-current assets held for sale	**–**	**(350)**	–	–
Increase in deferred income tax expense	**–**	**(373)**	–	(380)
Total increase in profit for the half year	**–**	**1,180**	–	1,466
Attributable to:				
Equity holders of the Company	**–**	**1,180**	–	1,466
Non-controlling interests	**–**	**–**	–	–
Increase in basic earnings per share	**–**	**HK$0.004**	–	HK$0.005
Increase in diluted earnings per share	**–**	**HK$0.004**	–	HK$0.005

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs AND CHANGE IN ACCOUNTING POLICY (continued)

The effect of adoption of HKAS 17 (Amendment) and change in accounting policy on the condensed consolidated interim statement of financial position is as follows:

	As at 30 June 2010		As at 31 December 2009		As at 1 January 2009	
	HKAS 17 (Amendment) *HK$'000*	**Change to Cost Model for freehold land and buildings** *HK$'000*	HKAS 17 (Amendment) *HK$'000*	Change to Cost Model for freehold land and buildings *HK$'000*	HKAS 17 (Amendment) *HK$'000*	Change to Cost Model for freehold land and buildings *HK$'000*
(Decrease)/increase in property, plant and equipment	**–**	**(69,751)**	–	(69,542)	2,149	(70,936)
Decrease in leasehold land and land use rights	**(882)**	**–**	(894)	–	(4,343)	–
Increase in investment properties	**882**	**–**	894	–	2,194	–
Increase in non-current assets held for sale	**–**	**–**	–	350	–	–
Decrease in deferred income tax liabilities	**–**	**9,533**	–	9,610	–	10,498
Decrease in assets revaluation reserve	**–**	**(68,628)**	–	(68,720)	–	(69,848)
Decrease in translation reserve	**–**	**(6,579)**	–	(4,671)	–	(2,264)
Increase in retained earnings	**–**	**14,989**	–	13,809	–	11,674

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

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	
	2010	As restated 2009	**2010**	As restated 2009	**2010**	As restated 2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,063,139**	1,125,504	**270,474**	213,745	**1,333,613**	1,339,249
Profit/(loss) for the half year	**15,548**	(138,919)	**22,756**	1,586	**38,304**	(137,333)

With effect from 1 January 2010, certain corporate expenses were charged to the branded product distribution, retail and trading segment to arrive at the segment profit. The relevant amounts of corporate expenses in 2009 have also been reallocated among the two reportable segments to conform to the current period's charging basis.

	Garment manufacturing			Branded product distribution, retail and trading			Total		
	Unaudited As at 30 June 2010	As restated As at 31 December 2009	As restated As at 1 January 2009	**Unaudited As at 30 June 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009	**Unaudited As at 30 June 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Total assets including:	**1,684,717**	1,482,463	1,596,929	**299,916**	350,475	276,754	**1,984,633**	1,832,938	1,873,683
Investments in associates	**–**	–	4,991	**–**	–	–	**–**	–	4,991
Additions to non-current assets *(Note)*	**21,578**	101,776	201,043	**147,029**	4,934	135,119	**168,607**	106,710	336,162
Total liabilities	**762,390**	633,279	702,804	**218,570**	212,914	180,275	**980,960**	846,193	883,079

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

4. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June					
	Garment manufacturing		Branded product distribution, retail and trading		Total	
	2010 **HK$'000**	As restated 2009 *HK$'000*	**2010** **HK$'000**	As restated 2009 *HK$'000*	**2010** **HK$'000**	As restated 2009 *HK$'000*
Finance income	**1,383**	1,219	**796**	259	**2,179**	1,478
Finance costs	**(2,089)**	(2,465)	**(2,118)**	(2,405)	**(4,207)**	(4,870)
Share of losses of associates	**–**	(142)	**–**	–	**–**	(142)
Provision for impairment in an associate	**–**	(592)	**–**	–	**–**	(592)
Income tax (expense)/credit	**(2,986)**	7,137	**(5,833)**	(3,036)	**(8,819)**	4,101
Amortisation of leasehold land and land use rights	**(509)**	(397)	**(756)**	–	**(1,265)**	(397)
Amortisation of license rights	**–**	–	**(6,097)**	(4,885)	**(6,097)**	(4,885)
Depreciation on property, plant and equipment	**(27,894)**	(23,917)	**(2,694)**	(2,313)	**(30,588)**	(26,230)
Depreciation on investment properties	**(18)**	(43)	**–**	–	**(18)**	(43)
Write back of provision/ (provision) for impairment of receivables, net	**2,435**	(4,610)	**(128)**	(195)	**2,307**	(4,805)
Write-down of inventories to net realisable value, net	**(3,120)**	(4,708)	**(219)**	(2,234)	**(3,339)**	(6,942)
Net gain on disposals of non-current assets held for sale	**3,693**	–	**–**	–	**3,693**	–
Net gain/(loss) on disposals of property, plant and equipment	**1,579**	263	**(2)**	–	**1,577**	263
Restructuring costs	**–**	(166,445)	**–**	–	**–**	(166,445)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

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 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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**639,569**	750,993	**276,341**	263,185	**284,049**	211,494	**133,654**	113,577	**1,333,613**	1,339,249

Included in revenue derived from the PRC was HK$67,647,000 (2009: HK$61,815,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2010, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 23% and 12% (2009: 29% and 15%) of the total revenue respectively.

	PRC			Thailand			Other locations			Total		
	Unaudited As at 30 June 2010	As restated As at 31 December 2009	As restated As at 1 January 2009	**Unaudited As at 30 June 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009	**Unaudited As at 30 June 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009	**Unaudited As at 30 June 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*
Non-current assets *(Note)*	**672,693**	528,818	501,494	**100,677**	111,343	117,540	**77,301**	77,687	94,613	**850,671**	717,848	713,647

Included in non-current assets located in the PRC was HK$149,028,000 (2009 as restated: HK$155,328,000) related to assets located in Hong Kong.

Note: Non-current assets exclude deferred income tax assets and defined benefit plan assets.

5. RESTRUCTURING COSTS

Restructuring costs comprise the following:

	Unaudited six months ended 30 June	
	2010	2009
	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

5. RESTRUCTURING COSTS (continued)

In the first half of 2009, the Group has restructured its overseas operations, including closing down/scaling down factories in the Philippines and Thailand, 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 translation reserve to the consolidated income statement.

6. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after crediting and charging the following:

	Unaudited six months ended 30 June	
		As restated
	2010	2009
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**1,577**	263
Net gain on disposals of non-current assets held for sale	**3,693**	–
Write back of provision for impairment of receivables, net	**2,307**	–
Charging		
Depreciation on property, plant and equipment	**30,588**	26,230
Depreciation on investment properties	**18**	43
Amortisation of leasehold land and land use rights	**1,265**	397
Amortisation of license rights	**6,097**	4,885
Provision for impairment of receivables, net	**–**	4,805
Write-down of inventories to net realisable value, net	**3,339**	6,942
Employment expenses	**283,486**	324,468

7. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**2,179**	1,478
Finance costs		
Interest on bank loans and overdrafts	**1,845**	2,233
Imputed interest on license fees payable	**2,117**	2,405
Imputed interest on other long-term liabilities	**245**	232
	4,207	4,870

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

8. INCOME TAX (EXPENSE)/CREDIT

	Unaudited six months ended 30 June	
		As restated
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(2,523)**	(2,086)
Non-Hong Kong tax	**(7,669)**	(6,402)
Deferred income tax	**1,373**	12,589
	(8,819)	4,101

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the half year. Income tax on non-Hong Kong profit has been calculated on the estimated assessable profits for the half year at the applicable 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 2003/2004 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.

9. INTERIM DIVIDEND

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
HK$0.06 (2009: Nil) per share	**16,124**	–

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the consolidated profit/(loss) attributable to equity holders of the Company by the weighted average number of shares in issue for the half year.

	Unaudited six months ended 30 June	
		As restated
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**38,307**	(137,305)
Weighted average number of ordinary shares in issue	**268,735,253**	268,735,253
Basic earnings/(loss) per share	**HK$0.14**	(HK$0.51)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

10. EARNINGS/(LOSS) PER SHARE (continued)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares granted under the Company's share option scheme.

	Unaudited six months ended 30 June	
		As restated
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**38,307**	(137,305)
Weighted average number of ordinary shares in issue	**268,735,253**	268,735,253
Effect of share options	**59,487**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**268,794,740**	268,735,253
Diluted earnings/(loss) per share	**HK$0.14**	(HK$0.51)

11. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2010	As restated As at 31 December 2009
	HK$'000	*HK$'000*
Opening net book amount, as previously reported	**593,913**	571,338
Adjustments for adoption of HKAS 17 (Amendment) *(Note 3)*	**–**	2,149
Effect of change in accounting policy *(Note 3)*	**(69,542)**	(70,936)
Opening net book amount, as restated	**524,371**	502,551
Additions	**31,110**	95,601
Transfer to non-current assets held for sale	**–**	(1,438)
Disposals	**(438)**	(5,585)
Impairment	**–**	(14,604)
Depreciation	**(30,588)**	(58,140)
Exchange differences	**6,522**	5,986
Closing net book amount	**530,977**	524,371

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

12. INVESTMENT PROPERTIES

	Unaudited As at 30 June 2010 *HK$'000*	As restated As at 31 December 2009 *HK$'000*
Opening net book amount, as previously reported	**481**	1,065
Adjustments for adoption of HKAS 17 (Amendment) *(Note 3)*	**894**	2,194
Opening net book amount, as restated	**1,375**	3,259
Depreciation	**(18)**	(85)
Transfer to non-current assets held for sale	**–**	(1,799)
Closing net book amount	**1,357**	1,375

13. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2010 *HK$'000*	As restated As at 31 December 2009 *HK$'000*
Opening net book amount, as previously reported	**34,468**	27,824
Adjustments for adoption of HKAS 17 (Amendment) *(Note 3)*	**(894)**	(4,343)
Opening net book amount, as restated	**33,574**	23,481
Additions	**137,497**	11,109
Impairment	**–**	(238)
Amortisation	**(1,265)**	(921)
Exchange differences	**(26)**	143
Closing net book amount	**169,780**	33,574

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

14. INTANGIBLE ASSETS

	Unaudited As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
License rights		
Opening net book amount	**118,469**	139,337
Impairment	**–**	(11,085)
Amortisation	**(6,097)**	(9,783)
Closing net book amount	**112,372**	118,469
Goodwill		
Opening net book amount	**21,605**	20,401
Exchange differences	**(1,563)**	1,204
Closing net book amount	**20,042**	21,605
Total intangible assets	**132,414**	140,074

License rights represent capitalisation of the minimum contractual obligation at the time of 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.

15. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging analysis is as follows:

	Unaudited As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*	As at 1 January 2009 *HK$'000*
Less than 3 months	**365,287**	292,172	380,352
3 months to 6 months	**1,323**	1,155	4,522
Over 6 months	**2,032**	4,427	3,954
	368,642	297,754	388,828
Less: Provision for impairment	**(2,032)**	(4,427)	(3,954)
	366,610	293,327	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. Most of the trade receivables are on open account which are substantially covered by credit insurance.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

16. CASH AND BANK BALANCES

	Unaudited As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*	As at 1 January 2009 *HK$'000*
Cash and cash equivalents	**332,853**	382,497	284,851
Pledged bank deposits *(Note)*	**3,564**	18,906	15,498
	336,417	401,403	300,349

Note: As at 30 June 2010, bank deposits amounted to HK$3,564,000 (31 December 2009: HK$18,906,000) were pledged as collateral for certain foreign currency exchange contract facilities granted to the Group.

17. ACCOUNTS PAYABLE AND BILLS PAYABLE

	Unaudited As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*	As at 1 January 2009 *HK$'000*
Third parties	**173,144**	164,426	180,828
Associates	**–**	769	4,441
	173,144	165,195	185,269
The aging analysis based on invoice date is as follows:			
Less than 3 months	**162,808**	155,841	171,284
3 months to 6 months	**6,000**	4,157	10,418
Over 6 months	**4,336**	5,197	3,567
	173,144	165,195	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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

18. BANK BORROWINGS

	Unaudited As at 30 June 2010 *HK$'000*	As at 31 December 2009 *HK$'000*	As at 1 January 2009 *HK$'000*
Short-term bank loans	**335,389**	170,343	210,842

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

19. 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 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
Not later than 1 year	**34,794**	42,657
Later than 1 year and not later than 5 years	**26,330**	30,564
Later than 5 years	**9,967**	11,960
	71,091	85,181

(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 2010 *HK$'000*	As at 31 December 2009 *HK$'000*
Not later than 1 year	**156**	174
Later than 1 year and not later than 5 years	**16**	48
	172	222

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2010

19. COMMITMENTS (continued)

(b) Capital commitments

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

	Unaudited As at 30 June 2010	As at 31 December 2009
	HK$'000	*HK$'000*
Contracted but not provided for	**6,358**	83,730
Authorised but not contracted for	**459**	26,519
	6,817	110,249

20. 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	
	2010	2009
	HK$'000	*HK$'000*
(a) Associates		
Processing charges	**2,993**	8,373
Purchase of accessories	**–**	4,426
	2,993	12,799
(b) A related company		
Rental expense	**2,229**	2,229
(c) Key management compensation		
Salaries, allowances and bonuses	**7,487**	7,377
Defined contribution plans	**182**	211
Other benefits	**–**	1,699
Share-based compensation expense – share options granted	**46**	58
	7,715	9,345

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 2010.

BUSINESS REVIEW

For the six months ended 30 June 2010, the Group recorded a profit attributable to equity holders of HK$38,307,000 as compared with a loss of HK$137,305,000 for the corresponding period in 2009. Excluding the 2009 restructuring costs of HK$166,445,000, the Group's operating profit increased by 69% as compared with 2009. Amid challenges in our garment manufacturing business, the encouraging operating results is attributable to the strong growth in the branded product distribution, retail and trading business where the top line increased by 27% and bottom line by 13 times.

Total revenue of the Group for the first half of 2010 was HK$1,333,613,000 (2009: HK$1,339,249,000), representing a slight decrease of 0.4% as compared with the corresponding period in 2009.

Revenue from the branded product distribution, retail and trading segment was HK$270,474,000 when compared with HK$213,745,000 in 2009, representing a growth of 27%. The growth was attributable to increase in the number of point of sales ("POS") in the People's Republic of China (the "PRC") and more promotional activities. During the first half of 2010, number of POS managed by the Group increased by 77, mainly in tier 1 and tier 2 cities of the PRC, bringing the total number of POS to 350 in the Mainland China, Hong Kong and Macau.

Revenue generated from the garment manufacturing segment was HK$1,063,139,000, a 6% decrease as compared with HK$1,125,504,000 in 2009. It was mainly due to reduction in capacity following the restructuring of overseas factories in 2009, we plan to build up more capacity in our new factory in Hefei gradually.

Geographically, sales in the first half of 2010 to the United States of America (the "US"), the United Kingdom and the PRC accounted for 48% (2009: 56%), 21% (2009: 20%) and 21% (2009: 16%) respectively of the Group's total revenue. This was the result of the Group's strategy in reducing reliance on the US market and the increasing our footprint in the branded product distribution in the Greater China region. The Group's garment manufacturing business is generally subject to seasonality and management seeks to minimise the impact of seasonality by partnering with key customers in smoothing out the seasonality effect.

Gross profit of the Group increased to HK$328,100,000 (2009: HK$289,691,000) while gross profit margin increased to 24.6% from 21.6% in 2009. This was mainly attributable to the increase in the Group's revenue mix from branded product distribution segment which yielded higher gross profit margin. Growth of the branded product distribution segment in the first half of 2010 was largely through increasing number of franchised POS. Selling and distribution expenses for the Group increased by 31% due to increase in export freight charges within the garment manufacturing business and increase in promotion and royalty expenses of the branded product distribution segment. General and administrative expenses decreased by 1% as a result of cost control measures and reduction in doubtful debt provision.

BUSINESS REVIEW (continued)

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 2003/2004 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.

COMPLETION OF ACQUISITION OF COMMERCIAL PROPERTY IN SHANGHAI

On 21 December 2009, the Group successfully bid the purchase of a commercial property (the "Shanghai Property") in Shanghai for HK$144,890,000 (equivalent to RMB126,416,000), including purchase price of HK$120,489,000 (equivalent to RMB105,127,000) and incidental expenses of HK$24,401,000 (equivalent to RMB21,289,000). The acquisition was completed on 22 March 2010.

The Shanghai Property comprises two adjoining 7-storey and 2-storey buildings located at 上海靜安區鎮寧路162號6幢號、7幢號 (Blocks 6 and 7, No. 162 Zhenning Road, Jing'an Qu, Shanghai), the PRC, with an aggregate gross floor area of approximately 4,120 square meter. The Group is going to renovate the Shanghai Property and to accommodate the Group's sourcing and branded product distribution departments.

CHANGE OF ACCOUNTING POLICY FOR FREEHOLD LAND AND BUILDINGS

From 2010 onward, the Group has changed its accounting policy for freehold land and buildings from revalued amounts less subsequent depreciation for buildings and impairment losses (the "Revaluation Model") to cost less accumulated depreciation and impairment losses (the "Cost Model"). The change in accounting policy will result in the financial statements being more relevant to the users as the market values of freehold land and buildings as required by the Revaluation Model are volatile and are influenced by various factors which are seldom associated with the underlying operations and performance of the Group. Adoption of the Cost Model will avoid fluctuations in the Group's financial statements resulting from the cyclical volatility associated with the Revaluation Model. In addition, the Group's major properties, such as the newly acquired Shanghai Property and the self-constructed factories at Hefei, are now located in the PRC with a significant portion accounted for as leasehold land at cost. It will be more consistent and appropriate to use the Cost Model for the Group's freehold land and buildings. Further, a majority of comparable companies within the garment manufacturing and retail industry adopt the Cost Model. Adopting the Cost Model can align with and improve comparability with industry peers. Detailed rationale and impact on the change in accounting policy has been included in Note 3 to the Condensed Consolidated Interim Financial Information.

There were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2010 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2010 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

Despite the acquisition of the Shanghai Property, the Group continued to maintain a healthy balance sheet and liquidity position. As at 30 June 2010, cash and bank balances amounted to HK$336,417,000 (31 December 2009: HK$401,403,000) which were mainly denominated in US dollars and Renminbi. The short-term bank borrowings of the Group amounted to HK$335,389,000 as at 30 June 2010 (31 December 2009: HK$170,343,000). Such borrowings were mainly denominated in US dollars and Hong Kong dollars. As at 30 June 2010, HK$259,236,000 (31 December 2009: HK$134,401,000) and HK$76,153,000 (31 December 2009: HK$35,942,000) 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 2010. Apart from the pledging of HK$3,564,000 (31 December 2009: HK$18,906,000) 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 2010 and 31 December 2009, no information on gearing ratio as at these two dates is applicable.

Most of the Group's receipts and payments were denominated in US dollars, Hong Kong dollars, Renminbi, Euro and Pound Sterling. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2010, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC, Vietnam and the Philippines; Pound Sterling for sales receipts from customers and Euro for payments to suppliers.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 19 to the Condensed Consolidated Interim Financial Information, there were no material capital commitments or contingent liabilities as at 30 June 2010 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 14,000 employees as at 30 June 2010 (31 December 2009: 15,000). 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.

OUTLOOK

Recent economic data indicated that the outlook for international markets remains uncertain. Manufacturing business of the Group will continue to face challenges in view of the economic uncertainty, rising labour cost and currency appreciation in the countries where our production facilities are located.

Amid the uncertain international markets, the China economy is expected to continue its growth and we expect that our branded product distribution business in the PRC will continue to grow steadily and healthily.

The Group will continue focusing on its core customers and product offerings and implementing stringent cost control. Taking into consideration of the present economic environment, the Group remains cautiously optimistic about its overall performance for the year 2010.

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2010, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

		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 2010, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS (continued)

Substantial shareholders

As at 30 June 2010, 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 2010, 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 2010 were as follows:

		Number of share options					
Date of grant	Participant	At 01/01/2010	Granted during the period	Lapsed during the period	At 30/06/2010	Exercise price per share	Exercisable period
02/07/2008	Employees (in aggregate)	329,000	–	–	**329,000**	HK$1.86	02/07/2008 – 01/07/2013
		329,000	–	–	**329,000**	HK$1.86	02/07/2009 – 01/07/2013
		329,000	–	–	**329,000**	HK$1.86	02/07/2010 – 01/07/2013
		329,000	–	–	**329,000**	HK$1.86	02/07/2011 – 01/07/2013
14/09/2009	Employees (in aggregate)	419,000	–	(51,000)	**368,000**	HK$1.45	14/09/2009 – 13/09/2014
		419,000	–	(51,000)	**368,000**	HK$1.45	14/09/2010 – 13/09/2014
		419,000	–	(51,000)	**368,000**	HK$1.45	14/09/2011 – 13/09/2014
		419,000	–	(51,000)	**368,000**	HK$1.45	14/09/2012 – 13/09/2014
21/06/2010 *(Notes 3, 4 & 5)*	Employees (in aggregate)	–	239,000	–	**239,000**	HK$1.90	21/06/2010 – 20/06/2015
		–	239,000	–	**239,000**	HK$1.90	21/06/2011 – 20/06/2015
		–	239,000	–	**239,000**	HK$1.90	21/06/2012 – 20/06/2015
		–	239,000	–	**239,000**	HK$1.90	21/06/2013 – 20/06/2015
	Total	2,992,000	956,000	(204,000)	**3,744,000**		

SHARE OPTIONS (continued)

Notes:

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

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

3. The Company received a total consideration of HK$5.00 from the grantees for the options granted during the period.

4. The closing price of the shares of the Company on 18 June 2010, i.e. the business day immediately before the date on which the options were granted during the period, as quoted on the Stock Exchange, was HK$1.90.

5. The average fair value of the options granted during the period determined using the Trinomial valuation model was HK$0.71 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK$1.90
Exercise price	HK$1.90
Dividend yield	9%
Volatility	73%
Annual risk-free interest rate	1.8%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of daily volatility of comparable companies within the industry over the past two years.

The aggregate fair value of the options granted during the period amounted to HK$676,000 is to be recognised as employment expenses over the vesting periods together with a corresponding increase in equity.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2010, 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 Annual Report for the year ended 31 December 2009 published in April 2010 (the "2009 Annual Report").

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2010. 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 2010.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2009 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

New Appointment

- Member of the audit committee of VTech Holdings 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 to declare an interim dividend of HK$0.06 per share for the six months ended 30 June 2010, totalling HK$16,124,000 (2009: Nil). The interim dividend is expected to be paid on Tuesday, 5 October 2010 to shareholders whose names appear on the register of members of the Company on Friday, 24 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 22 September 2010 to Friday, 24 September 2010, 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 Hong Kong branch registrar and transfer office, 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 Tuesday, 21 September 2010.

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 2010 in conjunction with the management of the Group.

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

Hong Kong, 30 August 2010