



Tristate Holdings Limited
(Incorporated in Bermuda with limited liability)

Interim Report

2011

Stock Code : 458

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CORPORATE INFORMATION

CHAIRMAN EMERITUS

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

BOARD OF DIRECTORS

Executive Director:

WANG Kin Chung, Peter,
Chairman and Chief Executive Officer

Non-Executive Directors:

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

Independent Non-Executive Directors:

LO Kai Yiu, Anthony
James Christopher KRALIK
Peter TAN

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

SHARE OPTION COMMITTEE

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

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

AU King Lun, Paulina

AUDITOR

PricewaterhouseCoopers, *Certified Public Accountants*

LEGAL ADVISORS

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

PRINCIPAL BANKERS

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

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New Territories
Hong Kong
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CORPORATE COMMUNICATIONS

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Tristate Holdings Limited
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New Territories
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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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2011 together with comparative figures for 2010.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

	Note	Unaudited six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Revenue	5	1,475,997	1,333,613
Cost of sales		(1,060,384)	(1,005,513)
Gross profit		415,613	328,100
Other income and other gains		2,645	6,564
Selling and distribution expenses		(107,162)	(101,148)
General and administrative expenses		(208,079)	(184,365)
Gain on disposal of a subsidiary	6	10,827	–
Profit from operations	7	113,844	49,151
Finance income	8	4,211	2,179
Finance costs	8	(2,820)	(4,207)
Profit before income tax		115,235	47,123
Income tax expense	9	(13,946)	(8,819)
Profit for the half year		101,289	38,304
Attributable to:			
Equity holders of the Company		101,315	38,307
Non-controlling interests		(26)	(3)
		101,289	38,304
Interim dividend	10	40,384	16,124
Earnings per share attributable to equity holders of the Company:			
Basic	11	HK\$0.38	HK\$0.14
Diluted	11	HK\$0.38	HK\$0.14

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Profit for the half year	101,289	38,304
Other comprehensive income:		
Fair value gains on cash flow hedges		
Gains arising during the half year	2,304	4,445
Transfers to the consolidated income statement	(3,792)	(6,109)
Income tax effect	314	38
Fair value gain on net investment hedge	–	921
Currency translation differences		
Gain arising during the half year	17,710	5,799
Transfer from translation reserve to the consolidated income statement upon disposal of a subsidiary	(37)	–
Other comprehensive income, net of tax	16,499	5,094
Total comprehensive income for the half year	117,788	43,398
Attributable to:		
Equity holders of the Company	117,814	43,401
Non-controlling interests	(26)	(3)
	117,788	43,398

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	523,412	536,035
Investment properties	13	1,324	1,339
Leasehold land and land use rights	14	174,209	172,672
Intangible assets	15	119,588	127,190
Other long-term assets		13,006	15,330
Deferred income tax assets		22,698	19,991
Defined benefit plan assets		5,459	5,140
Investments in associates		–	–
		859,696	877,697
CURRENT ASSETS			
Inventories		339,722	298,537
Accounts receivable and bills receivable	16	419,072	311,875
Forward foreign exchange contracts		1,630	3,954
Prepayments and other receivables		130,312	112,758
Cash and bank balances	17	431,327	460,003
		1,322,063	1,187,127
CURRENT LIABILITIES			
Accounts payable and bills payable	18	204,587	189,305
Accruals and other payables		267,798	273,675
Forward foreign exchange contracts		–	836
Current income tax liabilities		56,529	66,714
Bank borrowings	19	269,408	189,833
		798,322	720,363
NET CURRENT ASSETS		523,741	466,764
TOTAL ASSETS LESS CURRENT LIABILITIES		1,383,437	1,344,461
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		13,900	14,104
License fees payable		72,479	85,619
Deferred income tax liabilities		58,642	60,349
Other long-term liabilities		393	767
		145,414	160,839
NET ASSETS		1,238,023	1,183,622
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	26,923	26,874
Reserves		1,210,725	1,156,347
		1,237,648	1,183,221
Non-controlling interests		375	401
TOTAL EQUITY		1,238,023	1,183,622

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total equity
	Share capital	Reserves	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2011	26,874	1,156,347	1,183,221	401	1,183,622
Total comprehensive income for the half year	–	117,814	117,814	(26)	117,788
Shares issued during the half year	49	697	746	–	746
Share option scheme – value of employee services	–	406	406	–	406
Dividends paid to equity holders of the Company	–	(64,539)	(64,539)	–	(64,539)
As at 30 June 2011	26,923	1,210,725	1,237,648	375	1,238,023

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total equity
	Share capital	Reserves	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2010	26,874	959,470	986,344	401	986,745
Total comprehensive income 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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Note	Unaudited six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
NET CASH USED IN OPERATING ACTIVITIES		(48,969)	(35,722)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		6,087	(150,249)
NET CASH GENERATED FROM FINANCING ACTIVITIES		14,796	136,327
DECREASE IN CASH AND CASH EQUIVALENTS		(28,086)	(49,644)
CASH AND CASH EQUIVALENTS, at beginning of the half year	17	459,413	382,497
CASH AND CASH EQUIVALENTS, at end of the half year	17	431,327	332,853

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 2011

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 2011 was approved for issue by the Board on 29 August 2011.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'.

It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010, 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 2011 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2010, except as described in Note 3 below.

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs

Adoption of new/revised HKFRSs

In 2011, the Group has adopted the following revised standard and amendment to an existing standard which are mandatory for the first time for the Group's financial year beginning 1 January 2011 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 24 (Revised), 'Related Party Disclosures'. The revised standard introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. The revised standard has no impact on the unaudited Condensed Consolidated Interim Financial Information.

Amendment to HKAS 34, 'Interim Financial Reporting'. The amendment emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles, in particular the disclosure principles for significant events and transactions. Additional requirements cover the disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The amendment has no impact on the unaudited Condensed Consolidated Interim Financial Information as there has been no change in fair value measurement from the recent annual report and the Group's existing disclosure in the interim report complies with the principles stated in the amendment.

The following new and revised standards and amendments to existing standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2011 and the Group has not early adopted them:

HKFRS 9, 'Financial Instruments' (effective for annual period starting from 1 January 2013). The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Group will adopt the new standard from 1 January 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs (continued)

Adoption of new/revised HKFRSs (continued)

HKFRS 10, 'Consolidated Financial Statements' (effective for annual period starting from 1 January 2013). The new standard replaces all of the guidance on control and consolidation in existing HKAS 27. The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. The Group will adopt the new standard from 1 January 2013.

HKFRS 12, 'Disclosure of Interests in Other Entities' (effective for annual period starting from 1 January 2013). The new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The Group will adopt the new standard and disclose the required information from 1 January 2013.

HKFRS 13, 'Fair Value Measurements' (effective for annual period starting from 1 January 2013). The new standard explains how to measure fair value and aims to enhance fair value disclosures. The Group will adopt the new standard and disclose the required information from 1 January 2013.

HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual period starting from 1 July 2012). The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. The Group will adopt the amendment from 1 January 2013.

HKAS 19 (Amendment), 'Employee Benefits' (effective for annual period starting from 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for employee benefits. Some of the key changes include:

- Actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods.
- Past-service costs will be recognised in the period of a plan amendment. Unvested benefits will no longer be spread over a future-service period. A curtailment now occurs only when an entity reduces significantly the number of employees. Curtailment gains/losses are accounted for as past-service costs.
- Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets.

The Group will adopt the amendment from 1 January 2013 and management is in the process of assessing the impact of the amendment to the consolidated financial statements.

HKAS 27, 'Separate Financial Statements' (effective for annual period starting from 1 January 2013). The renamed HKAS 27 continues to be a standard dealing with separate financial statements. The existing guidance for separate financial statements is unchanged. The Group will adopt the standard from 1 January 2013.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

4. ESTIMATES

The preparation of the unaudited Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5. 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 collectively) 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		Unallocated (Note)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,073,886	1,063,139	402,111	270,474	–	–	1,475,997	1,333,613
Reportable segment profit	44,247	12,600	37,922	25,854	8,293	(150)	90,462	38,304
Gain on disposal of a subsidiary					10,827	–	10,827	–
Profit for the half year							101,289	38,304

Note: To be consistent with internal reporting, certain corporate income net of expenses and non-recurring gains/(losses) were not allocated to reportable segments. The relevant amounts in 2010 have also been presented to conform to the current period's presentation.

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated (Note (1))		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
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets including:	1,244,958	1,053,529	241,353	262,017	695,448	749,278	2,181,759	2,064,824
Investments in associates	–	–	–	–	–	–	–	–
Additions to non-current assets (Note (2))	9,864	29,241	3,099	4,594	645	152,105	13,608	185,940
Segment liabilities	365,590	348,462	232,738	266,907	345,408	265,833	943,736	881,202

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

5. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance income	–	–	–	–	4,211	2,179	4,211	2,179
Finance costs	(140)	(245)	(1,693)	(2,117)	(987)	(1,845)	(2,820)	(4,207)
Income tax expense	(1,323)	(1,961)	(12,623)	(6,858)	–	–	(13,946)	(8,819)
Amortisation of leasehold land and land use rights	(192)	(203)	–	–	(1,819)	(1,062)	(2,011)	(1,265)
Amortisation of license rights	–	–	(8,206)	(6,097)	–	–	(8,206)	(6,097)
Depreciation on property, plant and equipment	(18,147)	(17,037)	(1,764)	(2,443)	(11,674)	(11,108)	(31,585)	(30,588)
Depreciation on investment properties	–	–	–	–	(15)	(18)	(15)	(18)
Reversal of/(provision for) impairment of receivables, net	308	2,435	–	(128)	–	–	308	2,307
(Write-down)/reversal of write-down of inventories to net realisable value, net	(7,222)	(3,120)	1,946	(219)	–	–	(5,276)	(3,339)
Net gain on disposals of non-current assets held for sale	–	–	–	–	–	3,693	–	3,693
Net gain on disposals of property, plant and equipment	–	–	–	–	258	1,577	258	1,577

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

5. 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	555,584	639,569	328,621	276,341	424,758	284,049	167,034	133,654	1,475,997	1,333,613

Included in revenue derived from the PRC was HK\$84,753,000 (2010: HK\$67,647,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2011, revenues from three customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 17%, 13% and 13% (2010: 26%, 14% and 9%) 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
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets (Note (2))	669,404	680,198	104,493	108,592	57,642	63,776	831,539	852,566

Included in non-current assets located in the PRC was HK\$154,912,000 (2010: HK\$165,259,000) related to assets located in Hong Kong.

Notes:

- (1) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, land use rights and buildings for corporate purposes.
- (2) Non-current assets exclude deferred income tax assets and defined benefit plan assets.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

6. GAIN ON DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2011, the Group disposed of its interest in a subsidiary incorporated in Laos at US\$1,830,000 (equivalent to HK\$14,234,000) and realised a gain on disposal of HK\$10,827,000. The subsidiary had ceased production in 2004.

The effect of the disposal is summarised as follows:

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net assets disposed	3,444	–
Gain on disposal	10,827	–
Translation reserve transferred to the consolidated income statement	(37)	–
Consideration received	14,234	–

7. PROFIT FROM OPERATIONS

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

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
<i>Crediting</i>		
Net gain on disposals of property, plant and equipment	258	1,577
Net gain on disposals of non-current assets held for sale	–	3,693
Reversal of impairment of receivables, net	308	2,307
<i>Charging</i>		
Depreciation on property, plant and equipment	31,585	30,588
Depreciation on investment properties	15	18
Amortisation of leasehold land and land use rights	2,011	1,265
Amortisation of license rights	8,206	6,097
Write-down of inventories to net realisable value, net	5,276	3,339
Employment expenses	315,698	283,486

8. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Finance income		
Interest income on bank deposits	4,211	2,179
Finance costs		
Interest on bank loans	987	1,845
Imputed interest on license fees payable	1,693	2,117
Imputed interest on other long-term liabilities	140	245
	2,820	4,207

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

9. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Current income tax		
Hong Kong profits tax	(7,425)	(2,523)
Non-Hong Kong tax	(9,976)	(7,669)
Deferred income tax	3,455	1,373
	(13,946)	(8,819)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 2004/2005 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.

10. INTERIM DIVIDEND

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
HK\$0.15 (2010: HK\$0.06) per share	40,384	16,124

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated profit 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	
	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders of the Company	101,315	38,307
Weighted average number of ordinary shares in issue	268,914,480	268,735,253
Basic earnings per share	HK\$0.38	HK\$0.14

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

11. EARNINGS PER SHARE (continued)

Diluted 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.

	Unaudited six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders of the Company	101,315	38,307
Weighted average number of ordinary shares in issue	268,914,480	268,735,253
Effect of share options	1,017,154	59,487
Weighted average number of ordinary shares for diluted earnings per share	269,931,634	268,794,740
Diluted earnings per share	HK\$0.38	HK\$0.14

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
	Opening net book amount	536,035
Additions	13,608	49,475
Disposals	(3,775)	(1,515)
Depreciation	(31,585)	(61,997)
Exchange differences	9,129	25,701
Closing net book amount	523,412	536,035

13. INVESTMENT PROPERTIES

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
	Opening net book amount	1,339
Depreciation	(15)	(36)
Closing net book amount	1,324	1,339

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

14. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Opening net book amount	172,672	33,574
Additions	–	136,465
Amortisation	(2,011)	(3,131)
Exchange differences	3,548	5,764
Closing net book amount	174,209	172,672

15. INTANGIBLE ASSETS

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
License rights		
Opening net book amount	106,275	118,469
Derecognition of cost	–	(11,085)
Derecognition of accumulated amortisation and impairment	–	11,085
Amortisation	(8,206)	(12,194)
Closing net book amount	98,069	106,275
Goodwill		
Opening net book amount	20,915	21,605
Exchange differences	604	(690)
Closing net book amount	21,519	20,915
Total intangible assets	119,588	127,190

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

16. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

These are aged as follows:

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Less than 3 months	416,766	309,941
3 months to 6 months	2,306	1,934
Over 6 months	337	726
	419,409	312,601
Less: Provision for impairment	(337)	(726)
	419,072	311,875

The majority of trade receivables are with customers having an appropriate credit history. The Group grants its customers credit terms ranging from 30 to 60 days.

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

17. CASH AND BANK BALANCES

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Cash and cash equivalents	431,327	459,413
Pledged bank deposits	–	590
	431,327	460,003

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Third parties	204,587	189,305
These are aged as follows:		
Less than 3 months	192,913	181,520
3 months to 6 months	3,469	4,857
Over 6 months	8,205	2,928
	204,587	189,305

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

19. BANK BORROWINGS

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Short-term bank loans	269,408	189,833

The carrying amounts of bank borrowings approximate their fair values.

Increase in bank loans reflects the seasonal borrowing requirements for financing working capital.

20. SHARE CAPITAL

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Authorised:		
500,000,000 (2010: 500,000,000) shares of HK\$0.10 each	50,000	50,000

Issued and fully paid:

	Unaudited As at 30 June 2011		Audited As at 31 December 2010	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Opening balance	268,735,253	26,874	268,735,253	26,874
Shares issued during the half year/year	491,000	49	–	–
Closing balance	269,226,253	26,923	268,735,253	26,874

During the six months ended 30 June 2011, the Company issued 491,000 shares (2010: Nil) upon exercise of share options by employees.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

21. 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 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Not later than 1 year	36,859	34,626
Later than 1 year and not later than 5 years	31,202	32,588
Later than 5 years	10,818	11,189
	78,879	78,403

- (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 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Not later than 1 year	1,207	53
Later than 1 year and not later than 5 years	1,766	4
	2,973	57

(b) Capital commitments

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

	Unaudited As at 30 June 2011 HK\$'000	Audited As at 31 December 2010 HK\$'000
Contracted but not provided for	2,471	4,407
Authorised but not contracted for	–	–
	2,471	4,407

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2011

22. 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	
	2011 HK\$'000	2010 HK\$'000
(a) Associates		
Processing charges	–	2,993
(b) A related company		
Rental expense	2,584	2,229
(c) Key management compensation		
Salaries, allowances and bonuses	6,246	7,487
Defined contribution plans	112	182
Share-based compensation expense		
– share options granted	–	46
	6,358	7,715

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 2011.

BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded a significant increase in profit with profit attributable to equity holders of HK\$101,315,000 as compared with HK\$38,307,000 for the corresponding period in 2010. This is attributable to the better performance of the garment manufacturing segment, a continuous growth in the branded product distribution, retail and trading segment, together with a gain of HK\$10,827,000 realised on the disposal of an inactive subsidiary in Laos during the six months ended 30 June 2011. Top line and bottom line of branded product distribution, retail and trading segment increased 49% and 47% respectively over corresponding period in 2010. The performance of garment manufacturing segment improved with increase in sales of better margin products and reduction in export freight charges and other selling expenses as compared with 2010.

Total revenue of the Group for the first half of 2011 was HK\$1,475,997,000 (2010: HK\$1,333,613,000), representing an increase of 11% as compared with the corresponding period in 2010.

Revenue from the branded product distribution, retail and trading segment was HK\$402,111,000 when compared with HK\$270,474,000 in 2010, representing a growth of 49%. The growth was attributable to the continuing increase in the number of franchised point of sales ("POS") in the People's Republic of China (the "PRC"). The number of POS of our licensed brands increased by 115 during the first half of 2011, in different tiers of cities of the PRC, bringing the total number of POS to 527 in the Mainland China, Hong Kong and Macau.

Revenue generated from the garment manufacturing segment was fairly stable at HK\$1,073,886,000 as compared with HK\$1,063,139,000 in 2010.

Geographically, sales in the first half of 2011 to the United States of America (the "US"), the United Kingdom (the "UK") and the PRC accounted for 38% (2010: 48%), 22% (2010: 21%) and 29% (2010: 21%) respectively of the Group's total revenue. This was the result of the less reliance on the US market and the further expansion of our branded product distribution footprint in the Greater China region. Through partnering with key customers, the Group has managed to smooth out the seasonality effect on the garment manufacturing business.

Gross profit of the Group increased to HK\$415,613,000 (2010: HK\$328,100,000) with gross profit margin increased from 24.6% in 2010 to 28.2%. This was mainly attributable to the increase in the Group's revenue mix from branded product distribution, retail and trading segment which yielded higher gross profit margin. Selling and distribution expenses increased by 6% mainly due to the net impact of increase in promotion and royalty expenses of the branded product distribution, retail and trading segment, and the reduction in export freight charges within the garment manufacturing segment. The increase in staff cost, performance bonus and other administrative expenses due to business expansion of the branded product distribution, retail and trading segment resulted in a 13% rise in general and administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2004/2005 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.

DISPOSAL OF AN OVERSEAS SUBSIDIARY

During the six months ended 30 June 2011, the Group disposed of an inactive overseas subsidiary incorporated in Laos to an independent third party at a consideration of US\$1,830,000 (equivalent to HK\$14,234,000) and realised a gain of HK\$10,827,000.

SHANGHAI COMMERCIAL PROPERTY ACQUIRED IN 2010

The Shanghai commercial property acquired by the Group in 2010, with an aggregate gross floor area of approximately 4,120 square metres, is undergoing renovation and will accommodate the Group's various departments in Shanghai upon completion of renovation.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2011 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2011 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2011, the Group continued to maintain a healthy balance sheet and liquidity position. As at 30 June 2011, cash and bank balances amounted to HK\$431,327,000 (31 December 2010: HK\$460,003,000) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK\$269,408,000 as at 30 June 2011 (31 December 2010: HK\$189,833,000), which reflects the seasonal borrowing requirements for financing working capital. Such borrowings were mainly denominated in US dollars and Hong Kong dollars. As at 30 June 2011, HK\$195,202,000 (31 December 2010: HK\$140,905,000) and HK\$74,206,000 (31 December 2010: HK\$48,928,000) 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 2011. As at 30 June 2011, banking facilities extended to the Group were not secured with the Group's assets (31 December 2010: pledging of bank deposits of HK\$590,000 for certain foreign exchange facilities). As the Group did not have net borrowings as at 30 June 2011 and 31 December 2010, no information on gearing ratio as at these two dates is applicable.

FINANCIAL RESOURCES AND LIQUIDITY (continued)

Most of the Group's receipts and payments were denominated in US dollars, Hong Kong dollars and Renminbi. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2011, 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; and Pound Sterling for operating expenses of a UK subsidiary.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 21 to the unaudited Condensed Consolidated Interim Financial Information, there were no material capital commitments or contingent liabilities as at 30 June 2011 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had 13,300 employees as at 30 June 2011 (31 December 2010: 14,000). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

OUTLOOK

The US economic recovery was slow and growth in 2011 was considerably below expectation. The outlook is also uncertain with recovery to remain slow and unemployment rate remaining at relatively high level. In Europe, most European countries other than Germany have implemented measures to reduce government spending or raise taxes in order to restore fiscal soundness. Against the uncertain economic backdrop, we expect the operating environment of our garment manufacturing business to remain challenging due to pressure on consumer spending. In addition, we still need to manage ongoing challenges such as labour shortage, surging raw material and labour costs coupled with currency appreciation in the countries where our factories are located. We will strive to remain competitive in the garment manufacturing segment by focusing on our core customers and value-added product offerings, and at the same time implementing stringent cost control.

The Group will continue to expand its existing businesses and pursue new opportunities. Amid uncertain international markets, the China economy will continue to achieve significant year-on-year growth. We expect our branded product distribution business in the PRC will continue to grow and we are actively searching for new brand opportunities.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2011, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

Name of Director	Long/short position	Number of shares held			Approximate percentage of issued share capital
		Through spouse or minor children	Through controlled corporation(s)	Total	
Mr. WANG Kin Chung, Peter	Long position	3,308,000 (Note 1)	182,442,000 (Note 2)	185,750,000	68.99%

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

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

Notes:

- 3,308,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
- 182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.
- 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 30 June 2011, 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.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

DISCLOSURE OF INTERESTS (continued)

Substantial shareholders

As at 30 June 2011, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held			Approximate percentage of issued share capital
		Directly beneficially owned	Through spouse or minor children	Total	
Ms. Daisy TING	Long position	3,308,000	182,442,000 <i>(Note)</i>	185,750,000	68.99%
Silver Tree Holdings Inc.	Long position	182,442,000 <i>(Note)</i>	–	182,442,000	67.77%

Note:

182,442,000 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 2011, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

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 2011 were as follows:

Date of grant	Participant	Number of share options			At 30/06/2011	Exercise price per share	Exercisable period
		At 01/01/2011	Granted during the period	Exercised during the period			
02/07/2008	Employees (in aggregate)	174,000	–	–	174,000	HK\$1.86	02/07/2008 – 01/07/2013
		174,000	–	–	174,000	HK\$1.86	02/07/2009 – 01/07/2013
		174,000	–	–	174,000	HK\$1.86	02/07/2010 – 01/07/2013
		174,000	–	–	174,000	HK\$1.86	02/07/2011 – 01/07/2013
14/09/2009	Employees (in aggregate)	326,000	–	(207,000) (Note 5)	119,000	HK\$1.45	14/09/2009 – 13/09/2014
		326,000	–	(207,000) (Note 5)	119,000	HK\$1.45	14/09/2010 – 13/09/2014
		326,000	–	–	326,000	HK\$1.45	14/09/2011 – 13/09/2014
		326,000	–	–	326,000	HK\$1.45	14/09/2012 – 13/09/2014
21/06/2010	Employees (in aggregate)	239,000	–	(77,000) (Note 6)	162,000	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
13/06/2011 (Notes 2 & 3)	Employees (in aggregate)	–	143,000	–	143,000	HK\$4.01	13/06/2011 – 12/06/2016
		–	143,000	–	143,000	HK\$4.01	13/06/2012 – 12/06/2016
		–	143,000	–	143,000	HK\$4.01	13/06/2013 – 12/06/2016
		–	143,000	–	143,000	HK\$4.01	13/06/2014 – 12/06/2016
	Total	<u>2,956,000</u>	<u>572,000</u>	<u>(491,000)</u>	<u>3,037,000</u>		

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. The Company received a total consideration of HK\$5.00 from the grantees for the options granted during the period.
3. The closing price of the shares of the Company on 10 June 2011, 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\$4.00.
4. No options had been cancelled or lapsed during the period.
5. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.62.
6. The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$2.57.
7. The fair value of options granted during the period determined using the Trinomial valuation model was HK\$1.11 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK\$3.95
Exercise price	HK\$4.01
Dividend yield	9.4%
Volatility	56.8%
Annual risk-free interest rate	1.3%

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\$633,000 is to be recognised as employee expense over the vesting periods together with a corresponding increase in equity.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, 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, except 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 2010 published in April 2011 (the "2010 Annual Report").

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2011. 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 2011.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2010 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 Steering Committee on the Promotion of Electric Vehicles appointed by The Government of the Hong Kong Special Administrative Region

Mr. Peter TAN

Re-designation

- Executive vice president and chief executive officer of Asia Pacific division of Burger King Corporation

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\$0.15 per share for the six months ended 30 June 2011, totalling HK\$40,384,000 (2010: HK\$0.06 per share, totalling HK\$16,124,000). The interim dividend is expected to be paid on Monday, 3 October 2011 to shareholders whose names appear on the register of members of the Company on Friday, 23 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2011 to Friday, 23 September 2011, 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, 20 September 2011.

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 2011 in conjunction with the management of the Group.

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

Hong Kong, 29 August 2011