Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF 2010 ANNUAL RESULTS

FINANCIAL SUMMARY OF 2010 ANNUAL RESULTS

- Revenue increased by 7% to HK$3,035.2 million
- Profit attributable to equity holders of the Company of HK$196.7 million as compared with a loss of HK$101.7 million in 2009
- Excluding the non-recurring gains of HK$38.4 million, the Group's profit attributable to equity holders in 2010 amounted to HK$158.3 million, an increase of 76% from the profit of HK$90.0 million in 2009 (after excluding the non-recurring exceptional restructuring costs and impairment losses of HK$191.7 million in 2009)
- Earnings per share of HK$0.73
- Proposed final dividend of HK$0.24 per share

RESULTS

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2010 together with comparative figures for 2009.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010** *HK$'000*	As restated 2009 *HK$'000*
Revenue	2, 3	**3,035,219**	2,828,809
Cost of sales		**(2,236,020)**	(2,186,222)
Gross profit		**799,199**	642,587
Other income and other gains/(losses)	4	**21,880**	7,816
Selling and distribution expenses		**(214,811)**	(165,068)
General and administrative expenses		**(414,326)**	(378,229)
Gain on disposal of a subsidiary	5	**23,112**	–
Net gain on early termination of a license agreement	6	**8,378**	–
Restructuring costs	7	**–**	(180,615)
Provision for impairment on intangible assets		**–**	(11,085)
Profit/(loss) from operations	8	**223,432**	(84,594)
Finance income	9	**5,049**	4,302
Finance costs	9	**(7,764)**	(9,062)
Share of losses of associates		**–**	(1,472)
Provision for impairment in an associate		**–**	(3,519)
Profit/(loss) before income tax		**220,717**	(94,345)
Income tax expense	10	**(23,982)**	(7,342)
Profit/(loss) for the year		**196,735**	(101,687)
Attributable to:			
Equity holders of the Company		**196,735**	(101,651)
Non-controlling interests		**–**	(36)
		196,735	(101,687)
Dividends	11	**80,620**	26,874
Earnings/(loss) per share attributable to equity holders of the Company:			
Basic	12	**HK$0.73**	(HK$0.38)
Diluted	12	**HK$0.73**	(HK$0.38)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 *HK$'000*	As restated 2009 *HK$'000*
Profit/(loss) for the year	**196,735**	(101,687)
Other comprehensive income:		
Fair value gains/(losses) on cash flow hedges		
Gains/(losses) arising during the year	**9,400**	(28,166)
Transfer to the consolidated income statement	**(7,665)**	15,611
Income tax effect	**(712)**	197
Fair value gain/(loss) on net investment hedge	**921**	(1,634)
Currency translation differences		
Gain arising during the year	**40,561**	1,908
Transfer from translation reserve to the consolidated income statement	**–**	133,589
Other comprehensive income, net of tax	**42,505**	121,505
Total comprehensive income for the year	**239,240**	19,818
Attributable to:		
Equity holders of the Company	**239,240**	19,859
Non-controlling interests	**–**	(41)
	239,240	19,818

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	**As at 31 December 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		**536,035**	524,371	502,551
Investment properties		**1,339**	1,375	3,259
Leasehold land and land use rights		**172,672**	33,574	23,481
Intangible assets		**127,190**	140,074	159,738
Other long-term assets		**15,330**	18,454	19,627
Deferred income tax assets		**19,991**	9,071	6,676
Defined benefit plan assets		**5,140**	4,211	–
Investments in associates		**–**	–	4,991
		877,697	731,130	720,323
CURRENT ASSETS				
Inventories		**298,537**	271,970	343,472
Accounts receivable and bills receivable	13	**311,875**	293,327	384,874
Forward foreign exchange contracts		**3,954**	1,639	45,621
Prepayments and other receivables		**112,758**	130,232	73,445
Cash and bank balances		**460,003**	401,403	300,349
		1,187,127	1,098,571	1,147,761
Non-current assets held for sale		**–**	3,237	5,599
		1,187,127	1,101,808	1,153,360
CURRENT LIABILITIES				
Accounts payable and bills payable	14	**189,305**	165,195	185,269
Accruals and other payables		**273,675**	260,921	205,633
Forward foreign exchange contracts		**836**	10,084	–
Current income tax liabilities		**66,714**	48,648	43,674
Bank borrowings		**189,833**	170,343	210,842
		720,363	655,191	645,418
NET CURRENT ASSETS		**466,764**	446,617	507,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,344,461**	1,177,747	1,228,265
NON-CURRENT LIABILITIES				
Retirement benefits and other post retirement obligations		**14,104**	15,205	33,694
License fees payable		**85,619**	111,308	124,247
Deferred income tax liabilities		**60,349**	59,435	73,131
Other long-term liabilities		**767**	5,054	6,589
		160,839	191,002	237,661
NET ASSETS		**1,183,622**	986,745	990,604
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		**26,874**	26,874	26,874
Reserves		**1,156,347**	959,470	963,288
		1,183,221	986,344	990,162
Non-controlling interests		**401**	401	442
TOTAL EQUITY		**1,183,622**	986,745	990,604

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by stating certain derivative financial instruments at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Revised standards, interpretation and amendments to existing standards effective in 2010

In 2010, the Group has adopted the following revised standards, interpretation 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 consolidated financial statements.

* 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 consolidated income statement. As there was no acquisition during the year, the revised standard and consequential amendments have no impact on the consolidated financial statements for the current year and the Group will apply the revised standard to all future business combinations.

HKFRS 5 (Amendment), 'Non-current Assets Held for Sale and Discontinued Operations'. The amendment clarifies that HKFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The amendment has no impact on the consolidated financial statements.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (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, any land interest where title was not expected to pass to the Group by the end of the lease term was classified as an operating lease accounted for within "Leasehold land and land use rights", and amortised over the lease term. The Group has reassessed the classification of unexpired leasehold land interests as at 1 January 2010 on the basis of information existing at the inception of those leases, and has recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified those leasehold land interests 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 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 7 and 8 below.

HKAS 36 (Amendment), 'Impairment of Assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating Segments' (that is, before the aggregation of segments with similar economic characteristics). The amendment has no impact on the consolidated financial statements.

HK Interpretation 5, 'Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause', specifies that amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current liabilities in its statement of financial position. The interpretation has no impact on the consolidated financial statements as all the Group's bank borrowings are repayable within twelve months.

New and revised standards that are not effective and have not been early adopted by the Group

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).

HKAS 24 (Revised), 'Related Party Disclosures' (effective for annual period starting from 1 January 2011).

In addition, HKICPA has published a number of amendments for the existing standards under its annual improvements project. These amendments are expected to have no material impact to the consolidated financial statements of the Group.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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 relevancy of financial data to the users of the financial statements by taking into consideration the following factors:

(i) With the restructuring of the Group's operations in 2009 (Note 7), the completion of the construction of a major manufacturing facility in the People's Republic of China (the "PRC") in 2009 as well as the acquisition of an office building in the PRC during the current year, the majority of the Group's properties are now located in the PRC and are accounted for as leasehold land interests at cost. Management considers that it is more consistent and appropriate to use the Cost Model for its remaining freehold land and buildings.

(ii) 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 will be more comparable on a year-on-year basis.

(iii) 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.

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

	2010		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	**–**	**998**	–	972
(Increase)/decrease in depreciation under general and administrative expenses	**(24)**	**2,861**	(112)	2,917
Decrease in amortisation of leasehold land and land use rights under general and administrative expenses	**24**	**–**	112	–
Increase in net gain on disposals of property, plant and equipment under other gains	**–**	**3**	–	141
Increase in restructuring costs	**–**	**–**	–	(1,186)
Decrease in net gain on disposals of non-current assets held for sale	**–**	**(350)**	–	–
Increase in deferred income tax expense	**–**	**(759)**	–	(633)
Total increase in profit for the year	**–**	**2,753**	–	2,211
Attributable to:				
Equity holders of the Company	**–**	**2,753**	–	2,211
Non-controlling interests	**–**	**–**	–	–
Increase in basic earnings per share	**–**	**HK$0.01**	–	HK$0.008
Increase in diluted earnings per share	**–**	**HK$0.01**	–	HK$0.008

1. **BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)**

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

	As at 31 December 2010		As at 31 December 2009		As at 1 January 2009	
	HKAS 17 (Amendment)	**Change to Cost Model for freehold land and buildings**	HKAS 17 (Amendment)	Change to Cost Model for freehold land and buildings	HKAS 17 (Amendment)	Change to Cost Model for freehold land and buildings
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease)/increase in property, plant and equipment	**–**	**(71,117)**	–	(69,542)	2,149	(70,936)
Decrease in leasehold land and land use rights	**(870)**	**–**	(894)	–	(4,343)	–
Increase in investment properties	**870**	**–**	894	–	2,194	–
Increase in non-current assets held for sale	**–**	**–**	–	350	–	–
Decrease in deferred income tax liabilities	**–**	**9,744**	–	9,610	–	10,498
Decrease in assets revaluation reserve	**–**	**(68,628)**	–	(68,720)	–	(69,848)
Decrease in translation reserve	**–**	**(9,307)**	–	(4,671)	–	(2,264)
Increase in retained earnings	**–**	**16,562**	–	13,809	–	11,674

2. **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:

	Garment manufacturing		**Branded product distribution, retail and trading**		**Unallocated**		**Total**	
	2010	As restated 2009	**2010**	2009	**2010**	As restated 2009	**2010**	As restated 2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**2,376,369**	2,353,187	**658,850**	475,622	**–**	–	**3,035,219**	2,828,809
Reportable segment profit	**80,367**	50,046	**69,408**	20,753	**15,470**	19,214	**165,245**	90,013
Gain on disposal of a subsidiary					**23,112**	–	**23,112**	–
Net gain on termination of a license agreement					**8,378**	–	**8,378**	–
Restructuring costs					**–**	(180,615)	**–**	(180,615)
Provision for impairment on intangible assets					**–**	(11,085)	**–**	(11,085)
Profit/(loss) for the year							**196,735**	(101,687)

2. SEGMENT INFORMATION (Continued)

In current year, in order to be consistent with internal reporting, certain corporate income net of expenses and non-recurring gain/(losses) were not allocated to reportable segments. The relevant amounts in 2009 have also been presented to conform to the current year's allocation basis.

	Garment manufacturing			Branded product distribution, retail and trading			Unallocated *(Note (1))*			Total		
	As at 31 December 2010	As restated As at 31 December 2009	As restated As at 1 January 2009	**As at 31 December 2010**	As at 31 December 2009	As at 1 January 2009	**As at 31 December 2010**	As restated As at 31 December 2009	As restated As at 1 January 2009	**As at 31 December 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*
Segment assets including:	**1,053,529**	971,100	1,161,073	**262,017**	213,555	227,227	**749,278**	648,283	485,383	**2,064,824**	1,832,938	1,873,683
Investments in associates	**–**	–	4,991	**–**	–	–	**–**	–	–	**–**	–	4,991
Additions to non-current assets *(Note (2))*	**29,241**	22,644	69,031	**4,594**	4,934	135,119	**152,105**	79,132	132,012	**185,940**	106,710	336,162
Segment liabilities	**348,462**	394,436	430,862	**266,907**	212,914	180,275	**265,833**	238,843	271,942	**881,202**	846,193	883,079

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2010	As restated 2009	**2010**	2009	**2010**	As restated 2009	**2010**	As restated 2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**–**	–	**5,049**	4,302	**5,049**	4,302
Finance costs	**(349)**	(446)	**(4,132)**	(4,797)	**(3,283)**	(3,819)	**(7,764)**	(9,062)
Share of losses of associates	**–**	(1,472)	**–**	–	**–**	–	**–**	(1,472)
Provision for impairment in an associate	**–**	(3,519)	**–**	–	**–**	–	**–**	(3,519)
Income tax (expense)/credit	**(4,806)**	3,222	**(19,176)**	(10,564)	**–**	–	**(23,982)**	(7,342)
Amortisation of leasehold land and land use rights	**(479)**	(502)	**–**	–	**(2,652)**	(419)	**(3,131)**	(921)
Amortisation of license rights	**–**	–	**(12,194)**	(9,783)	**–**	–	**(12,194)**	(9,783)
Depreciation on property, plant and equipment	**(49,005)**	(46,590)	**(4,384)**	(5,670)	**(8,608)**	(5,880)	**(61,997)**	(58,140)
Depreciation on investment properties	**–**	–	**–**	–	**(36)**	(85)	**(36)**	(85)
Provision for impairment on property, plant and equipment	**–**	(1,285)	**–**	(126)	**–**	–	**–**	(1,411)
Provision for impairment on intangible assets	**–**	–	**–**	–	**–**	(11,085)	**–**	(11,085)
Reversal of/(provision for) impairment of receivables, net	**3,200**	(4,213)	**114**	–	**–**	–	**3,314**	(4,213)
Write-down of inventories to net realisable value, net	**(8,144)**	(6,948)	**1,725**	(1,349)	**–**	–	**(6,419)**	(8,297)
Restructuring costs	**–**	–	**–**	–	**–**	(180,615)	**–**	(180,615)

2. 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:

	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	**1,388,038**	1,499,866	**654,864**	588,677	**694,618**	506,774	**297,699**	233,492	**3,035,219**	2,828,809

Included in revenue derived from the PRC was HK$152,597,000 (2009: HK$111,877,000) related to revenue generated in Hong Kong.

For the year ended 31 December 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 22% and 12% (2009: 26% and 15%) of the total revenue respectively.

	PRC			Thailand			Other locations			Total		
		As restated	As restated		As restated	As restated		As restated	As restated		As restated	As restated
	As at 31 December 2010	As at 31 December 2009	As at 1 January 2009	**As at 31 December 2010**	As at 31 December 2009	As at 1 January 2009	**As at 31 December 2010**	As at 31 December 2009	As at 1 January 2009	**As at 31 December 2010**	As at 31 December 2009	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 (2))*	**680,198**	528,818	501,494	**108,592**	111,343	117,540	**63,776**	77,687	94,613	**852,566**	717,848	713,647

Included in non-current assets located in the PRC was HK$165,259,000 (2009 as restated: HK$151,444,000) 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.

3. REVENUE

	2010	2009
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**3,032,522**	2,815,955
Commission income	**2,697**	12,854
	3,035,219	2,828,809

4. OTHER INCOME AND OTHER GAINS/(LOSSES)

		As restated
	2010	2009
	HK$'000	*HK$'000*
Other income and other gains/(losses)		
Net gain on disposals of non-current assets held for sale	**3,343**	–
Net gain on disposals of property, plant and equipment	**2,001**	3,927
Rental income from investment properties	**568**	884
Change in fair value of derivative financial instruments	**(52)**	(277)
Gain on ineffectiveness arising from net investment hedge	**25**	763
Insurance claim income	**896**	–
Government subsidies	**6,333**	1,202
Government incentive on reinvestment of profit	**6,910**	–
Sundry income	**1,856**	1,317
	21,880	7,816

5. GAIN ON DISPOSAL OF A SUBSIDIARY

On 30 November 2010, the Group signed a sale and purchase agreement for the disposal of a wholly-owned subsidiary, Zhejiang Huazhang Garment Co., Ltd., at a consideration of RMB34,365,000 (equivalent to HK$40,085,000). The disposal was completed on 29 December 2010.

6. NET GAIN ON EARLY TERMINATION OF A LICENSE AGREEMENT

During the year ended 31 December 2010, a subsidiary of the Company has reached an agreement with a licensor for early termination of a license agreement. Pursuant to the agreement, the licensor agreed, inter-alias, to waive the minimum royalty payable by the Group as stipulated in the original license agreement. In this connection, the Group has derecognised the related intangible assets (which had been fully provided for in 2009) and the license fees payable amounted to HK$10,877,000. The license fees payable derecognised less the termination costs, amounted to HK$8,378,000, was recognised as net gain on early termination of the license agreement in the consolidated income statement.

7. RESTRUCTURING COSTS

Restructuring costs comprise the following:

	2010 HK$'000	As restated 2009 HK$'000
Redundancy costs	–	32,989
Net losses on curtailments and settlements of long service payment liabilities	–	13,743
Net gains on curtailments and settlements of defined benefit plans	–	(15,266)
Total employment related costs	–	31,466
Impairment on property, plant and equipment and land use right	–	13,808
Provision for onerous lease contract	–	1,752
Realisation of accumulated translation reserve	–	133,589
	–	180,615

In 2009, the Group restructured its overseas operations, including closing down/scaling down three factories located in the Philippines, the PRC and Thailand respectively, and 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.

8. PROFIT/(LOSS) FROM OPERATIONS

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

	2010 HK$'000	As restated 2009 HK$'000
Depreciation on property, plant and equipment	**61,997**	58,140
Depreciation on investment properties	**36**	85
Provision for impairment on property, plant and equipment	–	1,411
Provision for impairment on intangible assets	–	11,085
Amortisation of leasehold land and land use rights	**3,131**	921
Amortisation of license rights	**12,194**	9,783
(Reversal of)/provision for impairment of receivables, net	**(3,314)**	4,213
Write-down of inventories to net realisable value, net	**6,419**	8,297
Employment expenses	**611,002**	584,661
Less: Amounts included in restructuring costs	–	(31,466)
	611,002	553,195

9. FINANCE INCOME/FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**5,049**	4,302
Finance costs		
Interest on bank loans	**3,283**	3,819
Imputed interest on license fees payable	**4,132**	4,797
Imputed interest on other long-term liabilities	**349**	446
	7,764	9,062

10. INCOME TAX EXPENSE

		As restated
	2010	2009
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**11,473**	7,982
Non-Hong Kong tax	**26,038**	16,517
Deferred income tax	**(13,529)**	(17,157)
	23,982	7,342

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Income taxes on non-Hong Kong profits have been calculated on the estimated assessable profits 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 consolidated financial statements in respect of the protective assessments which the Group had received.

11. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend paid – HK$0.06 (2009: Nil) per share	**16,124**	–
Final dividend proposed – HK$0.24 (2009: HK$0.10) per share	**64,496**	26,874
	80,620	26,874

A final dividend for the year ended 31 December 2010 of HK$0.24 per share, totalling HK$64,496,000 (2009: HK$0.10 per share, totalling HK$26,874,000), is recommended by the Board for approval at the forthcoming annual general meeting of the Company.

12. 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 year.

		As restated
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**196,735**	(101,651)
Weighted average number of ordinary shares in issue	**268,735,253**	268,735,253
Basic earnings/(loss) per share	**HK$0.73**	(HK$0.38)

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.

		As restated
	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**196,735**	(101,651)
Weighted average number of ordinary shares in issue	**268,735,253**	268,735,253
Effect of share options	**273,863**	–
Weighted average number of ordinary shares for diluted earnings/(loss) per share	**269,009,116**	268,735,253
Diluted earnings/(loss) per share	**HK$0.73**	(HK$0.38)

13. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

The aging analysis is as follows:

	2010	2009
	HK$'000	*HK$'000*
Less than 3 months	**309,941**	292,172
3 months to 6 months	**1,934**	1,155
Over 6 months	**726**	4,427
	312,601	297,754
Less: Provision for impairment	**(726)**	(4,427)
	311,875	293,327

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. Most of the trade receivables are on open account which are substantially covered by credit insurance during 2009 and 2010.

The carrying amounts of the accounts receivable and bills receivable approximate their fair values. The maximum exposure to credit risk is the fair value of the above receivables. The Group does not hold any collateral as security.

14. ACCOUNTS PAYABLE AND BILLS PAYABLE

	2010	2009
	HK$'000	*HK$'000*
Third parties	**189,305**	164,426
Associates	**–**	769
	189,305	165,195

The aging analysis of accounts payable and bills payable based on invoice date is as follows:

	2010	2009
Less than 3 months	**181,520**	155,841
3 months to 6 months	**4,857**	4,157
Over 6 months	**2,928**	5,197
	189,305	165,195

Majority of payment terms with suppliers are within 60 days.

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

15. CAPITAL COMMITMENTS

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

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for	**4,407**	83,730
Authorised but not contracted for	**–**	26,519
	4,407	110,249

MANAGEMENT DISCUSSION AND ANALYSIS

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") for the year ended 31 December 2010.

BUSINESS REVIEW

For the year ended 31 December 2010, the Group recorded a satisfactory result with profit attributable to equity holders of HK$196,735,000 as compared with a loss of HK$101,651,000 in 2009. In 2010, the Group had non-recurring gains of HK$38.4 million which comprised of (1) gain of HK$23.1 million on disposal of a subsidiary, (2) net gain of HK$8.4 million on early termination of a license agreement, and (3) recognition under other income of re-investment incentive of HK$6.9 million from the government of the People's Republic of China (the "PRC"). Excluding the above exceptional items, the Group's profit attributable to equity holders in 2010 amounted to HK$158,335,000, an increase of 76% from the profit of HK$90,049,000 in 2009 (after excluding the non-recurring exceptional restructuring costs and impairment losses of HK$191,700,000 in 2009). The encouraging operating results were attributable to the strong growth in the branded product distribution, retail and trading segment. Top line and bottom line before exceptional item of branded product distribution, retail and trading segment increased 39% and 234% over 2009 respectively. With industry consolidation after the financial tsunami in 2008, performance of our garment manufacturing segment improved over 2009 with increase in sales of better margin products.

For the year ended 31 December 2010, the total revenue of the Group was HK$3,035,219,000 (2009: HK$2,828,809,000), representing an increase of 7% as compared with 2009.

Revenue from the branded product distribution, retail and trading segment was HK$658,850,000 when compared with HK$475,622,000 in 2009, representing a growth of 39%. The growth was attributable to increase in the number of point of sales ("POS") in the PRC. The number of POS managed by the Group increased by 150 during the year, mainly in tier 1 and tier 2 cities of the PRC, bringing the total number of POS to 420 in the Mainland China, Hong Kong and Macau.

Revenue generated from the garment manufacturing segment was fairly stable at HK$2,376,369,000 as compared with HK$2,353,187,000 in 2009.

Geographically, sales to the United States of America (the "US"), the United Kingdom and the PRC in 2010 accounted for 46% (2009: 53%), 22% (2009: 21%) and 23% (2009: 18%) respectively of the Group's total revenue. This was the result of the strategy in reducing reliance on the US market and expanding 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$799,199,000 (2009: HK$642,587,000) with gross profit margin increased from 22.7% in 2009 to 26.3%. 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. Growth of the branded product distribution, retail and trading segment during the year was largely through increasing number of franchised POS. Selling and distribution expenses increased by 30% mainly due to increase in promotion and royalty expenses of the branded product distribution, retail and trading segment. The increase in performance bonus rewarding the good results of the year, and increase in depreciation charges upon completed construction of the Hefei production facilities, caused a 10% rise in general and administrative expenses.

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 consolidated financial statements in respect of the protective assessments which the Group had received.

CHANGE IN ACCOUNTING POLICY FOR FREEHOLD LAND AND BUILDINGS

As disclosed in the 2010 Interim Report, from 2010 onwards, the Group has changed its accounting policy for freehold land and buildings from revalued amounts less subsequent depreciation for buildings and impairment losses to cost less accumulated depreciation and impairment losses. The change in accounting policy will result in the financial statements being more relevant to the users. Detailed rationale and impact on the change in accounting policy have been included in Note 1.

COMPLETION OF ACQUISITION OF COMMERCIAL PROPERTY IN SHANGHAI

The acquisition of a commercial property (the "Property") in Shanghai by the Group has been completed on 22 March 2010. The purchase price plus incidental expenditure amounted to RMB126,416,000 (equivalent to HK$143,802,000). The 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 metres. The Property is undergoing renovation and will accommodate the Group's sourcing and branded product distribution departments upon completion of renovation.

DISPOSAL OF A PRC SUBSIDIARY

During the year, the Group disposed of a PRC subsidiary, Zhejiang Huazhang Garment Co., Ltd., at a consideration of RMB34,365,000 (equivalent to HK$40,085,000) and realised a gain of approximately HK$23.1 million. Details of the disposal were set out in the announcement of the Company dated 30 November 2010.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the year 2010 and up to the date of this announcement and no important events affecting the Group have occurred since 31 December 2010 and up to the date of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

During the year, the Group continued to maintain a healthy balance sheet and liquidity position. As at 31 December 2010, cash and bank balances amounted to HK$460,003,000 (2009: HK$401,403,000) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$189,833,000 as at 31 December 2010 (2009: HK$170,343,000), such borrowings were mainly denominated in US dollars and Hong Kong dollars. As at 31 December 2010, HK$140,905,000 (2009: HK$134,401,000) and HK$48,928,000 (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 31 December 2010. Apart from the pledging of HK$590,000 (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 31 December 2010 and 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 and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the year ended 31 December 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; and Euro for payments to suppliers.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 15, there were no material capital commitments or contingent liabilities as at 31 December 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 31 December 2010 (2009: 15,000). 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

During the year under review, the US and Europe have shown signs of initial economic recovery. However, the advanced economies are still struggling from the aftermath effect of the global financial crisis. In addition, labour shortage, surging raw material and labour costs coupled with currency appreciation in the countries where our factories located, are inevitably challenges for the Group's garment manufacturing business in the coming years. While focusing on its core customers and product offerings and implementing stringent cost control, the Group will continue to expand its existing businesses and pursue new opportunities. The China economy will continue to achieve significant year-on-year growth and it is the government policy to encourage domestic consumption. Our branded product distribution business in the PRC will continue to expand both the top line and store count for existing licensed brands and actively searching for new brand opportunities.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, 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 last published annual report for the year ended 31 December 2009. Further information of the Company's corporate governance practices will be set out in the Corporate Governance Report of the Company's annual report for the year ended 31 December 2010, which will be available for publication as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

PROPOSED FINAL DIVIDEND

An interim dividend of HK$0.06 per share, totalling HK$16,124,000, was paid on 5 October 2010 (2009: Nil). The Board recommends the payment of a final dividend of HK$0.24 per share, totalling HK$64,496,000 for the year ended 31 December 2010 (2009: HK$0.10 per share, totalling HK$26,874,000).

The proposed final dividend, if approved at the Annual General Meeting of the Company below mentioned, is expected to be paid on Thursday, 16 June 2011 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 13 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9 June 2011 to Monday, 13 June 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the Annual General Meeting, 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 Wednesday, 8 June 2011.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Room 5A, 5th Floor, 66-72 Lei Muk Road, Kwai Chung, New Territories, Hong Kong at 10:00 a.m. on Monday, 13 June 2011 (the "Annual General Meeting"). The notice of Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements and the annual report of the Group for the year ended 31 December 2010 with the auditor and the management of the Group and recommended them to the Board for approval.

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

Hong Kong, 28 March 2011

As at the date of this announcement, the Board comprises one Executive Director, Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN.