Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2012

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
James Christopher KRALIK,
Chairman of the Remuneration Committee
MAK WANG Wing Yee, Winnie
LO Kai Yiu, Anthony
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
5th Floor, 66–72 Lei Muk Road
Kwai Chung
New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : http://www.tristateww.com

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

LISTING INFORMATION
The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988.
Stock short name : Tristate Hold
Stock code : 458
Board lot : 1,000 shares

PRINCIPAL REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM08
Bermuda
Tel : (441) 299-3882
Fax : (441) 295-6759

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

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2012 together with comparative figures for 2011.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2012

		Unaudited six months ended 30 June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	5	**1,456,900**	1,475,997
Cost of sales		**(1,031,940)**	(1,060,384)
Gross profit		**424,960**	415,613
Other income and other gains		**5,337**	2,645
Selling and distribution expenses		**(139,627)**	(107,162)
General and administrative expenses		**(242,187)**	(208,079)
Gain on disposal of a subsidiary	6	**12,069**	10,827
Profit from operations	7	**60,552**	113,844
Finance income	8	**8,603**	4,211
Finance costs	8	**(5,175)**	(2,820)
Profit before income tax		**63,980**	115,235
Income tax expense	9	**(15,687)**	(13,946)
Profit for the half year		**48,293**	101,289
Attributable to:			
Equity holders of the Company		**48,307**	101,315
Non-controlling interests		**(14)**	(26)
		48,293	101,289
Earnings per share attributable to equity holders of the Company:			
Basic	10	**HK$0.18**	HK$0.38
Diluted	10	**HK$0.18**	HK$0.38

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

		HK$'000	*HK$'000*
Interim dividend	11	**18,917**	40,440

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the half year	**48,293**	101,289
Other comprehensive income:		
Fair value gains on cash flow hedges		
Gains arising during the half year	**579**	2,304
Transfers to and included in the following line items in the condensed consolidated interim income statement:		
Cost of sales	**(681)**	–
General and administrative expenses	**(1,471)**	(3,792)
Income tax effect	**100**	314
Currency translation differences		
(Losses)/gains arising during the half year	**(4,079)**	17,710
Transfer from translation reserve to the condensed consolidated interim income statement upon disposal of a subsidiary	**589**	(37)
Other comprehensive income, net of tax	**(4,963)**	16,499
Total comprehensive income for the half year	**43,330**	117,788
Attributable to:		
Equity holders of the Company	**43,344**	117,814
Non-controlling interests	**(14)**	(26)
	43,330	117,788

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	**Unaudited As at 30 June 2012 HK$'000**	Audited As at 31 December 2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**529,423**	520,824
Leasehold land and land use rights	13	**173,109**	176,219
Intangible assets	14	**234,638**	244,771
Other long-term assets		**25,254**	12,172
Deferred income tax assets		**24,475**	30,146
Defined benefit plan assets		**6,045**	5,606
Investments in associates		**–**	–
		992,944	989,738
CURRENT ASSETS			
Inventories	15	**665,887**	399,988
Accounts receivable and bills receivable	16	**384,691**	357,913
Forward foreign exchange contracts		**739**	1,447
Prepayments and other receivables		**186,547**	123,479
Cash and bank balances	17	**393,593**	629,345
		1,631,457	1,512,172
Non-current assets held for sale		**–**	1,309
		1,631,457	1,513,481
CURRENT LIABILITIES			
Accounts payable and bills payable	18	**270,798**	257,235
Accruals and other payables		**329,094**	369,559
Forward foreign exchange contracts		**3,537**	341
Current income tax liabilities		**45,519**	72,480
Bank borrowings	19	**402,907**	194,040
		1,051,855	893,655
NET CURRENT ASSETS		**579,602**	619,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,572,546**	1,609,564
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**12,143**	11,196
License fees payable		**165,522**	182,356
Deferred income tax liabilities		**48,664**	54,177
Other long-term liabilities		**1,140**	1,184
		227,469	248,913
NET ASSETS		**1,345,077**	1,360,651
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**27,025**	27,014
Reserves		**1,317,689**	1,333,260
		1,344,714	1,360,274
Non-controlling interests		**363**	377
TOTAL EQUITY		**1,345,077**	1,360,651

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2012	**27,014**	**1,333,260**	**1,360,274**	**377**	**1,360,651**
Total comprehensive income for the half year	**–**	**43,344**	**43,344**	**(14)**	**43,330**
Shares issued during the half year	**11**	**202**	**213**	**–**	**213**
Share option scheme – value of employee services	**–**	**337**	**337**	**–**	**337**
Dividends paid to equity holders of the Company	**–**	**(59,454)**	**(59,454)**	**–**	**(59,454)**
As at 30 June 2012	**27,025**	**1,317,689**	**1,344,714**	**363**	**1,345,077**

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

		Unaudited six months ended 30 June	
	Note	**2012** **HK$'000**	2011 HK$'000
NET CASH USED IN OPERATING ACTIVITIES		**(365,423)**	(48,969)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(50,021)**	6,087
NET CASH GENERATED FROM FINANCING ACTIVITIES		**147,860**	14,796
DECREASE IN CASH AND CASH EQUIVALENTS		**(267,584)**	(28,086)
CASH AND CASH EQUIVALENTS, at beginning of the half year	17	**596,040**	459,413
CASH AND CASH EQUIVALENTS, at end of the half year	17	**328,456**	431,327

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 2012

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 2012 was approved for issue by the Board on 27 August 2012.

This Condensed Consolidated Interim Financial Information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2012 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 2011, 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 2012 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2011, except as described in Note 3 below.

3. IMPACT OF ADOPTING NEW/REVISED HKFRSs

Adoption of new/revised HKFRSs

There are no amended standards or interpretations that are effective for the first time for the Group's financial year beginning 1 January 2012 and are relevant to the Group's operations that could be expected to have a material impact on the Group.

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 2012 and the Group has not early adopted them:

HKFRS 7 (Amendment), 'Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities' (effective for annual period starting from 1 January 2013). The amendment requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will adopt the amendment from 1 January 2013.

HKFRS 9, 'Financial Instruments' (effective for annual period starting from 1 January 2015). The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The Group will adopt the new standard from 1 January 2015.

HKFRS 7 and HKFRS 9 (Amendments), 'Mandatory Effective Date and Transition Disclosures' (effective for annual period starting from 1 January 2015). The amendments delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. The Group will adopt the amendments from 1 January 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

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 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. 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 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. 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 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. 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. However, an entity may transfer those amounts recognised in other comprehensive income within equity.

- 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.

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.

HKAS 32 (Amendment), 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' (effective for annual period starting from 1 January 2014). The amendment clarifies the requirements for offsetting financial instruments. It addresses inconsistencies in current practice when applying the offsetting criteria and clarifies the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The Group will adopt the amendment from 1 January 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

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 2011.

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		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**999,333**	1,073,886	**469,848**	402,111	**–**	–	**1,469,181**	1,475,997
Less: Revenue from intersegment	**(12,281)**	–	**–**	–	**–**	–	**(12,281)**	–
Revenue	**987,052**	1,073,886	**469,848**	402,111	**–**	–	**1,456,900**	1,475,997
Reportable segment profit/(loss)	**(18,954)**	44,247	**40,618**	37,922	**14,560**	8,293	**36,224**	90,462
Gain on disposal of a subsidiary					**12,069**	10,827	**12,069**	10,827
Profit for the half year							**48,293**	101,289

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	Unaudited As at 30 June 2012	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets including:	**1,240,931**	1,074,189	**702,003**	541,973	**681,467**	887,057	**2,624,401**	2,503,219
Investments in associates	**–**	–	**–**	–	**–**	–	**–**	–
Additions to non-current assets *(Note (2))*	**12,429**	26,455	**3,848**	134,888	**37,502**	15,824	**53,779**	177,167
Segment liabilities	**317,186**	350,435	**473,231**	512,093	**488,907**	280,040	**1,279,324**	1,142,568

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

5. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**–**	–	**8,603**	4,211	**8,603**	4,211
Finance costs	**–**	(140)	**(3,410)**	(1,693)	**(1,765)**	(987)	**(5,175)**	(2,820)
Income tax expense	**4,510**	(1,323)	**(18,941)**	(12,623)	**(1,256)**	–	**(15,687)**	(13,946)
Amortisation of leasehold land and land use rights	**(251)**	(192)	**–**	–	**(1,828)**	(1,819)	**(2,079)**	(2,011)
Amortisation of license rights	**–**	–	**(10,327)**	(8,206)	**–**	–	**(10,327)**	(8,206)
Depreciation on property, plant and equipment	**(17,485)**	(18,147)	**(2,838)**	(1,764)	**(12,244)**	(11,674)	**(32,567)**	(31,585)
Depreciation on investment properties	**–**	–	**–**	–	**–**	(15)	**–**	(15)
(Provision for)/reversal of impairment of receivables, net	**(487)**	308	**–**	–	**–**	–	**(487)**	308
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(2,012)**	(7,222)	**(866)**	1,946	**–**	–	**(2,878)**	(5,276)
Net gain on disposals of non-current assets held for sale	**–**	–	**–**	–	**2,677**	–	**2,677**	–
Net gain on disposals of property, plant and equipment	**–**	–	**–**	–	**9**	258	**9**	258

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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**483,143**	555,584	**304,722**	328,621	**538,641**	424,758	**130,394**	167,034	**1,456,900**	1,475,997

Included in revenue derived from the PRC was HK$96,842,000 (2011: HK$84,753,000) related to revenue generated in Hong Kong.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2012, revenues from three customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 13%, 12% and 12% (2011: 17%, 13% and 13%) of the total revenue respectively.

	PRC		Thailand		Other locations		Total	
	Unaudited As at 30 June 2012	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011	**Unaudited As at 30 June 2012**	Audited As at 31 December 2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (2))*	**822,299**	807,598	**85,140**	90,778	**54,985**	55,610	**962,424**	953,986

Included in non-current assets located in the PRC was HK$261,669,000 (2011: HK$276,349,000) 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.

6. GAIN ON DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2012, the Group disposed of a subsidiary incorporated in the Philippines for Philippine Peso 80,000,000 (equivalent to HK$14,715,000) and realised a gain on disposal of HK$12,069,000. The subsidiary owned a parcel of land with certain factory buildings thereon located at Metro Manila of the Philippines.

During the six months ended 30 June 2011, the Group disposed of 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 effect of the disposal is summarised as follows:

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Net assets disposed	**779**	3,444
Expenses attributable to the disposal	**1,278**	–
Gain on disposal	**12,069**	10,827
Cumulative translation reserve transferred to the condensed consolidated interim income statement	**589**	(37)
Consideration for the disposal	**14,715**	14,234

7. PROFIT FROM OPERATIONS

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

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**9**	258
Net gain on disposals of non-current assets held for sale	**2,677**	–
Reversal of impairment of receivables	**–**	308
Charging		
Depreciation on property, plant and equipment	**32,567**	31,585
Depreciation on investment properties	**–**	15
Amortisation of leasehold land and land use rights	**2,079**	2,011
Amortisation of license rights	**10,327**	8,206
Provision for impairment of receivables	**487**	–
Write-down of inventories to net realisable value, net	**2,878**	5,276
Employment expenses	**346,261**	315,698

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

8. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**8,603**	4,211
Finance costs		
Interest on bank loans	**1,765**	987
Imputed interest on license fees payable	**3,410**	1,693
Imputed interest on other long-term liabilities	**–**	140
	5,175	2,820

9. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(2,818)**	(7,425)
Non-Hong Kong tax	**(12,500)**	(9,976)
Deferred income tax	**(369)**	3,455
	(15,687)	(13,946)

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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, the HK IRD has also raised protective assessments for the year of assessment 2005/2006. 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.

10. 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	
	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**48,307**	101,315
Weighted average number of ordinary shares in issue	**270,242,330**	268,914,480
Basic earnings per share	**HK$0.18**	HK$0.38

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	
	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**48,307**	101,315
Weighted average number of ordinary shares in issue	**270,242,330**	268,914,480
Effect of share options	**868,916**	1,017,154
Weighted average number of ordinary shares for diluted earnings per share	**271,111,246**	269,931,634
Diluted earnings per share	**HK$0.18**	HK$0.38

11. INTERIM DIVIDEND

	Unaudited six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
HK$0.07 (2011: HK$0.15) per share	**18,917**	40,440

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2012 HK$'000	Audited As at 31 December 2011 HK$'000
Opening net book amount	**520,824**	536,035
Additions	**45,279**	44,370
Disposals	**(842)**	(701)
Disposal of a subsidiary	**(584)**	(3,444)
Depreciation	**(32,567)**	(63,402)
Transfer to non-current assets held for sale	**(215)**	–
Impairment	**–**	(4,936)
Exchange differences	**(2,472)**	12,902
Closing net book amount	**529,423**	520,824

13. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2012 HK$'000	Audited As at 31 December 2011 HK$'000
Opening net book amount	**176,219**	172,672
Amortisation	**(2,079)**	(4,070)
Exchange differences	**(1,031)**	7,617
Closing net book amount	**173,109**	176,219

14. INTANGIBLE ASSETS

	Unaudited As at 30 June 2012 HK$'000	Audited As at 31 December 2011 HK$'000
License rights		
Opening net book amount	**223,973**	106,275
Addition	**–**	132,797
Amortisation	**(10,327)**	(15,099)
Closing net book amount	**213,646**	223,973
Goodwill		
Opening net book amount	**20,798**	20,915
Exchange differences	**194**	(117)
Closing net book amount	**20,992**	20,798
Total intangible assets	**234,638**	244,771

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.

15. INVENTORIES

	Unaudited As at 30 June 2012 HK$'000	Audited As at 31 December 2011 HK$'000
Raw materials	**150,949**	88,748
Work-in-progress	**141,515**	96,769
Finished goods	**255,693**	195,983
Goods in transit	**117,730**	18,488
	665,887	399,988

Increases in raw materials and work-in-progress reflect seasonal requirements for second half year shipments of the garment manufacturing segment.

Increases in finished goods and goods in transit mainly represent operating and seasonal requirements for the growing branded product distribution business in the PRC.

16. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

These are aged as follows:

	Unaudited As at 30 June 2012 HK$'000	Audited As at 31 December 2011 HK$'000
Less than 3 months	**383,847**	354,586
3 months to 6 months	**844**	3,327
Over 6 months	**974**	490
	385,665	358,403
Less: Provision for impairment	**(974)**	(490)
	384,691	357,913

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

17. CASH AND BANK BALANCES

	Unaudited As at 30 June 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Cash and cash equivalents	**328,456**	596,040
Bank structured deposits	**65,137**	33,305
	393,593	629,345

The decrease in cash and bank balances reflects mainly the seasonal funding requirements for financing working capital.

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

These are aged as follows:

	Unaudited As at 30 June 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Less than 3 months	**254,094**	245,064
3 months to 6 months	**12,951**	6,584
Over 6 months	**3,753**	5,587
	270,798	257,235

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

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

19. BANK BORROWINGS

	Unaudited As at 30 June 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Short-term bank loans	**402,907**	194,040

The carrying amounts of bank borrowings approximate their fair values.

The increase in bank loans reflects mainly the seasonal borrowing requirements for financing working capital.

20. SHARE CAPITAL

	Unaudited As at 30 June 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Authorised: 500,000,000 (2011: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid:

	Unaudited As at 30 June 2012		Audited As at 31 December 2011	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Opening balance	**270,135,253**	**27,014**	268,735,253	26,874
Shares issued during the half year/year	**112,000**	**11**	1,400,000	140
Closing balance	**270,247,253**	**27,025**	270,135,253	27,014

During the six months ended 30 June 2012, the Company issued 112,000 shares (year ended 2011: 1,400,000 shares) upon the exercise of share options by employees.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2012

21. COMMITMENTS

(a) Operating lease commitments

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 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Not later than 1 year	**59,456**	57,865
Later than 1 year and not later than 5 years	**115,817**	117,347
Later than 5 years	**7,865**	10,083
	183,138	185,295

(b) Capital commitments

The Group had capital commitments in relation to purchases of equipment and office renovations, as follows:

	Unaudited As at 30 June 2012 *HK$'000*	Audited As at 31 December 2011 *HK$'000*
Contracted but not provided for	**2,375**	14,886
Authorised but not contracted for	**–**	10,437
	2,375	25,323

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	
	2012 *HK$'000*	2011 *HK$'000*
(a) A related company		
Rental expense	**2,940**	2,584
(b) Key management compensation		
Salaries, allowances and bonuses	**6,015**	6,246
Defined contribution plans	**150**	112
Share-based compensation expense – share options granted	**167**	–
	6,332	6,358

In addition to the above, during the six months ended 30 June 2012, a subsidiary of the Group made a cash advance of HK$12,000,000 to a key management employee of the Group. Pursuant to the agreement, the cash advance is unsecured and bears interest at the Group's cost of borrowing. The short term portion of the cash advance of HK$3,500,000 plus related interest will be repayable within one year. The remaining long term portion of HK$8,500,000 will be waived by the subsidiary in equal amount semi-annually over a period of ten years commencing from the third year while the individual remains as an employee of the Group. Any unwaived principal plus related accrued interest will be repayable upon cessation of employment of the employee. The short term portion of the cash advance is included in prepayments and other receivables in the condensed consolidated interim statement of financial position while the long term portion is included in other long-term assets.

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of Tristate Holdings Limited and its subsidiaries (together, the "Group") over the six months ended 30 June 2012.

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded a profit attributable to equity holders of HK$48,307,000 as compared with HK$101,315,000 for the corresponding period in 2011. Whilst our branded product distribution, retail and trading segment continued its planned expansion in the People's Republic of China (the "PRC") and generated satisfactory performance, the lower profit in the first half of 2012 was primarily attributable to the unsatisfactory performance of our garment manufacturing segment caused by the increase in operating costs mainly in the PRC as well as the downturn of economic environment in the United States of America (the "US") and Europe.

Total revenue of the Group for the first half of 2012 was HK$1,456,900,000 (2011: HK$1,475,997,000). Revenue from the branded product distribution, retail and trading segment was HK$469,848,000 when compared with HK$402,111,000 in 2011, representing a growth of 17%. The growth was attributable to the continuing increase in the number of franchised point of sales ("POS") in the PRC. The number of POS of our licensed brands increased by over 60 throughout China during the first half of 2012, bringing the total number of POS to over 680 in the PRC including Hong Kong and Macau.

Revenue generated from the garment manufacturing segment decreased by 8% to HK$987,052,000 as compared with HK$1,073,886,000 in 2011. By market, due to the weak demand in the US and Europe, sales to national brands customers dropped by 19% while sales to higher margin global premium fashion brands customers increased by 8%. The garment manufacturing business is generally impacted by seasonality. Through partnering with key customers, the Group has managed to smooth out such effect to this segment.

Geographically, sales in the first half of 2012 to the US, the United Kingdom (the "UK") and the PRC accounted for 33% (2011: 38%), 21% (2011: 22%) and 37% (2011: 29%) respectively of the Group's total revenue. This was the result of the continuous expansion of our branded product distribution business in the PRC and the decrease in revenue from the US customers of the garment manufacturing business.

Gross profit of the Group increased to HK$424,960,000 (2011: HK$415,613,000) with gross profit margin increased from 28.2% in 2011 to 29.2%. This was mainly attributable to the increase in the Group's revenue from branded product distribution, retail and trading segment which yielded higher and fairly stable gross profit.

The garment manufacturing segment was impacted considerably by an overall operating cost rise in the period under review. Labour cost increased substantially from minimum wages rise in our Hefei and Vietnam factories since mid of last year and in our Thailand and Southern China factories early this year. Apart from this, the segment result was further affected by the decline in sales as well as cost increase from change in product mix.

Selling and distribution expenses of the Group increased by 30% mainly due to the increase in planned advertising and promotion and royalty expenses for the growth of the branded product distribution, retail and trading segment. General and administrative expenses of the Group rose by 16% mainly attributable to the increase in administrative staff cost and expand office and distribution centre spaces in supporting the branded product distribution, retail and trading segment.

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, the HK IRD has also raised protective assessments for the year of assessment 2005/2006. 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.

DISPOSAL OF AN OVERSEAS SUBSIDIARY

During the six months ended 30 June 2012, the Group disposed of a subsidiary incorporated in the Philippines at a consideration of Philippine Peso 80,000,000 (equivalent to HK$14,715,000) and realised a gain of HK$12,069,000.

SHANGHAI COMMERCIAL PROPERTY

The renovation of the Shanghai Property, which the Group acquired in 2010, was completed during the first half of 2012 and it now accommodates certain departments of our operations in Shanghai.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2012 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2012 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2012, cash and bank balances amounted to HK$393,593,000 (31 December 2011: HK$629,345,000) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$402,907,000 as at 30 June 2012 (31 December 2011: HK$194,040,000). Such borrowings were mainly denominated in US dollars and Hong Kong dollars. The decrease in cash and increase in bank borrowings reflected mainly the seasonal requirements for financing working capital, in particular raw materials for the second half year shipment of the garment manufacturing segment as well as finished garments for the growing branded product distribution business in the PRC. As at 30 June 2012, HK$313,603,000 (31 December 2011: HK$137,458,000) and HK$89,304,000 (31 December 2011: HK$56,582,000) 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 2012. As at 30 June 2012, banking facilities extended to the Group were not secured with the Group's assets (31 December 2011: Nil). The gearing ratio of the Group as at 30 June 2012 was 0.7%, calculated as net borrowings divided by total capital. Net borrowings were calculated as total bank borrowings less cash and bank balances, while total capital comprised total equity plus net borrowings. The Group did not have net borrowings as at 31 December 2011, and accordingly, no information on gearing ratio as at that date is provided.

Most of the Group's receipts and payments are 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 six months ended 30 June 2012, the Group had forward foreign exchange contracts to hedge against the foreign exchange exposures arising from US dollar denominated processing income for factories in the PRC; Euro for payments of purchases and royalties to licensors and Pound Sterling for service fees payment to 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 2012 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 13,500 employees as at 30 June 2012 (31 December 2011: 13,000). 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

Looking ahead, trading conditions are still challenging given a slow recovery of the US economy and the Eurozone recession. Against the uncertain economic backdrop, we are cautious about the outlook of our garment manufacturing business. We will strive to remain competitive in this segment by meeting our core customers' need, building up our design and development strength, managing our production efficiency, devising measures to retain skilled labour and at the same time implementing stringent cost control.

The Group will adopt a cautious approach to expanding its existing businesses and pursuing new opportunities. Amid uncertain international markets, the China economy is expected to achieve year-on-year growth. We expect our PRC branded product distribution business will continue to be a key profit contributor to the Group. We will invest for the long-term growth of this business segment in the PRC by increasing POS and expanding the brand portfolio.

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2012, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	**Long/short position**	**Through spouse or minor children**	**Through controlled corporation(s)**	**Total**	**Approximate percentage of issued share capital**
Mr. WANG Kin Chung, Peter	Long position	3,365,000 *(Note 1)*	182,442,000 *(Note 2)*	185,807,000	68.75%

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

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

Notes:

1. 3,365,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.

2. 182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.

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

Save as disclosed above, as at 30 June 2012, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTERESTS (continued)

Substantial shareholders

As at 30 June 2012, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held			
Name of shareholder	**Long/short position**	**Directly beneficially owned**	**Through spouse or minor children**	**Total**	**Approximate percentage of issued share capital**
Ms. Daisy TING	Long position	3,365,000	182,442,000 *(Note)*	185,807,000	68.75%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	182,442,000	67.51%

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 2012, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTIONS

Movement in the share options granted under the share option scheme of the Company during the period and outstanding as at 30 June 2012 were as follows:

		Number of share options						
Date of grant	**Participant**	**At 01/01/2012**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 30/06/2012**	**Exercise price per share**	**Exercisable period**
02/07/2008	Employees (in aggregate)	85,000	–	–	–	**85,000**	HK$1.86	02/07/2008 – 01/07/2013
		85,000	–	–	–	**85,000**	HK$1.86	02/07/2009 – 01/07/2013
		85,000	–	–	–	**85,000**	HK$1.86	02/07/2010 – 01/07/2013
		85,000	–	–	–	**85,000**	HK$1.86	02/07/2011 – 01/07/2013
14/09/2009	Employees (in aggregate)	–	–	–	–	**–**	HK$1.45	14/09/2009 – 13/09/2014
		–	–	–	–	**–**	HK$1.45	14/09/2010 – 13/09/2014
		206,000	–	–	–	**206,000**	HK$1.45	14/09/2011 – 13/09/2014
		326,000	–	–	–	**326,000**	HK$1.45	14/09/2012 – 13/09/2014

SHARE OPTIONS (continued)

		Number of share options						
Date of grant	Participant	At 01/01/2012	Granted during the period	Exercised during the period	Lapsed during the period	At 30/06/2012	Exercise price per share	Exercisable period
21/06/2010	Employees (in aggregate)	122,000	–	(56,000) *(Note 5)*	–	**66,000**	HK$1.90	21/06/2010 – 20/06/2015
		122,000	–	(56,000) *(Note 5)*	–	**66,000**	HK$1.90	21/06/2011 – 20/06/2015
		239,000	–	–	(45,000)	**194,000**	HK$1.90	21/06/2012 – 20/06/2015
		239,000	–	–	(45,000)	**194,000**	HK$1.90	21/06/2013 – 20/06/2015
13/06/2011	Employees (in aggregate)	105,000	–	–	–	**105,000**	HK$4.01	13/06/2011 – 12/06/2016
		143,000	–	–	(20,000)	**123,000**	HK$4.01	13/06/2012 – 12/06/2016
		143,000	–	–	(20,000)	**123,000**	HK$4.01	13/06/2013 – 12/06/2016
		143,000	–	–	(20,000)	**123,000**	HK$4.01	13/06/2014 – 12/06/2016
18/06/2012 *(Notes 2 & 3)*	Employees (in aggregate)	–	89,000	–	–	**89,000**	HK$5.06	18/06/2012 – 17/06/2017
		–	89,000	–	–	**89,000**	HK$5.06	18/06/2013 – 17/06/2017
		–	89,000	–	–	**89,000**	HK$5.06	18/06/2014 – 17/06/2017
		–	89,000	–	–	**89,000**	HK$5.06	18/06/2015 – 17/06/2017
	Total	2,128,000	356,000	(112,000)	(150,000)	**2,222,000**		

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$4.00 from the grantees for the options granted during the period.

3. The closing price of the shares of the Company on 15 June 2012, 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$5.00.

4. No options had been cancelled during the period.

5. The closing price of the shares immediately before the date on which the options were exercised was HK$4.01.

6. The average fair value of the options granted during the period determined using the Trinomial valuation model was HK$1.03 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK$5.05
Exercise price	HK$5.06
Dividend yield	8.5%
Volatility	43.9%
Annual risk-free interest rate	0.5%

The volatility at the grant date, which measured the standard deviation of expected share price returns, is based on statistics of 260-week historical volatilities of comparable companies within the industry.

The aggregate fair value of the options granted during the period amounted to HK$368,000 is to be recognised as employment expense over the vesting periods together with a corresponding increase in equity.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2012, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 of the Listing Rules) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), except for the deviation from code provisions A.2.1, A.5 and A.6.7 as explained below.

- Code provision A.2.1 stipulates 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 2011.

- Code provision A.5 stipulates that every listed company should establish a nomination committee.

  The Company has not established any nomination committee owing to the small size of the Board. The Board as a whole shall perform the duties of a nomination committee set out in code provision A.5.

- Code provision A.6.7 stipulates that Independent Non-Executive Directors and other Non-Executive Directors should attend general meetings.

  A Non-Executive Director and two Independent Non-Executive Directors have not attended the annual general meeting of the Company held on 11 June 2012 due to their other prior engagements.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2012. 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 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.07 per share for the six months ended 30 June 2012, totalling HK$18,917,000 (2011: HK$0.15 per share, totalling HK$40,440,000). The interim dividend is expected to be paid on Thursday, 4 October 2012 to shareholders whose names appear on the register of members of the Company on Friday, 21 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 September 2012 to Friday, 21 September 2012, 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, 18 September 2012.

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 2012 in conjunction with the management of the Group.

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

Hong Kong, 27 August 2012