Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report 2013

Stock Code : 458

CONTENTS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE
Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda
Tel : (441) 299-3882
Fax : (441) 295-6759

BRANCH REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
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The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2013 together with comparative figures for 2012.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2013

		Unaudited six months ended 30 June	
			As restated *(Note 3)*
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	5	**1,461,302**	1,456,900
Cost of sales		**(1,052,715)**	(1,031,940)
Gross profit		**408,587**	424,960
Other income and other gains		**1,725**	5,337
Selling and distribution expenses		**(173,455)**	(139,627)
General and administrative expenses		**(274,630)**	(242,053)
Gain on disposal of a subsidiary	6	**–**	12,069
(Loss)/profit from operations	7	**(37,773)**	60,686
Finance income	8	**5,770**	8,603
Finance costs	8	**(5,444)**	(5,175)
(Loss)/profit before income tax		**(37,447)**	64,114
Income tax expense	9	**(4,584)**	(15,812)
(Loss)/profit for the half year		**(42,031)**	48,302
Attributable to:			
Equity holders of the Company		**(42,003)**	48,316
Non-controlling interests		**(28)**	(14)
		(42,031)	48,302
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic	10	**(HK$0.16)**	HK$0.18
Diluted	10	**(HK$0.16)**	HK$0.18

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

		HK$'000	*HK$'000*
Interim dividend	11	**–**	18,917

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited six months ended 30 June	
		As restated *(Note 3)*
	2013	2012
	HK$'000	*HK$'000*
(Loss)/profit for the half year	**(42,031)**	48,302
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on cash flow hedges		
Gains arising during the half year	**1,589**	579
Transferred to and included in the following line items in the condensed consolidated interim income statement		
Cost of sales	**(391)**	(681)
General and administrative expenses	**1,335**	(1,471)
Income tax effect	**–**	100
Currency translation differences		
Gains/(losses) arising during the half year	**13,031**	(3,926)
Transferred from translation reserve to the condensed consolidated interim income statement upon disposal of a subsidiary	**–**	589
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plan assets	**–**	76
Other comprehensive income/(loss), net of tax	**15,564**	(4,734)
Total comprehensive (loss)/income for the half year	**(26,467)**	43,568
Attributable to:		
Equity holders of the Company	**(26,439)**	43,582
Non-controlling interests	**(28)**	(14)
	(26,467)	43,568

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 2013

	Note	**Unaudited As at 30 June 2013 HK$'000**	As restated *(Note 3)* As at 31 December 2012 *HK$'000*	As restated *(Note 3)* As at 1 January 2012 *HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	12	**531,415**	527,270	520,824
Leasehold land and land use rights	13	**172,939**	171,973	176,219
Intangible assets	14	**202,279**	229,047	244,771
Other long-term assets		**26,263**	23,440	12,172
Deferred income tax assets		**36,437**	36,588	30,201
Defined benefit plan assets		**11,792**	12,462	13,220
Forward foreign exchange contracts		**4,160**	1,723	–
Investments in associates		**–**	–	–
		985,285	1,002,503	997,407
CURRENT ASSETS				
Inventories	15	**695,699**	481,662	399,988
Accounts receivable and bills receivable	16	**321,911**	361,893	357,913
Forward foreign exchange contracts		**1,328**	821	1,447
Prepayments and other receivables		**187,264**	162,872	123,479
Cash and bank balances	17	**575,017**	561,290	629,345
		1,781,219	1,568,538	1,512,172
Non-current assets held for sale		**–**	–	1,309
		1,781,219	1,568,538	1,513,481
CURRENT LIABILITIES				
Accounts payable and bills payable	18	**201,374**	204,041	257,235
Accruals and other payables		**370,681**	377,729	369,559
Forward foreign exchange contracts		**1,585**	–	341
Current income tax liabilities		**49,244**	77,257	72,480
Bank borrowings	19	**605,916**	293,594	194,040
		1,228,800	952,621	893,655
NET CURRENT ASSETS		**552,419**	615,917	619,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,537,704**	1,618,420	1,617,233
NON-CURRENT LIABILITIES				
Retirement benefits and other post retirement obligations		**21,796**	21,781	20,686
License fees payable		**118,680**	146,108	182,356
Deferred income tax liabilities		**46,162**	49,648	51,736
Other long-term liabilities		**–**	–	1,184
		186,638	217,537	255,962
NET ASSETS		**1,351,066**	1,400,883	1,361,271
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	20	**27,078**	27,037	27,014
Reserves		**1,323,665**	1,373,495	1,333,880
		1,350,743	1,400,532	1,360,894
Non-controlling interests		**323**	351	377
TOTAL EQUITY		**1,351,066**	1,400,883	1,361,271

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 2013

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	Reserves	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2013, as previously reported	**27,037**	**1,375,572**	**1,402,609**	**351**	**1,402,960**
Effect of change in accounting policy *(Note 3)*	**–**	**(2,077)**	**(2,077)**	**–**	**(2,077)**
As at 1 January 2013, as restated	**27,037**	**1,373,495**	**1,400,532**	**351**	**1,400,883**
Total comprehensive loss for the half year	**–**	**(26,439)**	**(26,439)**	**(28)**	**(26,467)**
Shares issued during the half year	**41**	**691**	**732**	**–**	**732**
Share option scheme – value of employee services	**–**	**257**	**257**	**–**	**257**
Dividends paid to equity holders of the Company	**–**	**(24,339)**	**(24,339)**	**–**	**(24,339)**
As at 30 June 2013	**27,078**	**1,323,665**	**1,350,743**	**323**	**1,351,066**

	Unaudited				
	Attributable to equity holders of the Company				
	Share capital	Reserves	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2012, as previously reported	27,014	1,333,260	1,360,274	377	1,360,651
Effect of change in accounting policy *(Note 3)*	–	620	620	–	620
As at 1 January 2012, as restated	27,014	1,333,880	1,360,894	377	1,361,271
Total comprehensive income for the half year, as restated	–	43,582	43,582	(14)	43,568
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, as restated	27,025	1,318,547	1,345,572	363	1,345,935

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 2013

		Unaudited six months ended 30 June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES		**(243,212)**	(365,423)
NET CASH USED IN INVESTING ACTIVITIES		**(30,439)**	(50,021)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**286,190**	147,860
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,539**	(267,584)
CASH AND CASH EQUIVALENTS, at beginning of the half year	17	**494,690**	596,040
CASH AND CASH EQUIVALENTS, at end of the half year	17	**507,229**	328,456

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 2013

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 2013 was approved for issue by the Board on 27 August 2013.

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 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies applied in preparing the unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2013 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2012, except as described in Note 3 below.

3. IMPACT OF ADOPTING NEW/REVISED STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

New/revised standards and amendments to existing standards effective in 2013

In 2013, the Group has adopted the following new/revised standards and amendments to existing standards that are effective for the first time for the Group's financial year beginning 1 January 2013 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKFRS 7 (Amendment), 'Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities'. The amendment to HKFRS 7 requires an entity to disclose information about recognised financial instruments that are offset in the statement of financial position. In addition, disclosures are required for those recognised financial instruments that are subject to master netting or similar arrangements. The adoption of this amendment has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKFRS 10, 'Consolidated Financial Statements'. Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The adoption of this standard has had no impact on the unaudited Condensed Consolidated Interim Financial Information as all subsidiaries within the Group satisfy the requirements of control under HKFRS 10 and there are no new subsidiaries identified under the new guidance.

HKFRS 12, 'Disclosure of Interests in Other Entities'. HKFRS 12 requires disclosures of interests in unconsolidated structured entities which were not previously required by HKAS 27 and therefore not available in the most recent annual financial statements. The adoption of this standard has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKFRS 13, 'Fair Value Measurements'. HKFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group. HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7, 'Financial Instruments: Disclosures'. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the Group provides these disclosures in Note 23.

HKAS 1 (Amendment), 'Presentation of Financial Statements'. After the adoption of this amendment, the Group has changed the disclosure of items presented in other comprehensive income in the statement of comprehensive income. Items presented in other comprehensive income are separated 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 adoption of this amendment affected presentation only and has had no impact on the unaudited Condensed Consolidated Interim Financial Information. The required disclosures have been provided for the current and comparable periods.

HKAS 19 (2011), 'Employee Benefits'. The revised standard amends the accounting for employment benefits. The Group has applied the standard retrospectively.

- There is a new term "remeasurements". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. Actuarial gains and losses are recognised immediately in other comprehensive income and 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)
For the six months ended 30 June 2013

3. IMPACT OF ADOPTING NEW/REVISED STANDARDS AND AMENDMENTS TO EXISTING STANDARDS (continued)

New/revised standards and amendments to existing standards effective in 2013 (continued)

- Past-service costs are recognised immediately in profit or loss. Unvested benefits will no longer be spread over a future-service period. A curtailment now occurs when an entity reduces significantly the number of employees. Curtailment gains/losses are accounted for as past-service costs.

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds.

(a) The effects of the adoption of HKAS 19 (2011) on the condensed consolidated interim statement of financial position are as follows:

	As at 30 June 2013 HK$'000	As at 31 December 2012 HK$'000	As at 1 January 2012 HK$'000
Increase in defined benefit plan assets	**6,098**	6,419	7,614
Increase in deferred income tax assets	**245**	250	55
Decrease in deferred income tax liabilities	**2,801**	3,019	2,441
Increase in retirement benefits obligations	**(11,080)**	(11,765)	(9,490)
(Decrease)/increase in retained earnings	**(2,203)**	(2,433)	358
Increase in translation reserve	**267**	356	262

(b) The effects of the adoption of HKAS 19 (2011) on the condensed consolidated interim income statement are as follows:

	Unaudited six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Decrease in general and administrative expenses	**413**	134
Increase in deferred income tax expense	**(183)**	(125)
Net decrease in loss/increase in profit for the half year	**230**	9
Attributable to:		
Equity holders of the Company	**230**	9
Non-controlling interests	**–**	–
Effect on basic loss/earnings per share	**–**	–
Effect on diluted loss/earnings per share	**–**	–

(c) The effect of the adoption of HKAS 19 (2011) on the condensed consolidated interim statement of comprehensive income is as follows:

	Unaudited six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Decrease in currency translation gains/(losses)	**(89)**	153
Increase in remeasurements of defined benefit plan assets	**–**	76
Decrease in other comprehensive income/(losses), net of tax for the half year	**(89)**	229

(d) The change in accounting policy has had no effect on the condensed consolidated interim statement of cash flows.

HKAS 27 (2011), 'Separate Financial Statements'. The renamed HKAS 27 continues to be a standard dealing with separate financial statements. The existing guidance for separate financial statements is unchanged. The adoption of this amendment has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

The adoption of Annual Improvements Project 2011 has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

New/revised standards and amendments to existing standards that are not effective and have not been early adopted by the Group

The following new/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 2013 and have not been early adopted by the Group:

HKFRS 9, 'Financial Instruments' (effective for annual period starting 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).

Investment Entities (Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)) (effective for annual period starting from 1 January 2014).

HKAS 32 (Amendment), 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' (effective for annual period starting from 1 January 2014).

HKAS 36 (Amendment), 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets' (effective for annual period starting from 1 January 2014).

HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting' (effective for annual period starting from 1 January 2014).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2013

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 2012.

5. SEGMENT INFORMATION

Reportable segments are 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**	
	2013 ***HK$'000***	As restated 2012 *HK$'000*	**2013** ***HK$'000***	As restated 2012 *HK$'000*	**2013** ***HK$'000***	As restated 2012 *HK$'000*	**2013** ***HK$'000***	As restated 2012 *HK$'000*
Segment revenue	**944,338**	999,333	**530,951**	469,848	**–**	–	**1,475,289**	1,469,181
Less: Revenue from intersegment	**(13,987)**	(12,281)	**–**	–	**–**	–	**(13,987)**	(12,281)
Revenue	**930,351**	987,052	**530,951**	469,848	**–**	–	**1,461,302**	1,456,900
Reportable segment (loss)/profit	**(54,772)**	(18,945)	**19,226**	40,618	**(6,485)**	14,560	**(42,031)**	36,233
Gain on disposal of a subsidiary					**–**	12,069	**–**	12,069
(Loss)/profit for the half year							**(42,031)**	48,302

	Garment manufacturing			**Branded product distribution, retail and trading**			**Unallocated** *(Note (1))*			**Total**		
	Unaudited As at 30 June 2013 ***HK$'000***	As restated As at 31 December 2012 *HK$'000*	As restated As at 1 January 2012 *HK$'000*	**Unaudited As at 30 June 2013** ***HK$'000***	As restated As at 31 December 2012 *HK$'000*	As restated As at 1 January 2012 *HK$'000*	**Unaudited As at 30 June 2013** ***HK$'000***	As restated As at 31 December 2012 *HK$'000*	As restated As at 1 January 2012 *HK$'000*	**Unaudited As at 30 June 2013** ***HK$'000***	As restated As at 31 December 2012 *HK$'000*	As restated As at 1 January 2012 *HK$'000*
Segment assets including:	**1,230,936**	1,088,223	1,081,858	**671,164**	655,489	541,973	**864,404**	827,329	887,057	**2,766,504**	2,571,041	2,510,888
Investments in associates	**–**	–	–	**–**	–	–	**–**	–	–	**–**	–	–
Additions to non-current assets *(Note (2))*	**25,034**	32,256	26,455	**7,057**	6,087	134,888	**3,366**	34,208	15,824	**35,457**	72,551	177,167
Segment liabilities	**340,846**	342,304	357,484	**382,676**	447,260	512,093	**691,916**	380,594	280,040	**1,415,438**	1,170,158	1,149,617

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)
For the six months ended 30 June 2013

5. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2013 HK$'000	As restated 2012 HK$'000	2013 HK$'000	As restated 2012 HK$'000	2013 HK$'000	As restated 2012 HK$'000	2013 HK$'000	As restated 2012 HK$'000
Finance income	–	–	–	–	5,770	8,603	5,770	8,603
Finance costs	–	–	(2,920)	(3,410)	(2,524)	(1,765)	(5,444)	(5,175)
Income tax expense	6,336	4,385	(12,985)	(18,941)	2,065	(1,256)	(4,584)	(15,812)
Amortisation of leasehold land and land use rights	(256)	(251)	–	–	(1,838)	(1,828)	(2,094)	(2,079)
Amortisation of license rights	–	–	(25,391)	(10,327)	–	–	(25,391)	(10,327)
Depreciation on property, plant and equipment	(17,838)	(17,485)	(3,411)	(2,838)	(14,155)	(12,244)	(35,404)	(32,567)
Provision for impairment of receivables, net	(13)	(487)	–	–	–	–	(13)	(487)
Write-down of inventories to net realisable value, net	(863)	(2,012)	(2,451)	(866)	–	–	(3,314)	(2,878)
Net gain on disposals of non-current assets held for sale	–	–	–	–	–	2,677	–	2,677
Net gain on disposals of property, plant and equipment	–	–	–	–	202	9	202	9

The Group's revenue is mainly derived from customers located in the People's Republic of China (the "PRC"), the United States of America (the "US") and the United Kingdom (the "UK"), 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									
	PRC		US		UK		Other countries		Total	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	595,564	538,641	472,114	483,143	290,757	304,722	102,867	130,394	1,461,302	1,456,900

Included in revenue derived from the PRC was HK$87,611,000 (2012: HK$96,842,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2013, revenues from three customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 11%, 11% and 10% (2012: 13%, 12% and 12%) of the total revenue respectively.

	PRC		Thailand		Other locations		Total	
	Unaudited As at 30 June 2013 HK$'000	Audited As at 31 December 2012 HK$'000	Unaudited As at 30 June 2013 HK$'000	Audited As at 31 December 2012 HK$'000	Unaudited As at 30 June 2013 HK$'000	Audited As at 31 December 2012 HK$'000	Unaudited As at 30 June 2013 HK$'000	Audited As at 31 December 2012 HK$'000
Non-current assets *(Note (2))*	785,033	812,119	77,879	84,087	74,144	57,247	937,056	953,453

Included in non-current assets located in the PRC was HK$209,567,000 (2012: HK$234,614,000) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2013

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.

7. (LOSS)/PROFIT FROM OPERATIONS

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

	Unaudited six months ended 30 June	
	2013	As restated 2012
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**202**	9
Net gain on disposals of non-current assets held for sale	**–**	2,677
Charging		
Depreciation on property, plant and equipment	**35,404**	32,567
Amortisation of leasehold land and land use rights	**2,094**	2,079
Amortisation of license rights	**25,391**	10,327
Provision for impairment of receivables, net	**13**	487
Write-down of inventories to net realisable value, net	**3,314**	2,878
Employment expenses	**408,872**	346,127

8. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**5,770**	8,603
Finance costs		
Interest on bank loans	**2,524**	1,765
Imputed interest on license fees payable	**2,920**	3,410
	5,444	5,175

9. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2013	As restated 2012
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(76)**	(2,818)
Non-Hong Kong tax	**(7,714)**	(12,500)
Deferred income tax	**3,206**	(494)
	(4,584)	(15,812)

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the half year. Income tax on non-Hong Kong profits 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 years of assessment 2005/2006 and 2006/2007. 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 unaudited Condensed Consolidated Interim Financial Information.

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the consolidated (loss)/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	
	2013	As restated 2012
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company	**(42,003)**	48,316
Weighted average number of ordinary shares in issue	**270,443,745**	270,242,330
Basic (loss)/earnings per share	**(HK$0.16)**	HK$0.18

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2013

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

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

	Unaudited six months ended 30 June	
	2013	As restated 2012
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity holders of the Company	**(42,003)**	48,316
Weighted average number of ordinary shares in issue	**270,443,745**	270,242,330
Effect of share options	**466,190**	868,916
Weighted average number of ordinary shares for diluted earnings per share	**270,909,935**	271,111,246
Diluted (loss)/earnings per share	**(HK$0.16)**	HK$0.18

11. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2013 (2012: HK$0.07 per share, totalling HK$18,917,000).

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Opening net book amount	**527,270**	520,824
Additions	**35,457**	72,551
Disposals	**(233)**	(2,126)
Disposal of a subsidiary	**–**	(583)
Depreciation	**(35,404)**	(66,834)
Transfer to non-current assets held for sale	**–**	(215)
Exchange differences	**4,325**	3,653
Closing net book amount	**531,415**	527,270

13. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Opening net book amount	**171,973**	176,219
Amortisation	**(2,094)**	(4,150)
Exchange differences	**3,060**	(96)
Closing net book amount	**172,939**	171,973

14. INTANGIBLE ASSETS

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
License rights		
Opening net book amount	**207,342**	223,973
Amortisation	**(25,391)**	(16,631)
Closing net book amount	**181,951**	207,342
Goodwill		
Opening net book amount	**21,705**	20,798
Exchange differences	**(1,377)**	907
Closing net book amount	**20,328**	21,705
Total intangible assets	**202,279**	229,047

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 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Raw materials	**125,862**	77,431
Work-in-progress	**209,489**	106,353
Finished goods	**272,888**	238,548
Goods in transit	**87,460**	59,330
	695,699	481,662

Increase in raw materials and work-in-progress reflect seasonal requirements for second half year shipment of garment manufacturing segment.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2013

16. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

These are aged as follows:

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Less than 3 months	**317,739**	352,064
3 months to 6 months	**4,172**	9,829
Over 6 months	**1,822**	1,804
	323,733	363,697
Less: Provision for impairment	**(1,822)**	(1,804)
	321,911	361,893

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.

17. CASH AND BANK BALANCES

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Cash and cash equivalents	**507,229**	494,690
Bank structured deposits	**67,788**	66,600
	575,017	561,290

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

These are aged as follows:

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Less than 3 months	**194,380**	195,404
3 months to 6 months	**4,469**	4,115
Over 6 months	**2,525**	4,522
	201,374	204,041

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 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Short-term bank loans	**605,916**	293,594

The carrying amounts of bank borrowings approximate their fair values.

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

20. SHARE CAPITAL

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Authorised: 500,000,000 (2012: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid:

	Unaudited As at 30 June 2013		Audited As at 31 December 2012	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Opening balance	**270,370,253**	**27,037**	270,135,253	27,014
Shares issued during the half year/year	**409,000**	**41**	235,000	23
Closing balance	**270,779,253**	**27,078**	270,370,253	27,037

During the six months ended 30 June 2013, the Company issued 409,000 shares (year ended 2012: 235,000 shares) upon exercise of share options by employees.

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 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Not later than 1 year	**56,027**	48,586
Later than 1 year and not later than 5 years	**97,077**	91,987
Later than 5 years	**7,814**	8,778
	160,918	149,351

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)
For the six months ended 30 June 2013

21. COMMITMENTS (continued)

(b) Capital commitments

The Group had capital commitments in relation to new factory renovation as follows:

	Unaudited As at 30 June 2013	Audited As at 31 December 2012
	HK$'000	*HK$'000*
Contracted but not provided for	**8,573**	–
Authorised but not contracted for	**–**	–
	8,573	–

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	
	2013	2012
	HK$'000	*HK$'000*
(a) A related company		
Rental expense	**3,270**	2,940
(b) Key management compensation		
Salaries, allowances and bonuses	**6,431**	6,015
Defined contribution plans	**155**	150
Share-based compensation expense – share options granted	**151**	167
	6,737	6,332

In 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. The long term portion regarded as prepaid staff benefit is included in other long-term assets and is amortised over twelve years from the date of the advance. In June 2013, the subsidiary and the individual entered into an amendment agreement to change the repayment date of the short term portion of the cash advance to June 2014.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Fair value estimation

The carrying values of cash and bank balances, accounts receivable and bills receivable, other receivables, accounts payable and bills payable, accruals and other payables and bank borrowings are reasonable approximations of their fair values due to their short-term maturities. The fair value of derivative financial instruments (forward foreign exchange contracts) is determined using forward exchange market rates at the end of each reporting period. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments are measured in the statement of financial position at fair value by valuation method, as disclosed below. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present the Group's financial assets and liabilities that are measured at fair value at 30 June 2013 and 31 December 2012.

At 30 June 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets				
Forward foreign exchange contracts				
– Non-Current	**–**	**4,160**	**–**	**4,160**
– Current	**–**	**1,328**	**–**	**1,328**
Total assets	**–**	**5,488**	**–**	**5,488**
Liabilities				
Forward foreign exchange contracts	**–**	**(1,585)**	**–**	**(1,585)**
Total liabilities	**–**	**(1,585)**	**–**	**(1,585)**

At 31 December 2012	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Forward foreign exchange contracts				
– Non-Current	–	1,723	–	1,723
– Current	–	821	–	821
Total assets	–	2,544	–	2,544

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the period ended 30 June 2013 and year ended 31 December 2012.

(b) Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. There was no change in valuation techniques during the period.

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of the Group for the six months ended 30 June 2013.

OVERVIEW

Total revenue of the Group for the first half of 2013 was HK$1,461 million (2012: HK$1,457 million).

For the six months ended 30 June 2013, the Group recorded a loss attributable to equity holders of HK$42 million as compared with a profit of HK$48 million for the corresponding period in 2012. The current period loss was mainly attributable to (i) reduction of profit for our branded product distribution, retail and trading business due to investment of HASKI, our proprietary brand launched in 2012 second half, and (ii) increased loss for our garment manufacturing business during the period of transitions against a backdrop of rising wages and operating costs. In addition, the Group had onetime gains in 2012 first half upon disposals of a subsidiary and a property, which are not recurring this year.

BUSINESS REVIEW

Revenue

Revenue of the branded product distribution, retail and trading segment increased by 13% to HK$531 million in the first half of 2013 as compared with HK$470 million in 2012.

Our licensed outdoor brand grew revenue by 31% as compared with 2012, and accounted for over 60% of the segment revenue. The revenue of our licensed global lifestyle brand was down by 9% as compared with 2012 mainly due to retail shops realignment following the change of two distributors in China.

In the first half of 2013, our branded product business has fared relatively well through the slowdown of the China retail market which coincides with a tough macro-economic environment featuring softening exports and lowered fixed asset investments. Our favourable position arises from both internal and external factors, with the key external factor being the continued growth of the outdoor segment in the China market. Internally, our channel management teams have matured over the years and have also intensified their tracking and analysis efforts as a result of increased pressure and competition created by the soft marketplace. Our product design teams have also improved. Whether it is original design in Shanghai or our close collaboration with licensors' design teams in Frankfurt and New York – the products that we are bringing to market feature an ever higher level of customisation, which is critical to success at retail. Customisation comes in the form of fit, colour, styling, weight, design detail, quality, etc.

A priority for the segment has been to focus on the establishment of HASKI, our proprietary brand's retail network which reached 48 points-of-sale ("POS") by the end of the period and are projected to reach 100 by the end of the year.

During the first half year, we continued to expand our distribution network by opening new POS and penetrating into cities where we previously did not have a retail presence. The total number of POS of the branded product distribution, retail and trading business exceeded 960 (including 48 for our proprietary brand) in this half year, up from 870 at end of 2012.

Revenue from the garment manufacturing segment decreased by 6% to HK$930 million as compared with HK$987 million in 2012. In line with our strategy of increasing our revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories), sales to this market grew by 2% in 2013 first half as compared with 2012, and accounted for 47% (2012: 44%) of the segment revenue. In general, outerwear products are more impacted by seasonality with sales skewed towards Fall and Winter seasons. Sales to national brands customers decreased by 12% in this first half year as a result of price pressure from customers. These customers usually place orders with voluminous quantity at competitive price.

Geographically, sales in the first half of 2013 to the PRC, the US and the UK accounted for 41% (2012: 37%), 32% (2012: 33%) and 20% (2012: 21%) respectively of the Group's total revenue. This was the result of the continuous expansion of our branded product distribution business in China and the decrease in revenue from the national brands customers of the garment manufacturing business in the US and UK.

Gross Profit

During the period, the drop in gross profit of the garment manufacturing segment has caused the Group's overall gross profit decreased to HK$409 million (2012: HK$425 million), representing a gross profit margin of 28% (2012: 29%).

Gross profit of the branded product distribution, retail and trading business increased as a result of overall sales growth during the period. Such increase was partially offset by margin pressure attributable to more wholesale discounts to maintain the health of our retail network. The soft marketplace demands that we adopt competitive retail pricing strategies. In addition, as compared with the prior year, the 2012 gross profit had a one-off benefit upon reversal of import duty provision of HK$6 million, which is non-recurring this year.

Gross profit of the garment manufacturing segment was impacted by the rise in wages and staff costs in China, Thailand and Vietnam during the period under review. The increase in sales of outerwear products shifted our peak production season to the second and third quarter while sales income are skewed towards the second half year. Further, as part of our strategy of expanding business with global fashion brands customers, the migration of certain China factories to produce complex products is ongoing and this transition had impacted efficiency and cost. As a result of the above, the gross profit of the garment manufacturing segment dropped as compared with 2012. In the Outlook section, we described our strategic directions with various proactive actions taken in response to the challenges of our manufacturing business.

Selling and Distribution Expenses

Selling and distribution expenses comprise mainly advertising and promotion, royalty and shop expenses of the branded product distribution, retail and trading business. In line with revenue growth, our spending on selling and distribution for our licensed brands increased by HK$20 million during the first half of 2013 as compared with the previous year. On top of this, in first six months of 2013, we have increased marketing investment of HK$12 million in HASKI, our proprietary brand which was launched in the China market in the second half of 2012.

General and Administrative Expenses

General and administrative expenses rose by 13% to HK$275 million, as a result of general salary rise in factory administration and central functions. Staff costs in branded product business have also increased in order to build our channel management teams to support expansion, especially the establishment of our proprietary brand.

Taxation

In early 2006, 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 years of assessment 2005/2006 and 2006/2007. 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 unaudited Condensed Consolidated Interim Financial Information.

New Factory in Myanmar

During the period under review, the Group has successfully obtained approval for the establishment of a manufacturing subsidiary in Myanmar. Renovation of the factory and imports of machineries are making good progress. When the renovation works complete in the second half year, the Group will proceed to have labour training, trial production and site visits by customers.

There were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2013 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2013 and up to the date of this Interim Report.

CHANGE OF ACCOUNTING POLICY

During the period, the Group adopted HKAS 19 (2011), ‘Employee Benefits’ which amends the accounting for defined benefit retirement obligations. The main impact is that actuarial gains and losses are recognised immediately in equity and no longer be deferred and recognised in profit or loss using the corridor approach. The standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability. There is a new term “remeasurements” which comprises actuarial gains and losses together with the difference between actual investment returns and the return implied by the net interest. Detailed impact on the change in accounting policy has been included in Note 3 to the unaudited Condensed Consolidated Interim Financial Information.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2013, cash and bank balances amounted to HK$575 million (31 December 2012: HK$561 million) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$606 million as at 30 June 2013 (31 December 2012: HK$294 million). Such borrowings were mainly denominated in US dollars and Hong Kong dollars. The increase in bank borrowings reflected the seasonal borrowing requirement for financing working capital, in particular raw materials for our manufacturing business and finished garments for our branded product business. The increase in raw materials and work-in-progress for our manufacturing business reflected seasonal requirements for the second half year shipments with firm orders from customers. The increase in inventories of our branded product business represented operating and seasonal requirements for our growing business in China. As at 30 June 2013, HK$461 million (31 December 2012: HK$245 million) and HK$145 million (31 December 2012: HK$49 million) 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 2013. As at 30 June 2013, banking facilities extended to the Group were not secured with the Group’s assets (31 December 2012: Nil). The gearing ratio of the Group as at 30 June 2013 was 2%, 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 2012, 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 2013, 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, Euro for royalty payments to a licensor and Pound Sterling for service fees payment to a UK subsidiary.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Other than disclosed in Note 21 to the unaudited Condensed Consolidated Interim Financial Information, there were no other material capital commitments or contingent liabilities as at 30 June 2013 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 2013 (31 December 2012: 12,700). 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

While GDP and retail growth have slowed over the past year or so, and competition has become even more intense, macro trends such as urbanisation and rising consumer spending will support healthy growth in China in the medium term. Although we do not see any catalysts to support an immediate recovery for the overall retail market in China in the second half of 2013, our portfolio of brands is projected to see year-on-year revenue growth, especially from our licensed outdoor brand. We expect our branded product distribution business will continue to be a key profit contributor in the second half of 2013 despite a significant investment into our proprietary brand.

On the garment manufacturing business, the labour and operating cost in Asia, especially China will continue to increase. To improve profitability, in the past few years, it has been our strategy to expand our business with higher margin global fashion brands customers. This grow strategy meets our product strength and extensive capabilities in manufacturing complicated products. Our efforts have been rewarding and we have gained new renowned global fashion brands customers which continue to see business growth in the second half year. We continue to expand this strategic market by providing value-added services to the customers through the collaboration of our strengths in product design, material development and advanced manufacturing research and development. We have also initiated a project on automated production systems this year, which are deployed to fit the different product type requirements of our customers. This project is now in the process of implementation in our certain China factories, which will enhance our output quality and at the same time improve production efficiency. While our China factories will continue to focus on serving global fashion brands customers with complex products, our overseas factories will focus on customer orders with voluminous quantity at competitive price. We are able to expand our overseas production capacity through our new factory in Myanmar. With the above directions and actions, we shall strive to be proactive in response to challenges. We shall continue to diversify our customer base, further build our design and development strength, improve our production efficiency and implement stringent cost control.

The Board has resolved not to declare an interim dividend for the first half of 2013. With the Group's business increasingly skewed towards the second half year, we expect sales and earnings in the second half of 2013 to be better than the first half. The Group is confident of an improving second half year performance and will consider dividend payout for the full year.

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2013, 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	3,212,000 *(Note 1)*	182,442,000 *(Note 2)*	185,654,000	68.56%

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. 3,212,000 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 2013, 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 2013, 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	3,212,000	182,442,000 *(Note)*	185,654,000	68.56%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	182,442,000	67.38%

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 2013, 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 2013 were as follows:

		Number of share options						
Date of grant	**Participant**	**At 01/01/2013**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 30/06/2013**	**Exercise price per share**	**Exercisable period**
02/07/2008	Employees (in aggregate)	85,000	–	(85,000) *(Note 5)*	–	**–**	HK$1.86	02/07/2008 – 01/07/2013
		85,000	–	(85,000) *(Note 5)*	–	**–**	HK$1.86	02/07/2009 – 01/07/2013
		85,000	–	(85,000) *(Note 5)*	–	**–**	HK$1.86	02/07/2010 – 01/07/2013
		85,000	–	(85,000) *(Note 5)*	–	**–**	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
		275,000	–	(69,000) *(Note 6)*	–	**206,000**	HK$1.45	14/09/2012 – 13/09/2014
21/06/2010	Employees (in aggregate)	66,000	–	–	–	**66,000**	HK$1.90	21/06/2010 – 20/06/2015
		66,000	–	–	–	**66,000**	HK$1.90	21/06/2011 – 20/06/2015
		122,000	–	–	–	**122,000**	HK$1.90	21/06/2012 – 20/06/2015
		194,000	–	–	(32,000)	**162,000**	HK$1.90	21/06/2013 – 20/06/2015

SHARE OPTIONS (continued)

		Number of share options						
Date of grant	**Participant**	**At 01/01/2013**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**At 30/06/2013**	**Exercise price per share**	**Exercisable period**
13/06/2011	Employees (in aggregate)	105,000	–	–	–	**105,000**	HK$4.01	13/06/2011 – 12/06/2016
		123,000	–	–	(18,000)	**105,000**	HK$4.01	13/06/2012 – 12/06/2016
		123,000	–	–	(18,000)	**105,000**	HK$4.01	13/06/2013 – 12/06/2016
		123,000	–	–	(18,000)	**105,000**	HK$4.01	13/06/2014 – 12/06/2016
18/06/2012	Employees (in aggregate)	89,000	–	–	(9,000)	**80,000**	HK$5.06	18/06/2012 – 17/06/2017
		89,000	–	–	(9,000)	**80,000**	HK$5.06	18/06/2013 – 17/06/2017
		89,000	–	–	(9,000)	**80,000**	HK$5.06	18/06/2014 – 17/06/2017
		89,000	–	–	(9,000)	**80,000**	HK$5.06	18/06/2015 – 17/06/2017
03/06/2013 *(Notes 2 & 3)*	Employees (in aggregate)	–	127,000	–	–	**127,000**	HK$3.92	03/06/2013 – 02/06/2018
		–	127,000	–	–	**127,000**	HK$3.92	03/06/2014 – 02/06/2018
		–	127,000	–	–	**127,000**	HK$3.92	03/06/2015 – 02/06/2018
		–	127,000	–	–	**127,000**	HK$3.92	03/06/2016 – 02/06/2018
	Total	2,099,000	508,000	(409,000)	(122,000)	**2,076,000**		

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 31 May 2013, 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$3.80.

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$3.60.

6. The closing price of the shares immediately before the date on which the options were exercised was HK$4.00.

7. The fair value of the options granted during the period determined using the Trinomial valuation model was HK$0.77 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK$3.80
Exercise price	HK$3.92
Dividend yield	8%
Volatility	43%
Annual risk-free interest rate	0.8%

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$391,000 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 2013, the Company has complied with all the code provisions set out in the Corporate Governance Code of the Listing Rules, 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.

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

  Considered reasons for the deviation from code provisions A.2.1 and A.5 were set out in the Corporate Governance Report of the Company's Annual Report for the year ended 31 December 2012.

- 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 an Independent Non-Executive Director have not attended the annual general meeting of the Company held on 3 June 2013 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 2013. 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 2013.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2013 (2012: HK$0.07 per share, totalling HK$18,917,000).

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited Condensed Consolidated Interim Financial Information and the Interim Report of the Group for the six months ended 30 June 2013 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 2013