



Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

Interim Report

2014

Stock Code : 458

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CORPORATE INFORMATION

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
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong
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Fax : (852) 2480-4676
Website : <http://www.tristateww.com>

CORPORATE COMMUNICATIONS

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Tristate Holdings Limited
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New Territories
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LISTING INFORMATION

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
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Pembroke HM08
Bermuda
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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
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Fax : (852) 2865-0990

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2014 together with comparative figures for 2013.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2014

	Note	Unaudited six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000
Revenue	5	1,335,320	1,461,302
Cost of sales		(978,039)	(1,052,715)
Gross profit		357,281	408,587
Other income and other gains		4,909	1,725
Selling and distribution expenses		(174,237)	(173,455)
General and administrative expenses		(291,366)	(274,630)
Net gain on disposal of freehold land and building	6	30,172	–
Loss from operations	7	(73,241)	(37,773)
Finance income	8	8,999	5,770
Finance costs	8	(5,659)	(5,444)
Loss before income tax		(69,901)	(37,447)
Income tax expense	9	(9,393)	(4,584)
Loss for the half year		(79,294)	(42,031)
Attributable to:			
Equity holders of the Company		(79,300)	(42,003)
Non-controlling interests		6	(28)
		(79,294)	(42,031)
Loss per share attributable to equity holders of the Company:			
Basic	10	(HK\$0.29)	(HK\$0.16)
Diluted	10	(HK\$0.29)	(HK\$0.16)

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

		HK\$'000	HK\$'000
Interim dividend	11	–	–

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Loss for the half year	(79,294)	(42,031)
Other comprehensive (loss)/income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value (losses)/gains on cash flow hedges		
(Losses)/gains arising during the half year	(20,668)	1,589
Transferred to and included in the following line items in the condensed consolidated interim income statement		
Cost of sales	634	(391)
General and administrative expenses	(31)	1,335
Currency translation differences		
(Losses)/gains arising during the half year	(9,245)	13,031
Other comprehensive (loss)/income, net of tax	(29,310)	15,564
Total comprehensive loss for the half year	(108,604)	(26,467)
Attributable to:		
Equity holders of the Company	(108,610)	(26,439)
Non-controlling interests	6	(28)
	(108,604)	(26,467)

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	513,138	526,115
Leasehold land and land use rights	13	169,340	173,096
Intangible assets	14	148,386	178,678
Other long-term assets		27,846	28,260
Deferred income tax assets		48,683	45,118
Defined benefit plan assets		12,077	12,211
Forward foreign exchange contracts		7,897	12,188
Investment in an associate		–	–
		927,367	975,666
CURRENT ASSETS			
Inventories	15	857,104	498,540
Accounts receivable and bills receivable	16	308,986	416,822
Forward foreign exchange contracts		572	2,836
Prepayments and other receivables		267,205	150,473
Cash and bank balances	17	546,809	692,927
		1,980,676	1,761,598
CURRENT LIABILITIES			
Accounts payable and bills payable	18	255,347	170,497
Accruals and other payables		466,141	491,210
Forward foreign exchange contracts		2,730	–
Current income tax liabilities		13,278	43,664
Bank borrowings	19	684,615	403,753
		1,422,111	1,109,124
NET CURRENT ASSETS			
		558,565	652,474
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,485,932	1,628,140
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		21,718	21,313
License fees payable		60,909	93,729
Deferred income tax liabilities		60,577	56,316
Forward foreign exchange contracts		10,551	–
		153,755	171,358
NET ASSETS			
		1,332,177	1,456,782
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	27,078	27,078
Reserves		1,304,778	1,429,389
		1,331,856	1,456,467
Non-controlling interests		321	315
TOTAL EQUITY			
		1,332,177	1,456,782

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total equity
	Share capital	Reserves	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2014	27,078	1,429,389	1,456,467	315	1,456,782
Total comprehensive loss for the half year	–	(108,610)	(108,610)	6	(108,604)
Share option scheme – value of employee services	–	246	246	–	246
Dividends paid to equity holders of the Company	–	(16,247)	(16,247)	–	(16,247)
As at 30 June 2014	27,078	1,304,778	1,331,856	321	1,332,177

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests	Total equity
	Share capital	Reserves	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
As at 1 January 2013	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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Note	Unaudited six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Operating activities			
Cash used in operations		(347,342)	(188,165)
Income tax paid		(38,878)	(35,911)
Purchases of tax reserve certificates		–	(62)
Net cash used in operating activities		(386,220)	(224,138)
Investing activities			
Interest received		8,999	5,770
Payment of license fees		(30,038)	(27,058)
Purchases of property, plant and equipment		(30,621)	(35,457)
Proceeds from disposals of property, plant and equipment		2,888	435
Proceeds from disposal of freehold land and building		32,032	–
Decrease in short-term deposits, with maturities over 3 months		40	–
Decrease/(increase) in bank structured deposits		12,625	(1,188)
Net cash used in investing activities		(4,075)	(57,498)
Financing activities			
Interest paid		(3,392)	(2,524)
Dividends paid to equity holders of the Company		(16,247)	(24,340)
New bank borrowings		1,138,559	848,750
Repayment of bank borrowings		(857,697)	(536,428)
Proceeds from shares issued upon exercise of share options		–	732
Net cash generated from financing activities		261,223	286,190
(Decrease)/increase in cash and cash equivalents		(129,072)	4,554
Cash and cash equivalents at beginning of the half year	17	623,573	494,690
Effect on foreign exchange rate changes		(4,381)	7,985
Cash and cash equivalents at end of the half year	17	490,120	507,229

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

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 2014 was approved for issue by the Board on 25 August 2014.

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 2014 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 2013, 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 2014 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2013, except as described in Note 3 below.

Certain comparative figures in the condensed consolidated interim statement of cash flows have been re-classified to conform to the current interim period's presentation. Such reclassification has no impact on the Company's results and financial position for the half year.

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

Amendments to existing standards effective in 2014

In 2014, the Group has adopted the following amendments to existing standards that are effective for the first time for the Group's financial year beginning 1 January 2014 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), 'Investment Entities' introduce an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with HKFRS 9, 'Financial Instruments' instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition,

the amendments introduce new disclosure requirements related to investment entities in HKFRS 12 and HKAS 27 (2011). These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. The adoption of these amendments has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKAS 32 (Amendment), 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities'. This amendment is to the application guidance in HKAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The adoption of this amendment has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKAS 36 (Amendment), 'Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The adoption of this amendment has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting'. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The adoption of this amendment has had no impact on the unaudited Condensed Consolidated Interim Financial Information.

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

The following new standards and amendments to existing standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group:

Amendments to HKAS 16, 'Property, Plant and Equipment' and HKAS 38, 'Intangible Assets' on Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual period starting from 1 January 2016).

Amendment to HKAS 19 (2011), 'Employee Benefits – Defined Benefit Plans: Employee Contributions' (effective for annual period starting from 1 July 2014).

HKFRS 9, 'Financial Instruments' (mandatory effective date not yet determined).

HKFRS 15, 'Revenue from Contracts with Customers' (effective for annual period starting from 1 January 2017).

Annual Improvements Project 2012 (effective for annual period starting from 1 July 2014).

Annual Improvements Project 2013 (effective for annual period starting from 1 July 2014).

The Group is in the process of making an assessment on the impact of these new standards and amendments to existing standards. The Group intends to adopt the above new standards and amendments to existing standards when they become effective.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

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 2013.

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	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Segment revenue	854,673	944,338	495,911	530,951	–	–	1,350,584	1,475,289
Less: Revenue from intersegment	(15,264)	(13,987)	–	–	–	–	(15,264)	(13,987)
Revenue from external customers	839,409	930,351	495,911	530,951	–	–	1,335,320	1,461,302
Reportable segment (loss)/profit	(60,188)	(54,772)	(27,682)	19,226	(21,596)	(6,485)	(109,466)	(42,031)
Net gain on disposal of freehold land and building					30,172	–	30,172	–
Loss for the half year							(79,294)	(42,031)

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated (Note (1))		Total	
	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
	Segment assets including: Investment in an associate	1,256,320	1,068,273	877,527	746,718	774,196	922,273	2,908,043
Additions to non-current assets (Note (2))	18,080	59,907	10,904	1,678	1,637	13,723	30,621	75,308
Segment liabilities	380,320	368,129	510,931	508,600	684,615	403,753	1,575,866	1,280,482

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

5. SEGMENT INFORMATION (continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance income	-	-	-	-	8,999	5,770	8,999	5,770
Finance costs	-	-	(2,267)	(2,920)	(3,392)	(2,524)	(5,659)	(5,444)
Income tax expense	(267)	6,336	(1,458)	(12,985)	(7,668)	2,065	(9,393)	(4,584)
Amortisation of leasehold land and land use rights	(272)	(256)	-	-	(1,873)	(1,838)	(2,145)	(2,094)
Amortisation of license rights	-	-	(31,017)	(25,391)	-	-	(31,017)	(25,391)
Depreciation on property, plant and equipment	(18,885)	(17,838)	(4,634)	(3,411)	(15,162)	(14,155)	(38,681)	(35,404)
Reversal of/(provision for) impairment of receivables, net	205	(13)	-	-	-	-	205	(13)
Write-down of inventories to net realisable value, net	(339)	(863)	(4,362)	(2,451)	-	-	(4,701)	(3,314)
Net gain on disposal of freehold land and building	-	-	-	-	30,172	-	30,172	-
Net gain on disposals of property, plant and equipment	-	-	-	-	2,151	202	2,151	202

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 China, 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	595,620	595,564	402,227	472,114	248,607	290,757	88,866	102,867	1,335,320	1,461,302

Included in revenue derived from the PRC was HK\$134,429,000 (2013: HK\$87,611,000) related to revenue generated in Hong Kong.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2014, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 12% and 11% of the total revenue respectively (2013: three customers of the same segment exceeded 10% of total revenue and represented 11%, 11% and 10% respectively).

	PRC		Thailand		Other locations		Total	
	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Non-current assets (Note (2))	719,816	766,653	67,763	69,847	79,028	81,837	866,607	918,337

Included in non-current assets located in the PRC was HK\$166,783,000 (2013: HK\$197,249,000) 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. NET GAIN ON DISPOSAL OF FREEHOLD LAND AND BUILDING

During the six months ended 30 June 2014, the Group disposed of an office property in Taiwan at New Taiwan Dollars 123,215,000 (equivalent to HK\$32,032,000) and realised a net pre-tax gain on disposal of HK\$30,172,000.

7. LOSS FROM OPERATIONS

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

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<i>Crediting</i>		
Net gain on disposals of property, plant and equipment	2,151	202
Net gain on disposal of freehold land and building	30,172	–
Reversal of impairment of receivables	205	–
<i>Charging</i>		
Depreciation on property, plant and equipment	38,681	35,404
Amortisation of leasehold land and land use rights	2,145	2,094
Amortisation of license rights	31,017	25,391
Provision for impairment of receivables	–	13
Write-down of inventories to net realisable value, net	4,701	3,314
Employment expenses	410,404	408,872

8. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Finance income		
Interest income on bank deposits	8,999	5,770
Finance costs		
Interest on bank loans	3,392	2,524
Imputed interest on license fees payable	2,267	2,920
	5,659	5,444

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

9. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current income tax		
Hong Kong profits tax	(793)	(76)
Non-Hong Kong tax	(8,023)	(7,714)
Deferred income tax	(577)	3,206
	(9,393)	(4,584)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

Included in income tax expense for the period ended 30 June 2014 was HK\$7,896,000 related to the disposal of freehold land and building mentioned in Note 6.

10. LOSS PER SHARE

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

	Unaudited six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Loss attributable to equity holders of the Company	(79,300)	(42,003)
Weighted average number of ordinary shares in issue	270,779,253	270,443,745
Basic loss per share	(HK\$0.29)	(HK\$0.16)

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

During the six months ended 30 June 2014 and 30 June 2013, the conversion of all potential ordinary shares outstanding would have an anti-dilutive effect on the loss per share. Hence, there was no dilutive effect on calculation of the diluted loss per share for the six months ended 30 June 2014 and 30 June 2013.

11. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
	Opening net book amount	526,115
Additions	30,621	75,308
Disposals	(2,597)	(1,049)
Impairment	–	(7,250)
Depreciation	(38,681)	(73,711)
Exchange differences	(2,320)	5,547
Closing net book amount	513,138	526,115

13. LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
	Opening net book amount	173,096
Amortisation	(2,145)	(4,217)
Exchange differences	(1,611)	5,340
Closing net book amount	169,340	173,096

14. INTANGIBLE ASSETS

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
	License rights	
Opening net book amount	156,561	207,342
Amortisation	(31,017)	(50,781)
Closing net book amount	125,544	156,561
Goodwill		
Opening net book amount	22,117	21,705
Exchange differences	725	412
Closing net book amount	22,842	22,117
Total intangible assets	148,386	178,678

License rights represent capitalisation of the minimum contractual obligations at the time of inception of the licenses. They are recognised based on discount rates equal to the Group's weighted average borrowing rates of approximately 3.0% to 5.0% per annum at the dates of inception.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

15. INVENTORIES

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Raw materials	136,999	70,975
Work-in-progress	223,208	124,490
Finished goods	328,289	230,309
Goods in transit	168,608	72,766
	857,104	498,540

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.

16. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

These are aged as follows:

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Less than 3 months	306,152	415,902
3 months to 6 months	2,834	920
Over 6 months	1,635	1,840
	310,621	418,662
Less: Provision for impairment	(1,635)	(1,840)
	308,986	416,822

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 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Cash and cash equivalents	490,120	623,573
Short-term bank deposits, with maturities over 3 months	630	670
Bank structured deposits	56,059	68,684
	546,809	692,927

18. ACCOUNTS PAYABLE AND BILLS PAYABLE

These are aged as follows:

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Less than 3 months	248,659	164,294
3 months to 6 months	3,132	3,014
Over 6 months	3,556	3,189
	255,347	170,497

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 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Short-term bank loans	684,615	403,753

The carrying amounts of bank borrowings approximate their fair values.

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2014

20. SHARE CAPITAL

	Unaudited As at 30 June 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Authorised: 500,000,000 (2013: 500,000,000) shares of HK\$0.10 each	50,000	50,000

Issued and fully paid:

	Unaudited As at 30 June 2014		Audited As at 31 December 2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Opening balance	270,779,253	27,078	270,370,253	27,037
Shares issued during the half year/year	-	-	409,000	41
Closing balance	270,779,253	27,078	270,779,253	27,078

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 2014 HK\$'000	Audited As at 31 December 2013 HK\$'000
Not later than 1 year	62,440	66,246
Later than 1 year and not later than 5 years	73,086	95,887
Later than 5 years	7,102	7,209
	142,628	169,342

(b) Capital commitments

The Group had no capital commitment as at 30 June 2014 (31 December 2013: Nil).

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	
	2014 HK\$'000	2013 HK\$'000
(a) A related company		
Rental expense	3,600	3,270
(b) Key management compensation		
Salaries, allowances and bonuses	6,624	6,431
Defined contribution plans	161	155
Share-based compensation expense – share options granted	152	151
	6,937	6,737

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 and June 2014, the subsidiary and the individual entered into amendment agreements to change the repayment date of the short-term cash advance of HK\$3,500,000. Pursuant to the 2014 amendment agreement, such cash advance is repayable by HK\$1,000,000 each on or before 30 June 2014 and 30 June 2015 respectively, with the remaining balance of HK\$1,500,000 plus accrued interest repayable on or before 30 June 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 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 2014 and 31 December 2013.

At 30 June 2014	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Forward foreign exchange contracts				
– Non-Current	–	7,897	–	7,897
– Current	–	572	–	572
Total assets	–	8,469	–	8,469
Liabilities				
Forward foreign exchange contracts				
– Non-Current	–	(10,551)	–	(10,551)
– Current	–	(2,730)	–	(2,730)
Total liabilities	–	(13,281)	–	(13,281)
At 31 December 2013	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Forward foreign exchange contracts				
– Non-Current	–	12,188	–	12,188
– Current	–	2,836	–	2,836
Total assets	–	15,024	–	15,024

There was no transfer of financial assets and liabilities in the fair value hierarchy classifications for the period ended 30 June 2014 and year ended 31 December 2013.

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2014.

OVERVIEW

Total revenue of the Group for the first half of 2014 was HK\$1,335 million (2013: HK\$1,461 million), representing a decrease of 9% as compared with 2013.

For the six months ended 30 June 2014, the Group recorded a loss attributable to equity holders of HK\$79 million (2013 loss: HK\$42 million). The increase in loss was mainly attributable to (i) reduction in revenue and contribution from our two licensed brands under branded product business as the China retail market remained challenging during the first six months of 2014; (ii) increase in selling expenses of HASKI, our proprietary brand, as majority of its 2014 planned advertising and promotion costs were spent in the first half year; and (iii) increased loss for our garment manufacturing business as our Myanmar factory is still at the investment stage operation. The current period loss was partially offset by a non-recurring profit on disposal of a property in Taiwan.

BUSINESS REVIEW

Revenue

Revenue of the branded product distribution, retail and trading segment decreased by 7% to HK\$496 million in the first half of 2014 as compared with HK\$531 million in 2013. The revenue of our licensed brands Jack Wolfskin and Nautica both dropped by 8% as compared with 2013 mainly due to the softened retail market in China. The overall policy-induced slowdown and weakened public sentiment has led to the reduced consumer spending. Additional downward pressure came from reduced "group sales" and gift purchasing. Set against the backdrop of muted organic growth, the landscape continues to evolve in the China branded retail market. The shopping mall, outlet mall, and e-commerce continue to emerge as important sales channels for premium branded products. The main format of retail – the premium department store – however has been especially challenged. The main drivers for the negative growth in this channel are reduced foot traffic and less per capita spend, partially driven by the proliferation of new sales channels.

The outdoor segment of the premium branded retail market in China was one of the last segments impacted by the slowdown due to ongoing economic reforms and austerity measures. For the first time in over a decade, leading outdoor brands across the board saw negative same-store-sales-growth and high inventory levels. In order to maintain sufficient cash flow for our Jack Wolfskin franchisees as well as create capacity for our franchisees to execute the important Fall/Winter seasons, the Group was not able to achieve its sales plan for first half 2014 with a reduction in follow-up and closeout orders. For Nautica, the process of deleveraging stock levels at both retail and wholesale in China began earlier in the past 18 to 24 months. Though the trend has been more stable, this has continued to impact our wholesales sales of the brand in first half 2014. Whilst there was a drop in our wholesale revenue in the period under review, on the retail level, our franchisees has been able to achieve overall retail sales growth for each of our brands in first half 2014 via increased penetration and productivity in new sales channels, though same-store-sales have been decreasing due to weakened market condition.

Our proprietary brand HASKI has experienced positive start-up growth over the past year. Retail sales growth has come from both expansion efforts and organic growth. Acceptance of our seasonal collections continues to improve as evidenced by improved sell-through rates and increased future orders that the trade is willing to commit.

During the six months ended 30 June 2014, 63 new Jack Wolfskin stores and 17 new points-of-sale ("POS") for HASKI were opened. The total number of POS of the whole branded product distribution and retail business reached 1,150, up from 1,070 at the end of 2013.

Revenue from the garment manufacturing segment decreased to HK\$839 million as compared with HK\$930 million in 2013. In line with our strategy, revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories) grew by 9% in the first half of 2014 as compared with 2013, and accounted for 54% (2013: 47%) of the segment revenue. In general, the increase in sales of outerwear products shifted our peak production season to the second and third quarter while sales income are skewed towards Fall/Winter seasons. Sales to national brands customers decreased by 23% in first half 2014 as we have reduced our capacity for categories with challenging price.

Geographically, sales to the PRC, the US and the UK accounted for 45% (2013: 41%), 30% (2013: 32%) and 19% (2013: 20%) respectively of the Group's total revenue.

As discussed in the 2013 annual report, the Group's business has been increasingly skewed towards the second half year mainly due to the seasonality effect of Fall/Winter and holiday seasons shipment and wholesale sales. The Group expects a larger proportion of sales and earnings will be recorded in the second half year of 2014.

Gross Profit

During the period, the Group's overall gross profit decreased to HK\$357 million (2013: HK\$409 million), representing a gross profit margin of 27% (2013: 28%) as a result of decreased revenue.

On the branded product distribution, retail and trading business, gross profit margin of Jack Wolfskin has been stable as compared with 2013 while the gross profit margin of Nautica was impacted by an increased proportion of off-season close out sales.

Gross profit margin of the garment manufacturing segment has maintained relatively stable. The continued increase of sales to higher margin global fashion brands customers and production process improvement have helped to offset the rise in wages and staff costs mainly in China during the period. The increase in loss for this segment was mainly due to our Myanmar factory is still at the investment stage operation. The factory employed around 770 headcount and has commenced labour training, trial production and site visits by customers. The factory has successfully received orders and shipped garments to new customers in Europe and Asia in the period under review.

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. Selling expenses for HASKI increased as compared with 2013 as marketing expenses in relation to a major TV commercial signed up in 2013 were spent in the first half of 2014. Such increase has been partially offset by less sample making costs for the garment manufacturing business in the first half.

General and Administrative Expenses

General and administrative expenses rose by 6% to HK\$291 million as compared with first half 2013 mainly due to general pay rise and the effect of those HASKI headcount increase during the second half of 2013.

Disposal of freehold land and building

During the period, the Group disposed of a Taiwan office property which used to house our former Taipei liaison office.

There were no acquisitions or disposals of subsidiaries or associated companies during the first half of 2014 and up to the date of this Interim Report and no important events affecting the Group have occurred since 30 June 2014 and up to the date of this Interim Report.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2014, cash and bank balances amounted to HK\$547 million (31 December 2013: HK\$693 million) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK\$685 million as at 30 June 2014 (31 December 2013: HK\$404 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 business in China. As at 30 June 2014, HK\$550 million (31 December 2013: HK\$286 million) and HK\$135 million (31 December 2013: HK\$118 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 2014. As at 30 June 2014, banking facilities extended to the Group were not secured with the Group's assets (31 December 2013: Nil). The gearing ratio of the Group as at 30 June 2014 was 9%, 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 2013, 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 2014, 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 and Euro for royalty payments to a licensor.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no material capital commitments or contingent liabilities as at 30 June 2014 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had about 13,400 employees as at 30 June 2014 (31 December 2013: 12,500). 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

With the Group's business increasingly skewed towards the second half year, we expect the Group's revenue and earnings in the second half of 2014 will be better than the first half.

The slowdown in domestic demand as a result of continued austerity measures has been the reality for the China retail market in the past 18 to 24 months. We believe that we will see a floor established in the second half of 2014 which, in turn, will enable us to see a return to same-store-sales-growth in 2015. This floor will provide a base for our branded product business to return to healthy wholesales and profit growth – which is subsequent to improved cash flow and profitability for our franchisees.

On the China outdoor market, despite the slowdown, it still has a lot of room to grow. We believe that both Jack Wolfskin and HASKI have distinct competitive advantages on the distribution, marketing, and management fronts, so we are focusing our investments into this space. This coming winter is an exciting season for HASKI based on the momentum that we have gained at retail over first half of 2014. We will continue to expand our product offerings for HASKI and are confident that our collections will support our business objectives. Heading into Spring 2015, we have also taken the initiative to bolster HASKI's productivity by introducing a footwear collection.

The trend for Nautica has become more stable over the course of first half 2014, especially in the second quarter where strong retail growth was achieved. We are therefore, closer to reaching a floor for this brand as evidenced by year-on-year profit rate increases for our franchisees. We expect to see a return to wholesale growth in 2015.

To further expand our branded business portfolio, the Group in collaboration with a renowned designer has launched a new menswear brand EFM (Engineered for Motion). EFM has been created to develop high end consumer products with a unique approach to garment engineering based on function and mobility. Using proprietary fabrics from Italy, China and Japan, the garments include innovative performance features. The first collection to launch is in Fall/Winter 2014, introducing in top wholesales showrooms in New York, London and Germany.

On the garment manufacturing business, leading indicators in advanced economies point to stronger growth. However, labour and operating cost in Asia, especially China will continue to increase. To improve profitability, we will continue to expand our business with higher margin global fashion brands customers. This growth strategy meets our product strength and extensive capabilities in manufacturing complicated outerwear products. Our efforts have been rewarding and we have gained new global fashion brands customers and also see year-on-year business growth with existing customers. We continue to expand this strategic market by providing value-added services to the customers through the collaboration of our strengths in product design, fabric innovation and advanced manufacturing research and development. While our two Panyu factories have been fully integrated to better serve the global fashion brands customers, our Hefei compound has also increased its production for these higher margin customers. The factory compound's in-house R&D, garment dyeing and washing plus other technological capabilities are well equipped to serve a wide range of products of our customers. We have also rolled out projects on improving our production and quality control systems, smoothening production cycle and utilization of automated machines. 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 when our Myanmar factory becomes more mature. Our directions and actions are on track in order to improve profitability of this business. We shall continue to diversify our customer base, further build our design and development strength, improve our operating efficiency and implement stringent cost control.

The Board has resolved not to declare an interim dividend for the first half of 2014. The Group is confident of an improving second half year performance and will consider dividend payout for the full year.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE

DISCLOSURE OF INTERESTS

Directors' interests in securities

As at 30 June 2014, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

Name of Director	Long/short position	Number of shares held			Approximate percentage of issued share capital
		Through spouse or minor children	Through controlled corporation(s)	Total	
Mr. WANG Kin Chung, Peter	Long position	3,212,000 (Note 1)	182,442,000 (Note 2)	185,654,000	68.56%

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

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

Notes:

- 3,212,000 shares were beneficially owned by Ms. Daisy TING, the spouse of Mr. WANG Kin Chung, Peter.
- 182,442,000 shares were beneficially owned by Silver Tree Holdings Inc., a company wholly owned by Mr. WANG Kin Chung, Peter.
- 2,500 shares in Hua Thai were held by the late Mr. WANG Seng Liang, the spouse of Ms. WANG KOO Yik Chun.

Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

DISCLOSURE OF INTERESTS (continued)

Substantial shareholders

As at 30 June 2014, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Long/short position	Number of shares held			Approximate percentage of issued share capital
		Directly beneficially owned	Through spouse or minor children	Total	
Ms. Daisy TING	Long position	3,212,000	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 2014, 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 2014 were as follows:

Date of grant	Participant	Number of share options			Exercise price per share	Exercisable period
		At 01/01/2014	Granted during the period	At 30/06/2014		
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
		206,000	–	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
		162,000	–	162,000	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
		105,000	–	105,000	HK\$4.01	13/06/2012 – 12/06/2016
		105,000	–	105,000	HK\$4.01	13/06/2013 – 12/06/2016
		105,000	–	105,000	HK\$4.01	13/06/2014 – 12/06/2016

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

SHARE OPTIONS (continued)

Date of grant	Participant	Number of share options			Exercise price per share	Exercisable period
		At 01/01/2014	Granted during the period	At 30/06/2014		
18/06/2012	Employees (in aggregate)	80,000	–	80,000	HK\$5.06	18/06/2012 – 17/06/2017
		80,000	–	80,000	HK\$5.06	18/06/2013 – 17/06/2017
		80,000	–	80,000	HK\$5.06	18/06/2014 – 17/06/2017
		80,000	–	80,000	HK\$5.06	18/06/2015 – 17/06/2017
03/06/2013	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
09/06/2014 (Notes 2 & 3)	Employees (in aggregate)	–	144,000	144,000	HK\$3.10	09/06/2014 – 08/06/2019
		–	144,000	144,000	HK\$3.10	09/06/2015 – 08/06/2019
		–	144,000	144,000	HK\$3.10	09/06/2016 – 08/06/2019
		–	144,000	144,000	HK\$3.10	09/06/2017 – 08/06/2019
	Total	2,076,000	576,000	2,652,000		

Notes:

- The above options vest in four equal tranches over a period of three years from the relevant date of grant.
- The Company received a total consideration of HK\$3.00 from the grantees for the options granted during the period.
- The closing price of the shares of the Company on 6 June 2014, 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\$3.08.
- No options had been exercised, cancelled or lapsed during the period.
- The fair value of the options granted during the period determined using the Trinomial valuation model was HK\$0.70 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK\$3.08
Exercise price	HK\$3.10
Dividend yield	4%
Volatility	36%
Annual risk-free interest rate	1.3%

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

The aggregate fair value of the options granted during the period amounted to HK\$401,000 is to be recognised as employment expense over the vesting periods together with a corresponding increase in equity.

SHAREHOLDERS' INFORMATION AND CORPORATE GOVERNANCE (continued)

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 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 2013 (the "2013 Annual Report").

- 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 9 June 2014 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 2014. 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 2014.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in Directors' biographical details since the date of the 2013 Annual Report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. LO Kai Yiu, Anthony

Cessation of appointment

- Independent non-executive director of Mecox Lane Limited (listed on NASDAQ)

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).

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 2014 in conjunction with the management of the Group.

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

Hong Kong, 25 August 2014