TRISTATE

Interim Report 2016

Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

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

AU King Lun, Paulina

Company Secretary

TO Hon Fai
(appointed on 1 September 2016)

Auditor

KPMG, *Certified Public Accountants*

Legal Advisors

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
Citibank, N.A.
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
The Bank of East Asia, Limited

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong

5th Floor, 66–72 Lei Muk Road
Kwai Chung, New Territories
Hong Kong
Tel : (852) 2279-3888
Fax : (852) 2480-4676
Website : http://www.tristateww.com

Corporate Communications

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Tristate Holdings Limited
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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
69 Pitts Bay Road
Pembroke HM08
Bermuda
Tel : (441) 299-3882
Fax : (441) 295-6759

Branch Registrar and Transfer Office

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

Condensed Consolidated Interim Financial Information

The board of directors (the "Board") of Tristate Holdings Limited (the "Company") presents the unaudited interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2016 together with comparative figures for 2015.

Condensed Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2016

		Unaudited six months ended 30 June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	5	**903,940**	1,212,449
Cost of sales		**(709,209)**	(901,383)
Gross profit		**194,731**	311,066
Other income and other gains	7	**34,780**	11,441
Selling and distribution expenses		**(81,187)**	(133,887)
General and administrative expenses		**(251,577)**	(278,877)
Loss from operations	8	**(103,253)**	(90,257)
Finance income	9	**3,802**	8,834
Finance costs	9	**(2,997)**	(4,618)
Loss before taxation		**(102,448)**	(86,041)
Income tax expense	10	**(3,048)**	(1,126)
Loss for the period		**(105,496)**	(87,167)
Attributable to:			
Equity shareholders of the Company		**(103,915)**	(87,162)
Non-controlling interests		**(1,581)**	(5)
Loss for the period		**(105,496)**	(87,167)
Loss per share attributable to equity shareholders of the Company:			
Basic	11	**(HK$0.38)**	(HK$0.32)
Diluted	11	**(HK$0.38)**	(HK$0.32)

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2016

	Unaudited six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Loss for the period	**(105,496)**	(87,167)
Other comprehensive income, net of nil tax unless specified:		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on cash flow hedges		
Gains arising during the period	**2,851**	14,264
Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
Cost of sales	**2,363**	(298)
General and administrative expenses	**707**	1,926
Exchange difference on translation of financial statements of overseas subsidiaries	**(8,006)**	(2,181)
Other comprehensive income, net of tax	**(2,085)**	13,711
Total comprehensive income for the period	**(107,581)**	(73,456)
Attributable to:		
Equity shareholders of the Company	**(106,000)**	(73,451)
Non-controlling interests	**(1,581)**	(5)
Total comprehensive income for the period	**(107,581)**	(73,456)

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

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2016

	Note	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 HK$'000
Non-Current Assets			
Property, plant and equipment	13	**377,958**	402,893
Leasehold land and land use rights	14	**138,807**	143,356
Intangible assets	15	**186,082**	185,822
Other long-term assets		**17,889**	20,629
Prepayments and other receivables		**–**	30,452
Deferred tax assets		**26,236**	29,874
Defined benefit plan assets		**7,919**	8,043
Investment in an associate		**–**	–
		754,891	821,069
Current Assets			
Inventories	16	**460,440**	273,804
Accounts receivable and bills receivable	17	**325,169**	314,590
Prepayments and other receivables		**105,754**	146,631
Cash and bank balances	18	**383,128**	666,134
		1,274,491	1,401,159
Current Liabilities			
Accounts payable and bills payable	19	**120,777**	92,830
Accruals and other payables	20	**211,072**	276,932
Forward foreign exchange contracts		**9,469**	13,917
Current tax liabilities		**19,499**	34,505
Bank borrowings	21	**311,298**	325,294
		672,115	743,478
Net Current Assets		**602,376**	657,681
Total Assets Less Current Liabilities		**1,357,267**	1,478,750

	Note	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 HK$'000
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**22,292**	21,416
Deferred tax liabilities		**32,437**	45,942
Forward foreign exchange contracts		**28,073**	29,546
		82,802	96,904
Net Assets		**1,274,465**	1,381,846
Capital and Reserves			
Share capital	22	**27,161**	27,161
Reserves		**1,248,634**	1,354,371
Total equity attributable to equity shareholders of the Company		**1,275,795**	1,381,532
Non-controlling interests		**(1,330)**	314
Total Equity		**1,274,465**	1,381,846

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

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2016

	Unaudited				
	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	**Reserves** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
As at 1 January 2016	**27,161**	**1,354,371**	**1,381,532**	**314**	**1,381,846**
Total comprehensive income for the period	**–**	**(106,000)**	**(106,000)**	**(1,581)**	**(107,581)**
Share option scheme – value of employee services	**–**	**263**	**263**	**–**	**263**
Non-controlling interests arising from acquisition of a subsidiary	**–**	**–**	**–**	**(63)**	**(63)**
As at 30 June 2016	**27,161**	**1,248,634**	**1,275,795**	**(1,330)**	**1,274,465**

	Unaudited				
	Attributable to equity shareholders of the Company				
	Share capital *HK$'000*	Reserves *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
As at 1 January 2015	27,119	1,525,516	1,552,635	336	1,552,971
Total comprehensive income for the period	–	(73,451)	(73,451)	(5)	(73,456)
Issue of shares pursuant to exercise of share options	42	749	791	–	791
Share option scheme – value of employee services	–	217	217	–	217
Dividends declared in respect of the previous year	–	(16,271)	(16,271)	–	(16,271)
As at 30 June 2015	27,161	1,436,760	1,463,921	331	1,464,252

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

Condensed Consolidated Interim Financial Information

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Unaudited six months ended 30 June 2016 HK$'000	2015 HK$'000
Operating activities			
Cash used in operations		**(217,540)**	(215,739)
Income tax paid		**(26,997)**	(47,087)
Income tax refunded		**302**	–
Net cash used in operating activities		**(244,235)**	(262,826)
Investing activities			
Interest received		**3,802**	8,834
Payment for the purchase of property, plant and equipment		**(13,995)**	(9,389)
Proceeds received from disposal of a subsidiary in 2014		**–**	157,620
Proceeds from disposals of property, plant and equipment		**183**	926
Acquisition of a subsidiary		**(5,327)**	–
Decrease in short-term bank deposits, with maturities over 3 months		**127,763**	61,626
Decrease in bank structured deposits		**578**	8,852
Net cash generated from investing activities		**113,004**	228,469
Financing activities			
Interest paid		**(2,709)**	(3,699)
Dividends paid to equity shareholders of the Company		**–**	(16,271)
New bank borrowings		**616,111**	769,756
Repayment of bank borrowings		**(632,295)**	(704,625)
Proceeds from shares issued upon exercise of share options		**–**	791
Net cash (used in)/generated from financing activities		**(18,893)**	45,952

	Note	Unaudited six months ended 30 June 2016 HK$'000	2015 HK$'000
Net (decrease)/increase in cash and cash equivalents		**(150,124)**	11,595
Cash and cash equivalents at beginning of the period	18	**429,792**	453,159
Effect on foreign exchange rate changes		**(4,541)**	(33)
Cash and cash equivalents at end of the period	18	**275,127**	464,721

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 2016

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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1988.

The principal activities of the Group are (i) garment manufacturing, and (ii) branded product distribution, retail and trading.

Following the acquisition of C.P. Company brand in November 2015, during the first half of 2016, the Group has been focusing on the set up of C.P. Company global organisation and operations, integration with the Group's in-house supply chain and preparation for our first sales season Fall/Winter 2016. To enable further development of the brand, in March 2016 the Group acquired 99% equity interest of the distributor of C.P. Company products in Japan, FGF Industry Japan, Inc., at a consideration of HK$5,327,000. The Japan subsidiary was subsequently renamed as Tristate Japan, Inc.

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 2016 was approved for issue by the Board on 29 August 2016.

This Condensed Consolidated Interim Financial Information has not been audited or reviewed by external auditors.

2. Basis of Preparation and Accounting Policies

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of changes in accounting policies are set out in Note 3.

This unaudited Condensed Consolidated Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2015 that is included in the unaudited Condensed Consolidated Interim Financial Information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's head office and principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 March 2016.

3. Impact of Adopting New Standards and Amendments to Existing Standards

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group, of which, the following amendments are relevant to the Group:

Annual Improvements to HKFRSs 2012-2014 Cycle

Amendments to HKAS 1, "Presentation of financial statements: Disclosure initiative"

Amendments to HKAS 16 and HKAS 38, "Clarification of acceptable methods of depreciation and amortisation"

None of these developments have had a material effect on how the Group's results and financial position for the current and prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. Estimates

The preparation of the unaudited Condensed Consolidated Interim Financial Information in conformity with HKAS 34 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 on a year to date basis. 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 2015.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

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 Group manages its business by business units, which are organised by business lines and geography. The Group identified two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The chief operating decision makers assess the performance of the reportable segments and allocate resources between segments based on the profit or loss generated. This measurement basis is equivalent to loss after tax for the period of that reportable segment.

Segment assets include all tangible, intangible assets and current assets employed by the segments. Segment liabilities include all current liabilities and non-current liabilities managed directly by the segments. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders. The segment information is as follows:

	Unaudited six months ended 30 June							
	Garment manufacturing		**Branded product distribution, retail and trading**		**Unallocated**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue	**766,186**	829,300	**153,169**	390,426	**–**	–	**919,355**	1,219,726
Less: Inter-segment revenue	**(15,415)**	(7,277)	**–**	–	**–**	–	**(15,415)**	(7,277)
Revenue	**750,771**	822,023	**153,169**	390,426	**–**	–	**903,940**	1,212,449
Reportable segment loss before taxation	**(18,839)**	(53,999)	**(62,738)**	(16,966)	**(20,871)**	(15,076)	**(102,448)**	(86,041)
Income tax expense	**(627)**	(141)	**5,888**	(3,400)	**(8,309)**	2,415	**(3,048)**	(1,126)
Reportable segment loss for the period	**(19,466)**	(54,140)	**(56,850)**	(20,366)	**(29,180)**	(12,661)	**(105,496)**	(87,167)

	Garment manufacturing		**Branded product distribution, retail and trading**		**Unallocated** *(Note (i))*		**Total**	
	Unaudited As at 30 June 2016	Audited As at 31 December 2015	**Unaudited As at 30 June 2016**	Audited As at 31 December 2015	**Unaudited As at 30 June 2016**	Audited As at 31 December 2015	**Unaudited As at 30 June 2016**	Audited As at 31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,032,784**	850,792	**419,815**	511,931	**576,783**	859,505	**2,029,382**	2,222,228
Segment liabilities	**314,772**	293,063	**128,847**	222,025	**311,298**	325,294	**754,917**	840,382

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

5. Segment Information (Continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**–**	–	**–**	–	**3,802**	8,834	**3,802**	8,834
Finance costs	**–**	–	**(288)**	(919)	**(2,709)**	(3,699)	**(2,997)**	(4,618)
Amortisation of leasehold land and land use rights	**(159)**	(116)	**–**	–	**(1,657)**	(1,877)	**(1,816)**	(1,993)
Amortisation of license rights and service right	**–**	–	**(9,936)**	(37,632)	**–**	–	**(9,936)**	(37,632)
Depreciation on property, plant and equipment	**(19,441)**	(19,624)	**(6,043)**	(5,143)	**(9,222)**	(15,150)	**(34,706)**	(39,917)
(Provision for)/reversal of impairment of receivables, net	**(1,358)**	1,138	**–**	–	**–**	–	**(1,358)**	1,138
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(5,550)**	(4,538)	**8,363**	6,794	**–**	–	**2,813**	2,256
Net gain/(loss) on disposals of property, plant and equipment	**–**	–	**–**	–	**52**	(467)	**52**	(467)
Additions to non-current assets	**4,703**	7,392	**14,893**	1,289	**1,191**	708	**20,787**	9,389

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, trademark and other assets are located predominantly in the PRC, Luxembourg and Thailand. The PRC includes the Mainland 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**250,606**	541,343	**335,174**	352,218	**243,616**	236,856	**74,544**	82,032	**903,940**	1,212,449

Included in revenue derived from the PRC was HK$138,899,000 (2015: HK$185,245,000) related to revenue generated in Hong Kong.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

5. Segment Information (Continued)

For the six months ended 30 June 2016, revenues from two customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and they represented approximately 18% and 13% of the total revenue respectively (2015: two customers of the same segment exceeded 10% of total revenue and they represented approximately 13% and 12% respectively).

	PRC		Luxembourg		Thailand		Other locations		Total	
	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 *HK$'000*	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 *HK$'000*	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 *HK$'000*	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 *HK$'000*	**Unaudited As at 30 June 2016 HK$'000**	Audited As at 31 December 2015 *HK$'000*
Non-current assets *(Note (ii))*	**428,186**	504,198	**168,962**	165,950	**61,225**	59,082	**62,363**	53,922	**720,736**	783,152

Included in non-current assets located in the PRC was HK$29,032,000 (2015: HK$42,785,000) related to assets located in Hong Kong.

Notes:

(i) Unallocated assets and liabilities mainly include centrally-managed cash and bank balances, bank borrowings, land use rights and buildings for corporate purposes.

(ii) Non-current assets exclude deferred tax assets and defined benefit plan assets.

6. Seasonality of Operations

The Group's business experiences higher sales revenue in the second half of the year as compared with the first half due to seasonality effect of Fall/Winter and holiday seasons shipment for both of its garment manufacturing products and branded products.

7. Other Income and Other Gains

	Unaudited six months ended 30 June	
	2016 HK$'000	2015 *HK$'000*
Consultancy and transitional services fee income from JW PRC Co *(Note)*	**31,265**	9,989
Insurance claim income	**1,086**	–
Government subsidy	**1,251**	285
Sundry income	**1,178**	1,167
	34,780	11,441

Note:

As disclosed in the Group's 2015 annual financial statements, Shanghai Tristate Enterprises Co., Ltd., a wholly-owned subsidiary of the Group, provided consultancy and transitional services to Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") after the early termination of the distribution license for Jack Wolfskin products in the PRC starting from 27 March 2015.

8. Loss from Operations

Loss from operations is stated after charging/(crediting):

	Unaudited six months ended 30 June	
	2016 HK$'000	2015 *HK$'000*
Amortisation of leasehold land and land use rights	**1,816**	1,993
Amortisation of license rights and service right	**9,936**	37,632
Depreciation on property, plant and equipment	**34,706**	39,917
Provision for/(reversal of) impairment of receivables, net	**1,358**	(1,138)
Reversal of write-down of inventories to net realisable value, net	**(2,813)**	(2,256)
Employment benefit expenses	**365,382**	408,194
Net (gain)/loss on disposals of property, plant and equipment	**(52)**	467

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

9. Finance Income/Finance Costs

	Unaudited six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**3,802**	8,834
Finance costs		
Interest on bank borrowings	**2,709**	3,699
Imputed interest on license fees payable	**288**	919
	2,997	4,618

10. Income Tax Expense

	Unaudited six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current income tax *(Note (i))*		
Hong Kong profits tax	**(121)**	(468)
Non-Hong Kong tax *(Note (ii))*	**(12,155)**	(836)
Deferred income tax *(Note (ii))*	**9,228**	178
	(3,048)	(1,126)

Notes:

(i) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

(ii) Non-Hong Kong current income tax during the current period mainly included PRC withholding tax on dividends received by a subsidiary of the Group from its PRC subsidiary. Such withholding tax has been provided for under deferred tax liabilities in previous years, and was credited back and included in deferred income tax during the period.

11. Loss per Share

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

	Unaudited six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Loss attributable to equity shareholders of the Company	**(103,915)**	(87,162)
Weighted average number of ordinary shares in issue	**271,607,253**	271,220,910
Basic loss per share	**(HK$0.38)**	(HK$0.32)

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 2016 and 30 June 2015, 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 2016 and 30 June 2015.

12. Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

13. Property, Plant and Equipment

	Unaudited As at 30 June 2016	Audited As at 31 December 2015
	HK$'000	*HK$'000*
Opening net book amount	**402,893**	478,432
Additions	**13,995**	22,116
Acquisition of a subsidiary	**283**	–
Disposals	**(131)**	(1,425)
Depreciation	**(34,706)**	(77,689)
Exchange differences	**(4,376)**	(18,541)
Closing net book amount	**377,958**	402,893

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

14. Leasehold Land and Land Use Rights

	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 HK$'000
Opening net book amount	**143,356**	161,486
Amortisation	**(1,816)**	(3,199)
Exchange differences	**(2,733)**	(14,931)
Closing net book amount	**138,807**	143,356

15. Intangible Assets

	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 HK$'000
Goodwill *(Note (i))*		
Opening net book amount	**–**	–
Addition through acquisition of a subsidiary	**6,509**	–
Exchange differences	**675**	–
Closing net book amount	**7,184**	–
License rights and service right *(Note (ii))*		
Opening net book amount	**19,872**	94,528
Amortisation	**(9,936)**	(74,656)
Closing net book amount	**9,936**	19,872
Trademark		
Opening net book amount	**165,950**	–
Addition through acquisition	**–**	165,950
Exchange differences	**3,012**	–
Closing net book amount	**168,962**	165,950
Total intangible assets	**186,082**	185,822

Notes:

(i) Goodwill

In March 2016 the Group acquired 99% equity interest of the distributor of C.P. Company products in Japan, FGF Industry Japan, Inc., at a consideration of HK$5,327,000. The company was subsequently renamed as Tristate Japan, Inc. Goodwill arising from the acquisition amounted to HK$6,509,000. Goodwill is attributable to the management team acquired and synergies expected to arise from the acquisition. As the acquisition is considered not significant to the Group, detailed disclosures regarding the acquisition in accordance with HKFRS 3 "Business Combination" is not presented.

Goodwill also included HK$20,893,000 related to a cash-generating unit under the garment manufacturing segment, which was fully impaired as at 30 June 2016 and 31 December 2015.

(ii) License rights and service right

License rights as at 31 December 2015 and 30 June 2016 represent capitalisation of the minimum contractual obligation payable to licensor of Nautica products at the time of inception. It was recognised based on discount rate equal to the Group's weighted average borrowing rate of approximately 3.0% per annum at the date of inception.

The license rights and service right movement for the year ended 31 December 2015 included the contractual rights in relation to the license and provision of services of the Jack Wolfskin licensed brand. The details of early termination of the Jack Wolfskin license have been included in the Group's 2015 annual financial statements.

16. Inventories

	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 HK$'000
Raw materials	**124,589**	55,885
Work-in-progress	**205,747**	101,149
Finished goods	**108,204**	101,949
Goods in transit	**21,900**	14,821
	460,440	273,804

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

17. Accounts Receivable and Bills Receivable

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

	Unaudited As at 30 June 2016 HK$'000	Audited As at 31 December 2015 HK$'000
Less than 3 months	**322,585**	312,877
3 months to 6 months	**2,584**	1,713
Over 6 months	**1,926**	1,031
	327,095	315,621
Less: Provision for impairment	**(1,926)**	(1,031)
	325,169	314,590

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

18. Cash and Bank Balances

	Unaudited As at 30 June 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Short-term bank deposits	**35,451**	251,015
Cash at bank and on hand	**239,676**	178,777
Cash and cash equivalents in the consolidated statement of cash flows	**275,127**	429,792
Short-term bank deposits, with maturities over 3 months	**79,336**	207,099
Bank structured deposits	**28,665**	29,243
Cash and bank balances in the consolidated statement of financial position	**383,128**	666,134

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

19. Accounts Payable and Bills Payable

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

	Unaudited As at 30 June 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Less than 3 months	**112,040**	82,438
3 months to 6 months	**4,652**	6,332
Over 6 months	**4,085**	4,060
	120,777	92,830

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

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

20. Accruals and Other Payables

Accruals and other payables mainly consist of the current portion of license fees payable, deferred income, payables for royalty fees, accrued employee benefit expenses and other operating expenses. The decrease in accrual and other payables is mainly due to payment of royalty fees and 2015 staff bonus.

21. Bank Borrowings

	Unaudited As at 30 June 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Unsecured short-term bank borrowings	**311,298**	325,294

The carrying amounts of bank borrowings approximate their fair values.

22. Share Capital

	Unaudited As at 30 June 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Authorised: 500,000,000 (2015: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	Unaudited As at 30 June 2016		Audited As at 31 December 2015	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Opening balance	**271,607,253**	**27,161**	271,191,253	27,119
Shares issued under share option scheme during the period/year	**–**	**–**	416,000	42
Closing balance	**271,607,253**	**27,161**	271,607,253	27,161

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

23. 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 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Within 1 year	**55,354**	72,234
After 1 year but within 5 years	**30,607**	37,739
After 5 years	**6,592**	6,592
	92,553	116,565

(b) Capital commitments

The Group had capital commitments in relation to IT systems development, office decoration and purchases of furniture and equipment as follows:

	Unaudited As at 30 June 2016 *HK$'000*	Audited As at 31 December 2015 *HK$'000*
Contracted but not provided for	**1,724**	–
Authorised but not contracted for	**391**	–
	2,115	–

24. Related Party Transactions

(a) Transactions with related parties

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	
	2016 *HK$'000*	2015 *HK$'000*
A related company		
Rental expense *(Note)*	**4,158**	3,903

Note:

The entire issued share capital of TDB Company Limited ("TDB"), a related company, is held by a discretionary trust of which two directors of the Company are eligible beneficiaries. Rental expense was paid to TDB for the leasing of factory, storage and ancillary office and was determined by reference to the tenancy agreement entered.

(b) Transactions with key management

(i) Key management compensation

	Unaudited six months ended 30 June	
	2016 *HK$'000*	2015 *HK$'000*
Salaries, allowances and bonuses	**10,365**	8,405
Defined contribution plans	**276**	180
Share-based compensation expense		
– share options granted	**174**	164
	10,815	8,749

(ii) Advance to an employee

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 was repayable within one year. The remaining long-term portion of HK$8,500,000 was to 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. The short-term cash advance had been fully repaid as at 30 June 2016.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2016

25. Fair Value of Financial Instruments

(a) Fair value estimation

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 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. HKFRS 13, "Fair value measurement" requires disclosure of fair value measurements according to the following fair value measurement hierarchy:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's financial liabilities that are measured at fair value:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 30 June 2016				
Liabilities				
Forward foreign exchange contracts				
– Non-current	**–**	**(28,073)**	**–**	**(28,073)**
– Current	**–**	**(9,469)**	**–**	**(9,469)**
Total liabilities	**–**	**(37,542)**	**–**	**(37,542)**

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Liabilities				
Forward foreign exchange contracts				
– Non-current	–	(29,546)	–	(29,546)
– Current	–	(13,917)	–	(13,917)
Total liabilities	–	(43,463)	–	(43,463)

There was no transfer of financial liabilities between the fair value hierarchy classifications for the period ended 30 June 2016 and year ended 31 December 2015. The Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

Level 2 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.

26. Event after the Reporting Period

On 29 July 2016, the Group and Nautica Apparel, Inc. ("Nautica Apparel") and certain of its Asian operating fellow subsidiaries (together, the "Nautica Entities") entered into certain agreements (the "Transition Agreements") under which, the Group will provide full cooperation to the relevant Nautica Entities in enabling a business transition in relation to the expiry of the license from Nautica Apparel (the "Nautica Distribution License") for the distribution of Nautica branded products in the PRC, Hong Kong and Macau in accordance with its terms on 31 December 2016. Upon the expiration of the Nautica Distribution License on 31 December 2016, the Group will cease the distribution of Nautica branded products. In consideration of the Group's agreement to provide cooperation in enabling a business transition in relation to the expiry of the license, the Nautica Entities will pay US$3 million (equivalent to HK$23 million) to the Group by instalments. Further details of the Transition Agreements are included in the Group's announcement made on 29 July 2016 pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance.

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 2016.

Overview

The year 2016 remains a challenging year for the garment and apparel industry with a slowdown of the China economy, uncertainty in the Eurozone and currency volatility. In this first half year, Tristate focused on our strategy and direction to develop our branding business and continue to improve our garment manufacturing business performance.

In the first half year, the performance of our China distribution business has been affected by the persisting soft China retail market and reduced contribution from the Jack Wolfskin China business owing to the license termination in March 2015. On the other hand, in line with our plan and effort, the operating loss of HASKI has reduced as compared with the same period in 2015.

The Group acquired C.P. Company brand in November 2015. The brand has established wholesale business in the United Kingdom (the "UK"), Europe, Korea and Japan. The Group's first sales season of C.P. Company products is Fall/Winter 2016, which will be included in the Group's second half year results. In March 2016, the Group acquired C.P. Company's Japan distributor at a consideration of HK$5 million. The Japan distributor company was newly established in August 2014 but possesses the expertise and potential to expand the key Japan market. In the first half of 2016, the Group has been focusing on the set up of C.P. Company global organisation and operations, integration with Tristate's in-house supply chain, preparation for the Fall/Winter 2016 fulfillment and the launch of Spring/Summer 2017 collection. With the positive response and confidence from the trade, C.P. Company's Fall/Winter 2016 forecasted sales has over 50% growth over Fall/Winter 2015, most notably in the UK.

Both EFM (Engineered for Motion) and Cissonne are still at the development stage with great potential. EFM is positioned as an "athlux" NYC designer brand and poised to participate in higher end of the global "athleisure" market segment for men. With Mr. Donrad Duncan, our creative director and founder of EFM, received the Fashion Group International's 2016 Rising Star Award for Menswear, EFM has gained more traction in the industry. The brand's Spring/Summer 2017 collection, which was featured at the July 2016 CFDA's New York Fashion Week via its first runway show, was well received by key retailers and media. The brand has struck a distribution deal with Saks Fifth Avenue, featuring as a pinnacle brand in the growing Athlux segment in the United States (the "US") with first delivery in September 2016. Our premium ladies' wear Cissonne is building its brand awareness through direct retailing in China major cities. In June 2016, Cissonne opened its store in Beijing Sanlitun. The brand has four stores in China, including the stores in Shanghai Kerry Centre, Shanghai Zhenning Road and Hangzhou Tower Shopping City.

Our garment manufacturing business is relatively stable and has been improving mainly attributable to production cost control in our China factories and the benefit carried from labour rationalisation in our Hefei factory in the last year.

Financial Review

For the six months ended 30 June 2016, the Group recorded a loss attributable to equity shareholders of HK$104 million (2015: HK$87 million). During the period, in line with our plans and effort, the operating losses of our garment manufacturing business and HASKI's distribution business were reduced. However, this was offset by reduced contribution from the Jack Wolfskin China business, lowered China distribution revenue and the Group's investment in our new branding business.

Revenue

Total revenue of the Group for the first half of 2016 was HK$904 million (2015: HK$1,212 million), decreasing by 25% as compared with 2015.

Revenue from branded product distribution, retail and trading segment was HK$153 million in the first half of 2016 as compared with HK$390 million in 2015. The drop in revenue was mainly due to the termination of Jack Wolfskin license in March 2015. As mentioned in the 2015 annual report, the 2015 revenue included HK$204 million sales of Jack Wolfskin products up to the date of license termination. The decrease in top line was also driven by the tough operating environment to our China distribution business for Nautica and HASKI. The soft China retail environment has brought conservative perspective to our distribution network and low sell-through by our franchisees. This has also led to the closure of loss-making points-of-sale ("POS") and reduction in footprints.

Revenue from the garment manufacturing segment was HK$751 million as compared with HK$822 million in 2015. In the first half of 2016, revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories) accounted for 58% (2015: 58%) of the segment revenue. Revenue from global fashion brands customers dropped by 8% during the period mainly attributable to the change in sourcing strategy by customers. Sales to national brands customers also decreased by 8% in this first half as we have reduced our capacity for categories with challenging price.

Geographically, major markets of the Group are the US, the People's Republic of China (the "PRC") and the UK, which accounted for 37% (2015: 29%), 28% (2015: 45%) and 27% (2015: 20%) of the Group's total revenue respectively. The change in geographical sales proportion is mainly due to the early termination of the Jack Wolfskin business in the PRC in March 2015.

The Group's business has been skewed towards the second half year mainly due to the seasonality effect of Fall/Winter and holiday seasons shipment for both its garment manufacturing products and branded products. The Group expects that the pattern of a larger proportion of sales and contributions record in the second half of the year will continue in the future.

Management Discussion and Analysis

Gross Profit

During the period, the Group's overall gross profit recorded at HK$195 million (2015: HK$311 million), representing a gross profit margin of 22% (2015: 26%). The decrease in gross profit was mainly attributable to reduced turnover following the early termination of Jack Wolfskin license in 2015. The Group's overall gross profit margin was impacted by the drop in higher-margin wholesale turnover following the Jack Wolfskin license termination, even though we saw gross profit margin increase in the garment manufacturing business resulted from production cost control in our China factories.

Other Income and Other Gains

As mentioned in the 2015 annual report, the Group receives consultancy fee income from Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") from 2015 to 2017, which being substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015 and certain agreed percentages of the gross profits of JW PRC Co in 2016 and 2017. The Group also receives monthly transitional services fee from JW PRC Co. Consultancy and transitional services fee income from JW PRC Co are included in other income and other gains in the financial statements.

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 and distribution expenses decreased as compared to 2015 mainly due to savings in royalty and advertising expenses following the Jack Wolfskin license termination in 2015 and planned promotion cost reduction for HASKI and Nautica.

General and Administrative Expenses

General and administrative expenses dropped by 10% to HK$252 million as compared with HK$279 million in the first half of 2015 mainly due to Jack Wolfskin license termination and cost control.

Segment Results

In the first half of 2016, the increased loss in our branded product business segment mainly resulted from reduced contribution from the Jack Wolfskin China business and the Group's investment in C.P. Company and the other two global brands. Segment results for garment manufacturing business improved in 2016 due to improvement in gross profit and savings in selling and administrative expenses.

Shareholders' equity at 30 June 2016 decreased mainly due to loss attributable to equity shareholders for the current period and exchange difference on translating the financial statements of subsidiaries in the PRC and Thailand following the depreciation of the currencies during 2016.

Financial Resources and Liquidity

As at 30 June 2016, cash and bank balances amounted to HK$383 million (31 December 2015: HK$666 million) which mainly represented Renminbi bank deposits in the PRC and US dollars bank balances. The drop in cash balance is due to normal seasonal funding needs around the mid-year to finance the inventory requirements for the second half year and the C.P. Company start-up costs.

Short-term bank borrowings of the Group amounted to HK$311 million as at 30 June 2016 (31 December 2015: HK$325 million). Such borrowings were mainly denominated in US dollars. As at 30 June 2016, all short-term bank borrowings were interest-bearing at fixed rates for the agreed loan periods (31 December 2015: HK$313 million and HK$12 million were 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 2016. As at 30 June 2016, banking facilities extended to the Group were not secured with the Group's assets (31 December 2015: Nil). The gearing ratio of the Group is 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 30 June 2016 and 31 December 2015, and accordingly, no information on gearing ratio as at that dates 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 2016, the Group had forward foreign exchange contracts entered in previous years to hedge against the foreign exchange exposures arising from US dollars denominated processing income for factories in the PRC. The volatility of the exchange rate of Renminbi and Euro has yet to stabilise. Management evaluates the Group's foreign currency exposure on a continuing basis and takes actions to minimise the Group's exposure whenever necessary.

Contingent Liabilities and Capital Commitments

Other than disclosed in the interim report, there were no material capital commitments or contingent liabilities as at 30 June 2016.

Event after the Reporting Period

On 29 July 2016, the Group and Nautica Apparel, Inc. and certain of its Asian operating fellow subsidiaries (together, the "Nautica Entities") entered into certain agreements (the "Transition Agreements") under which, the Group will provide full cooperation to the relevant Nautica Entities in enabling a business transition in relation to the expiry of the license from Nautica Apparel, Inc. (the "Nautica Distribution License") for the distribution of Nautica branded products in the PRC, Hong Kong and Macau in accordance with its terms on 31 December 2016. Upon the expiration of the Nautica Distribution License, the Group will cease the distribution of Nautica branded products. In consideration of the Group's agreement to provide cooperation in enabling a business transition, the Nautica Entities will pay US$3 million (equivalent to HK$23 million) to the Group by instalments. Further details of the Transition Agreements are included in the Group's announcement made on 29 July 2016.

Management Discussion and Analysis

Human Resources

The Group had about 11,790 employees as at 30 June 2016 (31 December 2015: 11,680). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

Outlook

The rest of 2016 will continue to be challenging. Our focuses for the remaining of the year are clear – we shall continue to invest for a healthy development of our branding business and improve our profitability in garment manufacturing business.

The macro retail environment in the second half year for our China distribution business will continue to be tough. Most brands have reconciled inventory positions and bought conservatively for coming seasons. The profitability of our China distribution business will be impacted by POS contraction, conservative orders and more discounts to the franchisees. Further, our 2016 consultancy fee income from the Jack Wolfskin China business, which is calculated on agreed percentage of the 2016 gross profit of JW PRC Co, is projected to be lower than that in 2015 (which being substantially the entire pre-tax earnings of JW PRC Co for the period from the termination date to 31 December 2015). As discussed above, the Group will cease to distribute Nautica branded products after the expiry of the Nautica Distribution License on 31 December 2016. Despite the cessation, the Group will look for other licensing and distribution opportunities from brand owners, and at the right time, to roll-out our global men's brands in China.

On our own global branding business, the Group invests the start-up cost for C.P. Company throughout the whole year 2016 while the brand will start to generate revenue from Fall/Winter 2016 season in the second half year. The brand will have full year revenue contribution from 2017 onward. C.P. Company's key sales initiative is focusing on increasing premium wholesale doors in key strategic markets – the UK, Germany, Benelux, Japan, Korea and the US. We also formulate plans to open direct retail channel in key metro cities. Our Spring/Summer 2017 collection is well received in the Milan Fashion Week in June this year and orders post strong double-digit growth on a year-on-year basis. The brand has also successfully conducted first-ever Spring/Summer 2017 presentation at New York Fashion Week and received reporting on leading fashion magazines with positive feedback.

EFM's core demographic is urban men professionals who lead an active lifestyle and are aware of apparel trends, and with strong purchasing power. We shall support the sell-through of the business with Saks Fifth Avenue in the US to sustain continuous sales growth. EFM's Spring/Summer 2017 collection has brought a wide variety of press and a greater brand awareness. Wider exposure and a general trend toward luxury performance wear in New York and elsewhere provide EFM potential growth in the luxury/athleisure sphere and new markets.

Cissonne will continue to build and stand out from the market. With our in-house fulfillment and strong ability in fabric development and innovation, Cissonne has shortened the lead time of a women fashion brand from fashion conception to in-store display in 6 months. We shall focus on the excellence of product, reaching out to the market through concept stores and media and increasing sell-through. Cissonne plans to add stores in major cities in the coming 12 months.

We expect to see continued improvement in our garment manufacturing business through enhancing efficiency and cost control. We shall continue to expand our business with global fashion brands customers for producing complicated outerwear products and expanding categories. We have outerwear products manufactured in our China and Thailand factories while dress up business for mass market at competitive pricing produced in low cost Indochina production base – Vietnam and Myanmar. For outerwear production, with the headcount rationalisation in 2015 and focus on outerwear products production, our Hefei factory has been moving towards the right direction to reduce loss. We shall continue to apply our unique manufacturing system in our factories to guarantee quality consistency, high productivity and cost efficiency. For dress up tailoring business, we shall continue to improve the efficiency of our Myanmar factory and upgrading our Vietnam capabilities to produce more sophisticated tailoring products. In addition, the Group will continue to exercise tight cost control and drive operating efficiency and productivity. We believe our strategy and actions are on track and target a moderate year-on-year improvement for our manufacturing business.

Although we expect the Group will record more revenue in the second half of 2016 than the first half, the challenges and difficult operating environment to our China distribution business and our continuous investment in brands will inevitably have an impact on the second half and our full year financial performance. We expect the Group will result in a loss for the whole year.

Despite the anticipated challenges, we commit to invest in the growth of our brands for long term success and improve our garment manufacturing business. The Group has its competitive strengths, talented professionals and continued innovation, we are confident that we shall be able to rise to the challenges ahead.

Shareholders' Information and Corporate Governance

Disclosure of Interests

Directors' interests in securities

As at 30 June 2016, 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: Through spouse or minor children	Number of shares held: Through controlled corporation(s)	Number of shares held: 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	68.35%

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

Name of Director	Long/short position	Class	Number of shares held: Through spouse or minor children	Number of shares held: 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 2016, 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.

Substantial shareholders

As at 30 June 2016, 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: Directly beneficially owned	Number of shares held: Through spouse or minor children	Number of shares held: Total	Approximate percentage of issued share capital
Ms. Daisy TING	Long position	3,212,000	182,442,000 *(Note)*	185,654,000	68.35%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	182,442,000	67.17%

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 2016, no other person (other than a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Shareholders' Information and Corporate Governance

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 2016 were as follows:

		Number of share options					
Date of grant	**Participant**	**At 01/01/2016**	**Granted during the period**	**Lapsed during the period**	**At 30/06/2016**	**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
		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
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)	104,000	–	–	**104,000**	HK$3.92	03/06/2013 – 02/06/2018
		104,000	–	–	**104,000**	HK$3.92	03/06/2014 – 02/06/2018
		104,000	–	–	**104,000**	HK$3.92	03/06/2015 – 02/06/2018
		104,000	–	–	**104,000**	HK$3.92	03/06/2016 – 02/06/2018
09/06/2014	Employees (in aggregate)	106,000	–	–	**106,000**	HK$3.10	09/06/2014 – 08/06/2019
		106,000	–	–	**106,000**	HK$3.10	09/06/2015 – 08/06/2019
		106,000	–	–	**106,000**	HK$3.10	09/06/2016 – 08/06/2019
		106,000	–	–	**106,000**	HK$3.10	09/06/2017 – 08/06/2019

Share Options (Continued)

Date of grant	Participant	Number of share options At 01/01/2016	Granted during the period	Lapsed during the period	At 30/06/2016	Exercise price per share	Exercisable period
08/06/2015	Employees (in aggregate)	135,000	–	–	**135,000**	HK$2.97	08/06/2015 – 07/06/2020
		135,000	–	–	**135,000**	HK$2.97	08/06/2016 – 07/06/2020
		135,000	–	–	**135,000**	HK$2.97	08/06/2017 – 07/06/2020
		135,000	–	–	**135,000**	HK$2.97	08/06/2018 – 07/06/2020
09/05/2016 *(Notes 2 & 3)*	Employees (in aggregate)	–	141,000	–	**141,000**	HK$2.28	09/05/2016 – 08/05/2021
		–	141,000	–	**141,000**	HK$2.28	09/05/2017 – 08/05/2021
		–	141,000	–	**141,000**	HK$2.28	09/05/2018 – 08/05/2021
		–	141,000	–	**141,000**	HK$2.28	09/05/2019 – 08/05/2021
	Total	2,120,000	564,000	(420,000)	**2,264,000**		

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$3.00 from the grantees for the options granted during the period.

3. The closing price of the shares of the Company on 6 May 2016, 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$2.28.

4. No options had been exercised or cancelled during the period.

5. 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$2.28
Exercise price	HK$2.28
Dividend yield	0%
Volatility	39%
Annual risk-free interest rate	1%

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$435,000 is to be recognised as employment expense over the vesting periods together with a corresponding increase in equity. Such fair value is subject to a number of assumptions and with regard to the limitation of the Trinomial valuation model.

Shareholders' Information and Corporate Governance

Corporate Governance Code

During the six months ended 30 June 2016, 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 2015 (the "2015 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 6 June 2016 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 2016. 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 2016.

Changes in Directors' Biographical Details

Changes in Directors' biographical details since the date of the 2015 Annual Report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. WANG Shui Chung, Patrick

New Appointment
- Chairman of the remuneration committee and member of the audit committee of VTech Holdings Limited

Mr. LO Kai Yiu, Anthony

Re-designation
- Chairman of audit committee and member of nominating committee of The Taiwan Fund, Inc. (listed on the New York Stock Exchange)

New Appointment
- Member of valuation committee and share repurchase committee of The Taiwan Fund, Inc. (listed on the New York Stock Exchange)

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 2016 (2015: 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 2016 in conjunction with the management of the Group.

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

Hong Kong, 29 August 2016