TRISTATE

Tristate Holdings Limited

Interim Report 2017

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

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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Kwai Chung, New Territories
Hong Kong

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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

Consolidated Interim Financial Statements

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 2017 together with comparative figures for 2016.

Condensed Consolidated Interim Statement of Profit or Loss

For the six months ended 30 June 2017 – unaudited

		Six months ended 30 June	
	Note	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	5	**742,612**	903,940
Cost of sales		**(590,758)**	(709,209)
Gross profit		**151,854**	194,731
Other income and other gains	7	**15,125**	34,780
Selling and distribution expenses		**(40,714)**	(81,187)
General and administrative expenses		**(200,271)**	(251,577)
Loss from operations	8	**(74,006)**	(103,253)
Finance income	9	**2,155**	3,802
Finance costs	9	**(1,781)**	(2,997)
Loss before taxation		**(73,632)**	(102,448)
Income tax expense	10	**(1,105)**	(3,048)
Loss for the period		**(74,737)**	(105,496)
Attributable to:			
Equity shareholders of the Company		**(74,615)**	(103,915)
Non-controlling interests		**(122)**	(1,581)
Loss for the period		**(74,737)**	(105,496)
Loss per share attributable to equity shareholders of the Company:			
Basic	11	**(HK$0.27)**	(HK$0.38)
Diluted	11	**(HK$0.27)**	(HK$0.38)

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2017 – unaudited

	Six months ended 30 June	
	2017 ***HK$'000***	2016 *HK$'000*
Loss for the period	**(74,737)**	(105,496)
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	**26,480**	2,851
Transferred to and included in the following line items in the condensed consolidated interim statement of profit or loss		
Cost of sales	**2,614**	2,363
General and administrative expenses	**483**	707
Exchange difference on translation of financial statements of overseas subsidiaries	**38,081**	(8,006)
Other comprehensive income for the period	**67,658**	(2,085)
Total comprehensive income for the period	**(7,079)**	(107,581)
Attributable to:		
Equity shareholders of the Company	**(6,957)**	(106,000)
Non-controlling interests	**(122)**	(1,581)
Total comprehensive income for the period	**(7,079)**	(107,581)

The notes on pages 7 to 13 form part of the interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2017 – unaudited

	Note	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Non-Current Assets			
Property, plant and equipment	13	**329,325**	332,149
Leasehold land and land use rights	14	**133,118**	130,863
Intangible assets	15	**202,448**	189,527
Other long-term assets		**10,910**	10,809
Deferred tax assets		**5,620**	5,782
Defined benefit plan assets		**7,681**	7,735
Investment in an associate		**–**	–
		689,102	676,865
Current Assets			
Inventories	16	**390,939**	242,527
Accounts receivable and bills receivable	17	**252,212**	278,451
Forward foreign exchange contracts		**834**	316
Prepayments and other receivables		**65,545**	155,379
Cash and bank balances	18	**361,703**	523,241
		1,071,233	1,199,914
Current Liabilities			
Accounts payable and bills payable	19	**117,966**	88,129
Accruals and other payables	20	**170,125**	210,848
Forward foreign exchange contracts		**11,440**	19,629
Current tax liabilities		**8,967**	10,422
Bank borrowings	21	**128,387**	198,905
		436,885	527,933
Net Current Assets		**634,348**	671,981
Total Assets Less Current Liabilities		**1,323,450**	1,348,846

	Note	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
Non-Current Liabilities			
Retirement benefits and other post retirement obligations		**21,190**	19,812
License fees payable		**26,425**	24,938
Deferred tax liabilities		**30,827**	31,434
Forward foreign exchange contracts		**15,819**	36,689
		94,261	112,873
Net Assets		**1,229,189**	1,235,973
Capital and Reserves			
Share capital	22	**27,161**	27,161
Reserves		**1,204,298**	1,210,960
Total equity attributable to equity shareholders of the Company		**1,231,459**	1,238,121
Non-controlling interests		**(2,270)**	(2,148)
Total Equity		**1,229,189**	1,235,973

The notes on pages 7 to 13 form part of the interim financial statements.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2017 – 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 2017	**27,161**	**1,210,960**	**1,238,121**	**(2,148)**	**1,235,973**
Total comprehensive income for the period	**–**	**(6,957)**	**(6,957)**	**(122)**	**(7,079)**
Share option scheme – value of employee services	**–**	**295**	**295**	**–**	**295**
As at 30 June 2017	**27,161**	**1,204,298**	**1,231,459**	**(2,270)**	**1,229,189**

	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

The notes on pages 7 to 13 form part of the interim financial statements.

Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2017 – unaudited

	Note	Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
Operating activities			
Cash used in operations		**(82,467)**	(217,540)
Income tax paid		**(3,065)**	(26,997)
Income tax refunded		**–**	302
Net cash used in operating activities		**(85,532)**	(244,235)
Investing activities			
Interest received		**2,155**	3,802
Payment for the purchase of property, plant and equipment		**(13,809)**	(13,995)
Proceeds from disposals of property, plant and equipment		**198**	183
Acquisition of a subsidiary		**–**	(5,327)
Acquisition of intangible assets		**(254)**	–
Decrease in short-term bank deposits, with maturities over 3 months		**19,092**	127,763
(Increase)/decrease in bank structured deposits		**(839)**	578
Net cash generated from investing activities		**6,543**	113,004
Financing activities			
Interest paid		**(1,073)**	(2,709)
Proceeds from new bank borrowings		**212,202**	616,111
Repayment of bank borrowings		**(282,720)**	(632,295)
Net cash used in financing activities		**(71,591)**	(18,893)

	Note	Six months ended 30 June	
		2017	2016
		HK$'000	*HK$'000*
Decrease in cash and cash equivalents		**(150,580)**	(150,124)
Cash and cash equivalents at beginning of the period	18	**375,175**	429,792
Effect on foreign exchange rate changes		**7,295**	(4,541)
Cash and cash equivalents at end of the period	18	**231,890**	275,127

The notes on pages 7 to 13 form part of the interim financial statements.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. General Information

Tristate Holdings Limited (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 Company and its subsidiaries (together 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 consolidated interim financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. The unaudited consolidated interim financial statements for the six months ended 30 June 2017 were approved for issue by the Board on 28 August 2017.

These consolidated interim financial statements have not been audited or reviewed by external auditors.

2. Basis of Preparation and Accounting Policies

These interim financial statements have 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 interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

These interim financial statements contain 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 2016 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 2016 that is included in the unaudited condensed consolidated interim financial statements 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 2016 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 27 March 2017.

3. Changes in Accounting Policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. 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 in the consolidated interim financial statements.

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 interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates. In preparing these unaudited consolidated interim financial statements, 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 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 measure of profit or loss generated. This measurement basis is equivalent to loss for the period of that reportable segment.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5. Segment Information (Continued)

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:

	Six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Reportable segment revenue	**650,657**	766,186	**96,880**	153,169	**–**	–	**747,537**	919,355
Less: Inter-segment revenue	**(4,925)**	(15,415)	**–**	–	**–**	–	**(4,925)**	(15,415)
Revenue	**645,732**	750,771	**96,880**	153,169	**–**	–	**742,612**	903,940
Reportable segment loss before taxation	**(27,233)**	(18,839)	**(32,503)**	(62,738)	**(13,896)**	(20,871)	**(73,632)**	(102,448)
Income tax credit/(expense)	**2,356**	(627)	**(73)**	5,888	**(3,388)**	(8,309)	**(1,105)**	(3,048)
Reportable segment loss for the period	**(24,877)**	(19,466)	**(32,576)**	(56,850)	**(17,284)**	(29,180)	**(74,737)**	(105,496)

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (i))*		Total	
	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000	**As at 30 June 2017 HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017 HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017 HK$'000**	As at 31 December 2016 HK$'000
Reportable segment assets	**905,008**	755,941	**333,022**	433,417	**522,305**	687,421	**1,760,335**	1,876,779
Reportable segment liabilities	**303,201**	303,666	**99,558**	138,235	**128,387**	198,905	**531,146**	640,806

	Six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Finance income	**–**	–	**–**	–	**2,155**	3,802	**2,155**	3,802
Finance costs	**–**	–	**(708)**	(288)	**(1,073)**	(2,709)	**(1,781)**	(2,997)
Amortisation of leasehold land and land use rights	**(147)**	(159)	**–**	–	**(1,572)**	(1,657)	**(1,719)**	(1,816)
Amortisation of intangible assets	**–**	–	**(3,213)**	(9,936)	**–**	–	**(3,213)**	(9,936)
Depreciation on property, plant and equipment	**(15,720)**	(19,441)	**(2,944)**	(6,043)	**(7,758)**	(9,222)	**(26,422)**	(34,706)
Reversal of/(provision for) impairment of receivables, net	**827**	(1,358)	**365**	–	**–**	–	**1,192**	(1,358)
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(4,378)**	(5,550)	**4,869**	8,363	**–**	–	**491**	2,813
Net (loss)/gain on disposals of property, plant and equipment	**–**	–	**(614)**	–	**(12)**	52	**(626)**	52
Additions to non-current assets	**6,366**	4,703	**7,760**	14,893	**338**	1,191	**14,464**	20,787

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5. Segment Information (Continued)

The Group's revenue is mainly derived from customers located in the United States of America (the "US"), the United Kingdom (the "UK"), the People's Republic of China (the "PRC") and Canada, 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:

	Six months ended 30 June											
	US		UK		PRC		Canada		Other countries		Total	
	2017 **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Revenue	**217,329**	264,619	**218,476**	243,616	**94,669**	250,606	**79,007**	70,555	**133,131**	74,544	**742,612**	903,940

Included in revenue derived from the PRC was HK$78,311,000 (2016: HK$138,899,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2017, 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 17% and 13% (2016: 18% and 13%) of the total revenue respectively.

	PRC		Luxembourg		Thailand		Other countries		Total	
	As at 30 June 2017 **HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017** **HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017** **HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017** **HK$'000**	As at 31 December 2016 HK$'000	**As at 30 June 2017** **HK$'000**	As at 31 December 2016 HK$'000
Non-current assets *(Note (ii))*	**370,593**	379,749	**175,233**	160,275	**66,590**	62,571	**63,385**	60,753	**675,801**	663,348

Included in non-current assets located in the PRC was HK$9,693,000 (2016: HK$11,243,000) 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

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Consultancy and transitional services fee income from JW PRC Co *(Note)*	**11,667**	31,265
Procurement service fee income	**2,916**	–
Insurance claim income	**–**	1,086
Government subsidy	**487**	1,251
Sundry income	**55**	1,178
	15,125	34,780

Note:

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.

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

8. Loss from Operations

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

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Amortisation of leasehold land and land use rights	**1,719**	1,816
Amortisation of intangible assets	**3,213**	9,936
Depreciation on property, plant and equipment	**26,422**	34,706
(Reversal of)/provision for impairment of receivables, net	**(1,192)**	1,358
Reversal of write-down of inventories to net realisable value, net	**(491)**	(2,813)
Employment benefit expenses	**302,246**	365,382
Net loss/(gain) on disposals of property, plant and equipment	**626**	(52)

9. Finance Income/Finance Costs

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Finance income		
Interest income from bank deposits	**2,155**	3,802
Finance costs		
Interest on bank borrowings	**1,073**	2,709
Imputed interest on license fees payable	**708**	288
	1,781	2,997

10. Income Tax Expense

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Current income tax *(Note (i))*		
Hong Kong Profits Tax	**–**	(121)
Non-Hong Kong tax *(Note (ii))*	**(498)**	(12,155)
Under-provision for prior year	**(1,230)**	–
Deferred income tax *(Note (ii))*	**623**	9,228
	(1,105)	(3,048)

Notes:

(i) Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 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 in the last year 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 in the last year.

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.

	Six months ended 30 June	
	2017 **HK$'000**	2016 HK$'000
Loss attributable to equity shareholders of the Company	**(74,615)**	(103,915)
Weighted average number of ordinary shares in issue	**271,607,253**	271,607,253
Basic loss per share	**(HK$0.27)**	(HK$0.38)

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 2017 and 30 June 2016, 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 2017 and 30 June 2016.

12. Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

13. Property, Plant and Equipment

	As at 30 June 2017 **HK$'000**	As at 31 December 2016 HK$'000
Opening net book amount	**332,149**	402,893
Additions	**13,809**	29,598
Acquisition of a subsidiary	**–**	283
Disposals	**(824)**	(16,134)
Depreciation	**(26,422)**	(67,001)
Exchange differences	**10,613**	(17,490)
Closing net book amount	**329,325**	332,149

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

14. Leasehold Land and Land Use Rights

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Opening net book amount	**130,863**	143,356
Amortisation	**(1,719)**	(3,576)
Exchange differences	**3,974**	(8,917)
Closing net book amount	**133,118**	130,863

15. Intangible Assets

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
License rights *(Note (i))*		
Opening net book amount	**25,687**	19,872
Additions	**–**	25,687
Amortisation	**(1,296)**	(19,872)
Exchange differences	**759**	–
Closing net book amount	**25,150**	25,687
Trademark *(Note (ii))*		
Opening net book amount	**160,275**	165,950
Exchange differences	**14,959**	(5,675)
Closing net book amount	**175,234**	160,275
Customer relationship and others *(Note (iii))*		
Opening net book amount	**3,565**	–
Additions	**254**	436
Acquisition of a subsidiary	**–**	6,509
Amortisation	**(1,917)**	(3,218)
Exchange differences	**162**	(162)
Closing net book amount	**2,064**	3,565
Total intangible assets	**202,448**	189,527

Notes:

(i) License rights

License rights as at 31 December 2016 and 30 June 2017 represent capitalisation of the minimum contractual obligation payable to the licensor of "ACBC" brand footwear products at the time of inception of the license agreement. It was recognised based on discount rate equal to the Group's weighted average borrowing rate of approximately 5.5% per annum at the date of inception. The relating minimum contractual obligation payable to the licensor is recognised in license fees payable.

(ii) Trademark

It represents C.P. Company trademark which is regarded as having indefinite useful lives and there is no foreseeable limit to the period over which they are expected to generate cash flows for the Group as it is expected that the value will not be reduced through usage and the cost of renewal of period for their use is negligible.

(iii) Customer relationship

In March 2016, the Group acquired 99% equity interest of the distributor of C.P. Company products in Japan, at a consideration of HK$5,327,000. Customer relationship acquired was amounted to HK$6,509,000.

16. Inventories

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Raw materials	**125,245**	60,038
Work-in-progress	**198,030**	109,482
Finished goods	**46,242**	60,116
Goods in transit	**21,422**	12,891
	390,939	242,527

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

As at the end of the reporting period, the aging of accounts receivable and bills receivable based on invoice date is as follows:

	As at 30 June 2017 *HK$'000*	As at 31 December 2016 *HK$'000*
Less than 3 months	**249,115**	273,067
3 months to 6 months	**3,097**	5,384
Over 6 months	**1,336**	2,415
	253,548	280,866
Less: Provision for impairment	**(1,336)**	(2,415)
	252,212	278,451

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 Consolidated Interim Financial Statements

For the six months ended 30 June 2017

18. Cash and Bank Balances

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Short-term bank deposits	**73,944**	126,598
Cash at bank and on hand	**157,946**	248,577
Cash and cash equivalents in the consolidated cash flow statement	**231,890**	375,175
Short-term bank deposits, with maturities over 3 months	**101,584**	120,676
Bank structured deposits	**28,229**	27,390
Cash and bank balances in the consolidated statement of financial position	**361,703**	523,241

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

19. Accounts Payable and Bills Payable

As at the end of the reporting period, the aging of accounts payable and bills payable based on invoice date is as follows:

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Less than 3 months	**111,683**	80,382
3 months to 6 months	**3,620**	4,837
Over 6 months	**2,663**	2,910
	117,966	88,129

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 accrued employee benefit and other operating expenses. The decrease in accrual and other payables is mainly due to payment of 2016 staff bonus and expenses, accrued value added tax and royalty fees.

21. Bank Borrowings

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Unsecured short-term bank borrowings	**128,387**	198,905

The carrying amounts of bank borrowings approximate their fair values.

22. Share Capital

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Authorised: 500,000,000 (2016: 500,000,000) shares of HK$0.10 each	**50,000**	50,000

Issued and fully paid ordinary share capital:

	As at 30 June 2017		As at 31 December 2016	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Opening and closing balance	**271,607,253**	**27,161**	271,607,253	27,161

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:

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Within 1 year	**23,715**	22,879
After 1 year but within 5 years	**20,721**	17,051
After 5 years	**5,980**	6,007
	50,416	45,937

(b) Capital commitments

The Group had capital commitments in relation to retail shop decoration and purchases of furniture and equipment as follows:

	As at 30 June 2017 ***HK$'000***	As at 31 December 2016 *HK$'000*
Contracted but not provided for	**1,355**	–

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 June 2017

24. Related Party Transactions

(a) Transactions with related parties

The following is a summary of significant related party transaction which was carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2017 **HK$'000**	2016 *HK$'000*
A related company		
Rental expense *(Note)*	**3,789**	4,158

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

	Six months ended 30 June	
	2017 **HK$'000**	2016 *HK$'000*
Salaries, allowances and bonuses	**9,304**	10,365
Defined contribution plans	**272**	276
Share-based compensation expense		
– share options granted	**192**	174
	9,768	10,815

(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 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 by instalments, and the short-term cash advance had been fully repaid as at 30 June 2016.

25. Fair Value of Financial Instruments

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.

Forward foreign exchange contracts are measured at fair value and classified as level 2 valuations at 30 June 2017 and 31 December 2016. There was no transfer of financial assets between fair value hierarchy classifications for the period/year ended 30 June 2017 and 31 December 2016. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. 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.

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016.

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 2017.

Overview

The Group's performance in the first half of 2017 reflects the transitions of the Group's branding business. As reported in our 2016 annual report, the Group's top-line and performance in 2017 would be impacted by the contractual expiry of the Nautica distribution license at end of 2016, and a reducing consultancy fees income from the Jack Wolfskin China business. Alongside these changes, the Group has focused to grow our own brands, whilst the performance of "C.P. Company" brand is encouraging.

C.P. Company started contributing revenue from the Fall/Winter 2016 season after its acquisition by the Group. The market received this positively with orders started to pick up from Fall/Winter 2016. Both of the brand's Spring/Summer 2017 revenue and Fall/Winter 2017 order values attained over 80% growth over last year of homologous seasons. This encouraging result is attributable to our brand credibility, product innovation, effective management of production and supply chain process and on-time delivery. To better connect our customers and expand into new markets, in the first half of 2017, we opened our main showroom in Milan, our US showroom in Soho New York, and launched the brand's proprietary e-commerce platform. In terms of our key markets, we witnessed particular strong growth in the United Kingdom (the "UK"), Italy, Korea and France where brand awareness has always been strong. In the new markets such as Germany, Russia and Scandinavia, gradual increase in revenue was also recorded.

Apart from the acquired brand C.P. Company, the Group continues to invest in our two home-grown brands – Engineered for Motion (EFM), our advanced luxury NYC designer brand, and our premium ladies' wear "Cissonne". EFM continues to gain traction. The brand's Fall/Winter 2017 collection, which was featured in a runway show at the January 2017 CFDA New York Fashion Week, was well received by key retailers and media. The brand's partnership with Saks Fifth Avenue has progressed from online in Fall/Winter 2016 to retail doors for Spring/Summer 2017. We also see increased sell-through with renowned specialty stores. Our premium ladies' wear Cissonne is gradually expanding through direct retailing in China major cities. The brand has now five stores in China.

In the first half of 2017, our garment manufacturing business continues to face difficult operating environment and relatively less revenue contribution due to seasonality impact. The softened retail market continues to affect our fashion brand customers and our manufacturing business. In addition, certain shipment and the related sales shifted from the first half to the second half in this year.

Financial Review

For the six months ended 30 June 2017, the Group recorded a loss attributable to equity shareholders of HK$75 million (2016: loss of HK$104 million). The loss decrease was mainly attributable to the sales contribution of C.P. Company brand business while first half last year was in set up mode with operating cost.

Revenue

Total revenue of the Group for the first half of 2017 was HK$743 million (2016: HK$904 million), decreasing by 18% as compared with 2016.

Revenue from branded product distribution, retail and trading segment was HK$97 million in the first half of 2017 as compared with HK$153 million in 2016. Revenue in this year mainly represents the sales revenue of C.P. Company brand products. The 2016 revenue included HK$127 million sales of Nautica products, and there is no such revenue in 2017 after the contractual expiry of the Nautica distribution license.

Revenue from the garment manufacturing segment was HK$646 million as compared with HK$751 million in 2016. In the first half of 2017, revenue from higher margin global fashion brands customers (which cover mainly more complicated outerwear categories) accounted for 57% (2016: 58%) of the segment revenue. Revenue from global fashion brands customers dropped by 16% as compared with last year mainly due to reduction in buy from slow market and certain shipment shifted to the second half year. Sales to national brands customers also decreased by 11% in this first half as we have reduced our capacity for categories with challenging price.

Geographically, major markets of the Group are the United States of America ("US") and Canada, the UK and the People's Republic of China (the "PRC"), which accounted for 40% (2016: 37%), 29% (2016: 27%) and 13% (2016: 28%) of the Group's total revenue respectively. The change in geographical sales proportion is mainly due to the expiry of the Nautica distribution license for the PRC market.

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 earnings record in the second half of the year will continue in the future.

Gross Profit

During the period, the Group's overall gross profit recorded at HK$152 million (2016: HK$195 million), representing a gross profit margin of 20.4% (2016: 21.5%). The decrease in gross profit was mainly attributable to reduced turnover, particularly our China distribution business. Gross profit margin of the garment manufacturing segment was fairly stable as compared with the previous year. The Group's overall gross profit margin decreased due to the drop of the higher margin branded product business turnover.

Other Income and Other Gains

As mentioned in the 2016 annual report, the Group receives consultancy fee income from Jack Wolfskin Trading (Shanghai) Co., Ltd. ("JW PRC Co") from 2015 to 2017 on a reducing scale. As a result of the agreed lower calculation basis, the 2017 consultancy fee income from JW PRC Co was lower than 2016. In 2016, the Group also received 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, shop and royalty expenses of the branded product distribution, retail and trading business. Selling and distribution expenses decreased as compared to 2016 mainly due to the Nautica license expiry at end of 2016.

General and Administrative Expenses

General and administrative expenses dropped by 20% to HK$200 million as compared with HK$252 million in 2016 mainly due to Nautica license expiry and cost control.

Segment Results

In the first half of 2017, the reduced loss of our branded product business was mainly due to C.P. Company's sales contribution and administrative cost savings in our PRC distribution business.

Segment results for garment manufacturing business dropped as compared with 2016 mainly due to the net effect of lower sales revenue and cost savings in factory and administrative expenses.

Financial Resources and Liquidity

As at 30 June 2017, cash and bank balances amounted to HK$362 million (31 December 2016: HK$523 million) which mainly represented United States dollars ("US dollars") and Renminbi bank deposits. The drop in cash and bank balances is due to normal seasonal funding needs around the mid-year to finance the inventory requirements for the second half year.

Short-term bank borrowings of the Group amounted to HK$128 million as at 30 June 2017 (31 December 2016: HK$199 million). Such borrowings were mainly denominated in US dollars and bearing interest at fixed rates. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings as at 30 June 2017. As at 30 June 2017, banking facilities extended to the Group were not secured with the Group's assets (31 December 2016: Nil). The gearing ratio of the Group is calculated as net borrowings divided by total capital. Net borrowings are 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 2017 and 31 December 2016, and accordingly, no information on gearing ratio as at that dates is provided.

The Group has a healthy liquidity position. There has been less cash used in operations for the first half of 2017 as compared with the previous year. This is attributable to reduced mid-year working capital requirement, improved cashflow of C.P. Company European business, and cost savings.

Shareholders' equity at 30 June 2017 decreased mainly due to the net effect of loss attributable to equity shareholders for the current period and exchange difference on translating the financial statements of subsidiaries in the PRC, Europe and Thailand following the appreciation of the currencies during 2017.

Most of the Group's receipts and payments are denominated in US dollars, Hong Kong dollars, Renminbi, Pound Sterling and Euro. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2017, 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 Pound Sterling sales receipts of a European subsidiary. Foreign currency exchange rates are volatile. 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 2017.

Human Resources

The Group had about 9,880 employees as at 30 June 2017 (31 December 2016: 10,680). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance are also awarded with discretionary bonuses and share options.

Outlook

While we anticipate that the business environment for the rest of 2017 continues to be difficult, we see some signs of recovery in advanced economies and stabilisation in the Mainland China. However, uncertainties are still surrounding the global economy, including uncertain geopolitical and currencies conditions and potential changes in international trade policies. Our focuses are clear – we commit to grow our branding business, particularly C.P. Company and improve the performance of our garment manufacturing business.

We will grow C.P. Company through greater product innovation, market expansion and marketing efforts. We build on the heritage of C.P. Company's know-how in fabric development, special dying and garment construction. We strengthen the product range, innovation and design and widen our collections. We offer strong innovations to our Spring/Summer 2018 collection, which contributes to brand building with new ideas and iconic products. We will continue efficient order fulfillment and consistent on-time delivery to increase sell-through. We focus to grow existing key markets and further expand new growth markets in Europe as well as enter into the North America and Asian markets. In addition, the brand has great opportunity to develop through adding direct to customer retail through opening new stores and collaborating with key brands. We will open an outlet store in Mestrino, Italy in the third quarter this year. Our marketing initiatives help to connect our customers and enhance brand awareness. The brand received excellent feedback from buyers at our recent trade shows in New York and Las Vegas. Our global marketing campaign "#EyesOnTheCity" also received encouraging response. The program invites our customer community to take a picture of C.P. Company products and their city as background, and share their personal distinctive urban perspective and experiences.

The revenue of EFM will grow gradually with our key customers in the US. Fall/Winter 2017 will be our first season to feature a better and more accessible price point collection, which we are confident will result in higher sell-through. The July 2017 New York Fashion Week: Men's featuring EFM's Spring/Summer 2018 collection saw a successful runway show with continued interest in the brand from media and buyers alike. Saks Fifth Avenue will also expand the number of retail door stocking for EFM's Spring/Summer 2018 collection. Cissonne will continue to grow direct to customer retail in China cautiously. With our in-house fulfillment and strong ability in fabric development and innovation, we shall focus on the excellence of product, reaching out to the market through concept stores and media and increasing sell-through.

The rest of the year is still challenging for our manufacturing business in particular due to the tough operating environment facing our national brand customers. We have been exercising tight cost control and adjusting our capacity in response to the shrinking demand. We shall continue to expand and diversify our customer base and enhance competitiveness by applying our unique manufacturing system in our factories to guarantee quality consistency, high productivity and cost efficiency.

In addition to the challenges facing our manufacturing business, it also takes time for the Group to transition its branding business and unlock the value of C.P. Company. We are cautious about the Group's second half and full year financial performance. We expect the Group will result in a loss for the whole year. Despite the near term challenges, we are confident that we are on the right track for the long term sustainability and success of the Group.

Disclosure of Interests

Directors' interests in securities

As at 30 June 2017, the interests and short positions of the directors (the "Board" or the "Directors") and the chief executive of Tristate Holdings Limited (the "Company") in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were (i) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in shares of the Company

		Number of shares held			
Name of Director	**Long/short position**	**Through spouse or minor child**	**Through controlled corporation**	**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")

			Number of shares held		
Name of Director	**Long/short position**	**Class**	**Through spouse or minor child**	**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 100% controlled by New Perfect Global Limited, which in turn was 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 2017, 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 2017, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO:

		Number of shares held				
Name of shareholder	**Long/short position**	**Directly beneficially owned**	**Through spouse or minor child**	**Through controlled corporation**	**Total**	**Approximate percentage of issued share capital**
Ms. Daisy TING	Long position	3,212,000	182,442,000 *(Note)*	–	185,654,000	68.35%
New Perfect Global Limited	Long position	–	–	182,442,000 *(Note)*	182,442,000	67.17%
Silver Tree Holdings Inc.	Long position	182,442,000 *(Note)*	–	–	182,442,000	67.17%

Note:

These interests relate to the same block of shares of the Company, which were beneficially owned by Silver Tree Holdings Inc., a company 100% controlled by New Perfect Global Limited, which in turn was 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 2017, 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

A new share option scheme (the "2016 Share Option Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 6 June 2016 (the "2016 AGM") for granting of share options to eligible persons to subscribe for shares of the Company.

In relation to the share option scheme adopted by the Company on 2 April 2007 (the "2007 Share Option Scheme"), the termination of which was approved at the 2016 AGM. Upon termination, no further share options can be offered under the 2007 Share Option Scheme but all outstanding share options granted thereunder shall continue to be valid and exercisable in accordance with the terms of the 2007 Share Option Scheme.

Movements in the share options under the share option schemes of the Company during the six months ended 30 June 2017 were as follows:

A. The 2007 Share Option Scheme

		Number of share options				
Date of grant	**Participant**	**At 01/01/2017**	**Lapsed during the period**	**At 30/06/2017**	**Exercise price per share**	**Exercisable period**
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
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	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	2,264,000	(320,000)	**1,944,000**		

Notes:

1. The above options vest in four equal tranches over a period of three years from the relevant date of grant.

2. No options were granted, exercised or cancelled during the period.

Share Options (Continued)

B. The 2016 Share Option Scheme

Date of grant	Participant	Number of share options: At 01/01/2017	Granted during the period	At 30/06/2017	Exercise price per share	Exercisable period
05/06/2017 *(Notes 2 & 3)*	Employees (in aggregate)	–	239,000	**239,000**	HK$1.68	05/06/2017 – 04/06/2022
		–	239,000	**239,000**	HK$1.68	05/06/2018 – 04/06/2022
		–	239,000	**239,000**	HK$1.68	05/06/2019 – 04/06/2022
		–	239,000	**239,000**	HK$1.68	05/06/2020 – 04/06/2022
	Total	–	956,000	**956,000**		

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 2 June 2017, being the business day immediately before the date on which the options were granted, as quoted on the Stock Exchange, was HK$1.68.

4. No options were exercised, cancelled or lapsed during the period.

5. The fair value of the options granted during the period determined using the Trinomial valuation model was HK$0.56 per option. The significant inputs into the model are as follows:

Share price at the grant date	HK$1.68
Exercise price	HK$1.68
Dividend yield	0%
Volatility	38%
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$534,000 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.

Corporate Governance Code

During the six months ended 30 June 2017, 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 and A.5 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 2016 (the "2016 Annual Report").

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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 2017.

Changes in Directors' Biographical Details

The followings are changes in a Director's biographical details since the date of the 2016 Annual Report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Peter TAN

Cessation of appointment
– Chief executive officer of Stone Canyon Pte Ltd

New appointment
– Chief executive officer of TLC Capital Management Pte Ltd

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 2017 (2016: Nil).

Audit Committee's Review of Financial Statements

The Audit Committee has reviewed the unaudited Condensed Consolidated Interim Financial Statements and the Interim Report of the Group for the six months ended 30 June 2017 in conjunction with the management of the Group.

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

Hong Kong, 28 August 2017