Tristate Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 458)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL SUMMARY OF 2011 INTERIM RESULTS

- Revenue increased by 10.7% to HK$1,476 million
- Profit attributable to equity holders of HK$101 million, an increase of 1.6 times
- Earnings per share of HK$0.38, an increase of 1.7 times
- Interim dividend of HK$0.15 per share

INTERIM RESULTS

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 2011 together with comparative figures for 2010.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2011

		Unaudited six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	4	**1,475,997**	1,333,613
Cost of sales		**(1,060,384)**	(1,005,513)
Gross profit		**415,613**	328,100
Other income and other gains		**2,645**	6,564
Selling and distribution expenses		**(107,162)**	(101,148)
General and administrative expenses		**(208,079)**	(184,365)
Gain on disposal of a subsidiary	5	**10,827**	—
Profit from operations	6	**113,844**	49,151
Finance income	7	**4,211**	2,179
Finance costs	7	**(2,820)**	(4,207)
Profit before income tax		**115,235**	47,123
Income tax expense	8	**(13,946)**	(8,819)
Profit for the half year		**101,289**	38,304
Attributable to:			
Equity holders of the Company		**101,315**	38,307
Non-controlling interests		**(26)**	(3)
		101,289	38,304
Interim dividend	9	**40,384**	16,124
Earnings per share attributable to equity holders of the Company:			
Basic	10	**HK$0.38**	HK$0.14
Diluted	10	**HK$0.38**	HK$0.14

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the half year	**101,289**	38,304
Other comprehensive income:		
Fair value gains on cash flow hedges		
Gains arising during the half year	**2,304**	4,445
Transfers to the consolidated income statement	**(3,792)**	(6,109)
Income tax effect	**314**	38
Fair value gain on net investment hedge	**—**	921
Currency translation differences		
Gain arising during the half year	**17,710**	5,799
Transfer from translation reserve to the consolidated income statement upon disposal of a subsidiary	**(37)**	—
Other comprehensive income, net of tax	**16,499**	5,094
Total comprehensive income for the half year	**117,788**	43,398
Attributable to:		
Equity holders of the Company	**117,814**	43,401
Non-controlling interests	**(26)**	(3)
	117,788	43,398

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**Unaudited As at 30 June 2011** *HK$'000*	Audited As at 31 December 2010 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**523,412**	536,035
Investment properties		**1,324**	1,339
Leasehold land and land use rights		**174,209**	172,672
Intangible assets		**119,588**	127,190
Other long-term assets		**13,006**	15,330
Deferred income tax assets		**22,698**	19,991
Defined benefit plan assets		**5,459**	5,140
Investments in associates		**—**	—
		859,696	877,697
CURRENT ASSETS			
Inventories		**339,722**	298,537
Accounts receivable and bills receivable	11	**419,072**	311,875
Forward foreign exchange contracts		**1,630**	3,954
Prepayments and other receivables		**130,312**	112,758
Cash and bank balances		**431,327**	460,003
		1,322,063	1,187,127
CURRENT LIABILITIES			
Accounts payable and bills payable	12	**204,587**	189,305
Accruals and other payables		**267,798**	273,675
Forward foreign exchange contracts		**—**	836
Current income tax liabilities		**56,529**	66,714
Bank borrowings		**269,408**	189,833
		798,322	720,363
NET CURRENT ASSETS		**523,741**	466,764
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,383,437**	1,344,461
NON-CURRENT LIABILITIES			
Retirement benefits and other post retirement obligations		**13,900**	14,104
License fees payable		**72,479**	85,619
Deferred income tax liabilities		**58,642**	60,349
Other long-term liabilities		**393**	767
		145,414	160,839
NET ASSETS		**1,238,023**	1,183,622
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**26,923**	26,874
Reserves		**1,210,725**	1,156,347
		1,237,648	1,183,221
Non-controlling interests		**375**	401
TOTAL EQUITY		**1,238,023**	1,183,622

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2011 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'.

It should be read in conjunction with the consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies applied in preparing the unaudited Condensed Consolidated Interim Financial Information for the six months ended 30 June 2011 are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2010, except as described in Note 2 below.

2. IMPACT OF ADOPTING NEW/REVISED HKFRSs

Adoption of new/revised HKFRSs

In 2011, the Group has adopted the following revised standard and amendment to an existing standard which are mandatory for the first time for the Group's financial year beginning 1 January 2011 and are relevant to the Group's operations. The impact on the Group's accounting policies upon adoption is set out below:

HKAS 24 (Revised), 'Related Party Disclosures'. The revised standard introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. The revised standard has no impact on the unaudited Condensed Consolidated Interim Financial Information.

Amendment to HKAS 34, 'Interim Financial Reporting'. The amendment emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles, in particular the disclosure principles for significant events and transactions. Additional requirements cover the disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The amendment has no impact on the unaudited Condensed Consolidated Interim Financial Information as there has been no change in fair value measurement from the recent annual report and the Group's existing disclosure in the interim report complies with the principles stated in the amendment.

The following new and revised standards and amendments to existing standards relevant to the Group have been issued, but are not effective for the financial year beginning 1 January 2011 and the Group has not early adopted them:

HKFRS 9, 'Financial Instruments' (effective for annual period starting from 1 January 2013).

HKFRS 10, 'Consolidated Financial Statements' (effective for annual period starting from 1 January 2013).

HKFRS 12, 'Disclosure of Interests in Other Entities' (effective for annual period starting from 1 January 2013).

HKFRS 13, 'Fair Value Measurements' (effective for annual period starting from 1 January 2013).

HKAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual period starting from 1 July 2012).

HKAS 19 (Amendment), 'Employee Benefits' (effective for annual period starting from 1 January 2013).

HKAS 27, 'Separate Financial Statements' (effective for annual period starting from 1 January 2013).

3. ESTIMATES

The preparation of the unaudited Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4. SEGMENT INFORMATION

Reportable segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision makers (the Chief Executive Officer and Senior Management collectively) in order to assess performance and allocate resources. The chief operating decision makers assess the performance of the reportable segments based on the profit and loss generated.

The Group has two reportable segments: (i) garment manufacturing, and (ii) branded product distribution, retail and trading. The segment information is as follows:

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note)*		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**1,073,886**	1,063,139	**402,111**	270,474	**—**	—	**1,475,997**	1,333,613
Reportable segment profit	**44,247**	12,600	**37,922**	25,854	**8,293**	(150)	**90,462**	38,304
Gain on disposal of a subsidiary					**10,827**	—	**10,827**	—
Profit for the half year							**101,289**	38,304

Note: To be consistent with internal reporting, certain corporate income net of expenses and non-recurring gains/(losses) were not allocated to reportable segments. The relevant amounts in 2010 have also been presented to conform to the current period's presentation.

	Garment manufacturing		Branded product distribution, retail and trading		Unallocated *(Note (1))*		Total	
	Unaudited As at 30 June 2011	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets including:	**1,244,958**	1,053,529	**241,353**	262,017	**695,448**	749,278	**2,181,759**	2,064,824
Investments in associates	**—**	—	**—**	—	**—**	—	**—**	—
Additions to non-current assets *(Note (2))*	**9,864**	29,241	**3,099**	4,594	**645**	152,105	**13,608**	185,940
Segment liabilities	**365,590**	348,462	**232,738**	266,907	**345,408**	265,833	**943,736**	881,202

4. SEGMENT INFORMATION (Continued)

	Unaudited six months ended 30 June							
	Garment manufacturing		Branded product distribution, retail and trading		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Finance income	**—**	—	**—**	—	**4,211**	2,179	**4,211**	2,179
Finance costs	**(140)**	(245)	**(1,693)**	(2,117)	**(987)**	(1,845)	**(2,820)**	(4,207)
Income tax expense	**(1,323)**	(1,961)	**(12,623)**	(6,858)	**—**	—	**(13,946)**	(8,819)
Amortisation of leasehold land and land use rights	**(192)**	(203)	**—**	—	**(1,819)**	(1,062)	**(2,011)**	(1,265)
Amortisation of license rights	**—**	—	**(8,206)**	(6,097)	**—**	—	**(8,206)**	(6,097)
Depreciation on property, plant and equipment	**(18,147)**	(17,037)	**(1,764)**	(2,443)	**(11,674)**	(11,108)	**(31,585)**	(30,588)
Depreciation on investment properties	**—**	—	**—**	—	**(15)**	(18)	**(15)**	(18)
Reversal of/(provision for) impairment of receivables, net	**308**	2,435	**—**	(128)	**—**	—	**308**	2,307
(Write-down)/reversal of write-down of inventories to net realisable value, net	**(7,222)**	(3,120)	**1,946**	(219)	**—**	—	**(5,276)**	(3,339)
Net gain on disposals of non-current assets held for sale	**—**	—	**—**	—	**—**	3,693	**—**	3,693
Net gain on disposals of property, plant and equipment	**—**	—	**—**	—	**258**	1,577	**258**	1,577

4. SEGMENT INFORMATION (Continued)

The Group's revenue is mainly derived from customers located in the United States of America, the United Kingdom (the "UK") and the People's Republic of China (the "PRC"), while the Group's production facilities and other assets are located predominantly in the PRC and Thailand. The PRC includes the mainland of the PRC, Hong Kong and Macau. An analysis of the Group's revenue by location of customers and an analysis of the Group's non-current assets by location of assets are as follows:

	Unaudited six months ended 30 June									
	The United States of America		**UK**		**PRC**		**Other countries**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**555,584**	639,569	**328,621**	276,341	**424,758**	284,049	**167,034**	133,654	**1,475,997**	1,333,613

Included in revenue derived from the PRC was HK$84,753,000 (2010: HK$67,647,000) related to revenue generated in Hong Kong.

For the six months ended 30 June 2011, revenues from three customers in the garment manufacturing segment each accounted for more than 10% of the Group's total revenue and represented approximately 17%, 13% and 13% (2010: 26%, 14% and 9%) of the total revenue respectively.

	PRC		**Thailand**		**Other locations**		**Total**	
	Unaudited As at 30 June 2011	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010	**Unaudited As at 30 June 2011**	Audited As at 31 December 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets *(Note (2))*	**669,404**	680,198	**104,493**	108,592	**57,642**	63,776	**831,539**	852,566

Included in non-current assets located in the PRC was HK$154,912,000 (2010: HK$165,259,000) related to assets located in Hong Kong.

Notes:

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

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

5. GAIN ON DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2011, the Group disposed of its interest in a subsidiary incorporated in Laos at US$1,830,000 (equivalent to HK$14,234,000) and realised a gain on disposal of HK$10,827,000. The subsidiary had ceased production in 2004.

The effect of the disposal is summarised as follows:

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net assets disposed	**3,444**	—
Gain on disposal	**10,827**	—
Translation reserve transferred to the consolidated income statement	**(37)**	—
Consideration received	**14,234**	—

6. PROFIT FROM OPERATIONS

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

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Crediting		
Net gain on disposals of property, plant and equipment	**258**	1,577
Net gain on disposals of non-current assets held for sale	**—**	3,693
Reversal of impairment of receivables, net	**308**	2,307
Charging		
Depreciation on property, plant and equipment	**31,585**	30,588
Depreciation on investment properties	**15**	18
Amortisation of leasehold land and land use rights	**2,011**	1,265
Amortisation of license rights	**8,206**	6,097
Write-down of inventories to net realisable value, net	**5,276**	3,339
Employment expenses	**315,698**	283,486

7. FINANCE INCOME/FINANCE COSTS

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Finance income		
Interest income on bank deposits	**4,211**	2,179
Finance costs		
Interest on bank loans	**987**	1,845
Imputed interest on license fees payable	**1,693**	2,117
Imputed interest on other long-term liabilities	**140**	245
	2,820	4,207

8. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	**(7,425)**	(2,523)
Non-Hong Kong tax	**(9,976)**	(7,669)
Deferred income tax	**3,455**	1,373
	(13,946)	(8,819)

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the half year. Income tax on non-Hong Kong profit has been calculated on the estimated assessable profits for the half year at the applicable income tax rates prevailing in the countries/places in which the Group operates.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 to 2004/2005 in view of the statutory time bar. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained. Management has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the Condensed Consolidated Interim Financial Information in respect of the protective assessments which the Group had received.

9. INTERIM DIVIDEND

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
HK$0.15 (2010: HK$0.06) per share	**40,384**	16,124

10. EARNINGS PER SHARE

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

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**101,315**	38,307
Weighted average number of ordinary shares in issue	**268,914,480**	268,735,253
Basic earnings per share	**HK$0.38**	HK$0.14

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

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**101,315**	38,307
Weighted average number of ordinary shares in issue	**268,914,480**	268,735,253
Effect of share options	**1,017,154**	59,487
Weighted average number of ordinary shares for diluted earnings per share	**269,931,634**	268,794,740
Diluted earnings per share	**HK$0.38**	HK$0.14

11. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

These are aged as follows:

	Unaudited **As at** **30 June** **2011** ***HK$'000***	Audited As at 31 December 2010 *HK$'000*
Less than 3 months	**416,766**	309,941
3 months to 6 months	**2,306**	1,934
Over 6 months	**337**	726
	419,409	312,601
Less: Provision for impairment	**(337)**	(726)
	419,072	311,875

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

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

12. ACCOUNTS PAYABLE AND BILLS PAYABLE

	Unaudited As at 30 June 2011 ***HK$'000***	Audited As at 31 December 2010 *HK$'000*
Third parties	**204,587**	189,305

These are aged as follows:

Less than 3 months	**192,913**	181,520
3 months to 6 months	**3,469**	4,857
Over 6 months	**8,205**	2,928
	204,587	189,305

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

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

13. CAPITAL COMMITMENTS

The Group had capital commitments in relation to office renovation, construction of production facilities and purchases of equipment, as follows:

	Unaudited As at 30 June 2011 ***HK$'000***	Audited As at 31 December 2010 *HK$'000*
Contracted but not provided for	**2,471**	4,407
Authorised but not contracted for	**—**	—
	2,471	4,407

In this Management Discussion and Analysis, we present the business review and a discussion on the financial performance of Tristate Holdings Limited (the "Company") and its subsidiaries (together, the "Group") over the six months ended 30 June 2011.

BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded a significant increase in profit with profit attributable to equity holders of HK$101,315,000 as compared with HK$38,307,000 for the corresponding period in 2010. This is attributable to the better performance of the garment manufacturing segment, a continuous growth in the branded product distribution, retail and trading segment, together with a gain of HK$10,827,000 realised on the disposal of an inactive subsidiary in Laos during the six months ended 30 June 2011. Top line and bottom line of branded product distribution, retail and trading segment increased 49% and 47% respectively over corresponding period in 2010. The performance of garment manufacturing segment improved with increase in sales of better margin products and reduction in export freight charges and other selling expenses as compared with 2010.

Total revenue of the Group for the first half of 2011 was HK$1,475,997,000 (2010: HK$1,333,613,000), representing an increase of 11% as compared with the corresponding period in 2010.

Revenue from the branded product distribution, retail and trading segment was HK$402,111,000 when compared with HK$270,474,000 in 2010, representing a growth of 49%. The growth was attributable to the continuing increase in the number of franchised point of sales ("POS") in the People's Republic of China (the "PRC"). The number of POS of our licensed brands increased by 115 during the first half of 2011, in different tiers of cities of the PRC, bringing the total number of POS to 527 in the Mainland China, Hong Kong and Macau.

Revenue generated from the garment manufacturing segment was fairly stable at HK$1,073,886,000 as compared with HK$1,063,139,000 in 2010.

Geographically, sales in the first half of 2011 to the United States of America (the "US"), the United Kingdom (the "UK") and the PRC accounted for 38% (2010: 48%), 22% (2010: 21%) and 29% (2010: 21%) respectively of the Group's total revenue. This was the result of the less reliance on the US market and the further expansion of our branded product distribution footprint in the Greater China region. Through partnering with key customers, the Group has managed to smooth out the seasonality effect on the garment manufacturing business.

Gross profit of the Group increased to HK$415,613,000 (2010: HK$328,100,000) with gross profit margin increased from 24.6% in 2010 to 28.2%. This was mainly attributable to the increase in the Group's revenue mix from branded product distribution, retail and trading segment which yielded higher gross profit margin. Selling and distribution expenses increased by 6% mainly due to the net impact of increase in promotion and royalty expenses of the branded product distribution, retail and trading segment, and the reduction in export freight charges within the garment manufacturing segment. The increase in staff cost, performance bonus and other administrative expenses due to business expansion of the branded product distribution, retail and trading segment resulted in a 13% rise in general and administrative expenses.

In early 2006, the Hong Kong Inland Revenue Department (the "HK IRD") initiated a tax audit on certain companies within the Group for the years of assessment from 1999/2000 (financial year ended 31 December 1999) to 2004/2005 (financial year ended 31 December 2004). The HK IRD has issued protective assessments to some of these companies for the years of assessment 1999/2000 to 2004/2005 in view of the statutory time bar. During the course of the tax audit, further protective assessments for subsequent years may be raised by the HK IRD with respect to these companies. Since the tax audit is ongoing, its outcome cannot be readily ascertained. Management has reviewed the situation and, after seeking necessary professional advice, considers that sufficient tax related provisions have been made in the Condensed Consolidated Interim Financial Information in respect of the protective assessments which the Group had received.

DISPOSAL OF AN OVERSEAS SUBSIDIARY

During the six months ended 30 June 2011, the Group disposed of an inactive overseas subsidiary incorporated in Laos to an independent third party at a consideration of US$1,830,000 (equivalent to HK$14,234,000) and realised a gain of HK$10,827,000.

SHANGHAI COMMERCIAL PROPERTY ACQUIRED IN 2010

The Shanghai commercial property acquired by the Group in 2010, with an aggregate gross floor area of approximately 4,120 square metres, is undergoing renovation and will accommodate the Group's various departments in Shanghai upon completion of renovation.

Saved as disclosed above, there were no material acquisitions or disposals of subsidiaries or associated companies during the first half of 2011 and up to the date of this announcement and no important events affecting the Group have occurred since 30 June 2011 and up to the date of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2011, the Group continued to maintain a healthy balance sheet and liquidity position. As at 30 June 2011, cash and bank balances amounted to HK$431,327,000 (31 December 2010: HK$460,003,000) which were mainly denominated in Renminbi and US dollars. Short-term bank borrowings of the Group amounted to HK$269,408,000 as at 30 June 2011 (31 December 2010: HK$189,833,000), which reflects the seasonal borrowing requirements for financing working capital. Such borrowings were mainly denominated in US dollars and Hong Kong dollars. As at 30 June 2011, HK$195,202,000 (31 December 2010: HK$140,905,000) and HK$74,206,000 (31 December 2010: HK$48,928,000) of the short-term bank borrowings were interest bearing at fixed rates and floating rates, respectively. The Group maintained sufficient banking facilities and did not have any long-term bank borrowings outstanding as at 30 June 2011. As at 30 June 2011, banking facilities extended to the Group were not secured with the Group's assets (31 December 2010: pledging of bank deposits of HK$590,000 for certain foreign exchange facilities). As the Group did not have net borrowings as at 30 June 2011 and 31 December 2010, no information on gearing ratio as at these two dates is applicable.

Most of the Group's receipts and payments were denominated in US dollars, Hong Kong dollars and Renminbi. Management monitors the related foreign exchange risk exposure by entering into forward foreign exchange contracts. During the six months ended 30 June 2011, 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, Vietnam and the Philippines; and Pound Sterling for operating expenses of a UK subsidiary.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Except for the capital commitments described in Note 13 to the unaudited Condensed Consolidated Interim Financial Information, there were no material capital commitments or contingent liabilities as at 30 June 2011 which would require a substantial use of the Group's present cash resources or external funding.

HUMAN RESOURCES

The Group had 13,300 employees as at 30 June 2011 (31 December 2010: 14,000). Fair and competitive remuneration packages and benefits are offered to employees. Those employees with outstanding performance were also awarded discretionary bonuses and share options.

OUTLOOK

The US economic recovery was slow and growth in 2011 was considerably below expectation. The outlook is also uncertain with recovery to remain slow and unemployment rate remaining at relatively high level. In Europe, most European countries other than Germany have implemented measures to reduce government spending or raise taxes in order to restore fiscal soundness. Against the uncertain economic backdrop, we expect the operating environment of our garment manufacturing business to remain challenging due to pressure on consumer spending. In addition, we still need to manage ongoing challenges such as labour shortage, surging raw material and labour costs coupled with currency appreciation in the countries where our factories are located. We will strive to remain competitive in the garment manufacturing segment by focusing on our core customers and value-added product offerings, and at the same time implementing stringent cost control.

The Group will continue to expand its existing businesses and pursue new opportunities. Amid uncertain international markets, the China economy will continue to achieve significant year-on-year growth. We expect our branded product distribution business in the PRC will continue to grow and we are actively searching for new brand opportunities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for the deviation from code provision A.2.1 which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Considered reasons for the deviation from code provision A.2.1 were set out in the Corporate Governance Report of the Company's Annual Report for the year ended 31 December 2010 published in April 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the said period.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.15 per share for the six months ended 30 June 2011, totalling HK$40,384,000 (2010: HK$0.06 per share, totalling HK$16,124,000). The interim dividend is expected to be paid on Monday, 3 October 2011 to shareholders whose names appear on the register of members of the Company on Friday, 23 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 September 2011 to Friday, 23 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 20 September 2011.

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 2011 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 2011

As at the date of this announcement, the Board comprises one Executive Director, Mr. WANG Kin Chung, Peter; three Non-Executive Directors, namely Ms. WANG KOO Yik Chun, Ms. MAK WANG Wing Yee, Winnie and Dr. WANG Shui Chung, Patrick; and three Independent Non-Executive Directors, namely Mr. LO Kai Yiu, Anthony, Mr. James Christopher KRALIK and Mr. Peter TAN.