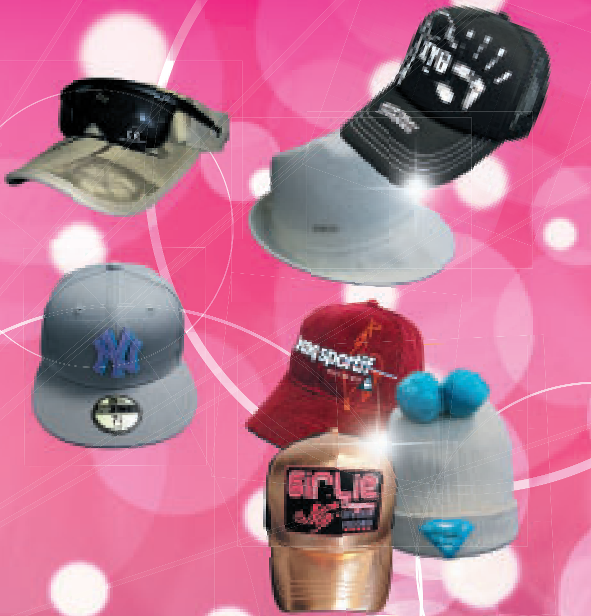

Mainland Headwear Holdings Limited

(Stock code: 1100)

Interim Report 2009

Contents

Management Discussion and Analysis

The Board of Directors (the "Directors") of Mainland Headwear Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2009 (the "Period") together with comparative figures for the corresponding period in 2008.

FINANCIAL REVIEW

The global economy has been deteriorating since the third quarter last year, leading to weakened consumption sentiment. As a result, the Group's manufacturing, trading and retail businesses have all experienced a decline. For the six months ended 30 June 2009, the Group's turnover was HK$245,553,000 (2008: HK$297,047,000).

To cope with the adverse operating conditions, the Group has strengthened product design and R&D for its Manufacturing Business to assist expansion of customer base. However, since products of lower profit margin dominated sales for the Period, the gross margin of Manufacturing Business was squeezed during the Period. That plus provision for impairment of assets (after minority interests sharing) of HK$6,646,000 for the Vietnam factory led to a loss attributable to shareholders of the Group of HK$15,409,000 (2008: profit attributable to shareholders of HK$1,797,000). If the provision was excluded, the Group would have recorded a loss attributable to Shareholders of HK$8,763,000.

Despite that, the consistent effort of the Group to secure new customers has started to pay off. Apart from having received purchase orders worth the agreed entire amount in the first year from New Era Cap Co., Inc. ("New Era"), the world's largest headwear company, in just the first six months, the Group also secured a new customer in a leading casual wear retail chain in Japan. The Group expects orders from the Japanese customer to climb markedly in the second half year and bring stable and significant revenue to the Group's Manufacturing Business.

BUSINESS REVIEW

Manufacturing Business

Amid the financial turmoil, customers of the Group have been careful in purchasing in the bid to reduce inventory level. Thus, in the first quarter of 2009, the Group experienced a substantial drop in customer orders which only gradually stabilized in the second quarter. In response, the Group endeavored to secure new customers and related efforts have been fruitful.

Management Discussion and Analysis

Pursuant to a 7-year manufacturing agreement signed with New Era in October 2008, New Era will purchase headwear products manufactured and supplied by The Group of total value US$157,500,000 in seven years starting from 1 January 2009 including a minimum purchase amount of US$5,000,000 in the first year. However, during the Period under review, the Group had already received orders from New Era of total amount almost reaching the agreed minimum purchase amount for the entire year. This contributed to the HK$199,901,000 turnover from the Manufacturing Business for the first six months of the year, a 3.1% increase when compared to the same period last year (2008: HK$193,840,000). Accounting for 78% of the total turnover of the Group for the Period, Manufacturing Business continued to be the Group's major revenue contributor.

Although the LEAN production management model implemented by the Group last September in all its production lines has enhanced production efficiency, because of smaller volume orders with short delivery lead time, increase in proportion of lower profit margin products, risen staff costs and depreciation of the new Shenzhen factory, the gross margin of Manufacturing Business decreased to less than 18% for the Period.

In addition, because of limited supply of raw materials in Vietnam and local logistics companies not being able to meet the short delivery time required by customers, the Group gradually moved the production for certain orders to the Shenzhen factory during the Period under review. Expecting the limitations to continue, the Group decided to close the Vietnam factory in September 2009, so as to consolidate the Manufacturing Business effectively and improve operational efficiency. Provision for impairment of assets of HK$11,077,000 (before minority interests sharing) was made in the Period.

During the Period under review, the Group secured a new customer in a leading casual wear retail chain in Japan. Production of headwear has begun for this customer and a significant increase in orders is expected for the second half year, which will translate into a stable additional income for the Group.

To prepare for increase in demand from the expanded customer base, the Group enhanced its product design and R&D capabilities during the Period, including purchasing equipment and recruiting more workers. The Group is confident that these measures will help enhance service value and in turn secure more stable and profitable income sources from customers, thereby laying a firm foundation for its long-term development.

Management Discussion and Analysis

Retail Business

As consumers in first-tier cities in the PRC have been more conservative in spending and tourist souvenir retail business declined substantially after the Beijing 2008 Olympic Games, Retail Business incurred an operating loss of HK$10,948,000 (2008: HK$1,618,000) with turnover at HK$44,922,000 (2008: HK$93,277,000) for the Period, representing about 18% of the total turnover of the Group.

Sanrio

During the Period under review, turnover from Sanrio business amounted to HK$34,139,000 (2008: HK$42,722,000), reflecting also the weakened consumption sentiment in first-tier cities in the PRC for high-end goods.

Despite efforts of the Group to raise the proportion of own designed products to 40% to increase profit margin to 56.1%, as a result of increase in rental in Shanghai and staff costs in the PRC, Sanrio business incurred an operating loss of HK$3,140,000 (2008: HK$615,000).

In addition, the Group reviewed the operating performance of its retail outlets during the Period and moved under-performing shops to locations with higher potentials and reasonable rentals to reduce costs. The number of Sanrio stores operated by the Group decreased by 2 to 50 during the Period. For franchise business, the Group terminated cooperation with certain under-performing franchisees, which resulted in a drop in the number of franchise stores to 56 as at 30 June 2009 from 63 in the corresponding period last year.

LIDS

Impacted by declining consumer spending in first-tier cities, LIDS operation made turnover and operating loss of HK$10,742,000 (2008: HK$14,563,000) and HK$2,062,000 (2008: HK$1,799,000) respectively during the Period.

The gross margin of LIDS rose to 68.9%, mainly attributable to the increased proportion of own brand products. As at 30 June 2009, the Group had 27 self-owned LIDS stores, of which 20 were in the PRC and 7 were in Hong Kong. In addition, the Group had 16 LIDS franchise stores in the PRC.

Diecui

After the Beijing 2008 Olympic Games, demand for Olympic-related products shrank drastically. The Group, therefore, closed several self-owned stores during the Period, which led to a significant drop in Diecui's turnover and in turn an operating loss of approximately HK$5,746,000 (2008: operating profit of HK$797,000) for the business.

Management Discussion and Analysis

As at 30 June 2009, the Group had 3 self-owned stores, namely the Summer Palace, the Temple of Heaven and the Tiananmen in operation.

Trading Business

With the European market hit hard in the financial crisis, turnover from Trading Business plunged 57.1% to HK$10,096,000 (2008: HK$23,532,000) and operating profit decreased to HK$41,000. Nevertheless, the segment continued to contribute to the customer base of the Manufacturing Business, generating synergies for the Group.

PROSPECTS

The Group believes, with the global market taking time to recover, the business environment will remain tough in the coming year. Although the orders for Manufacturing Business have gradually stabilized and capacity of the Group's Shenzhen factory for August is all filled, the future is still full of challenges. Thus, the Group has formulated a series of initiatives to tackle potential issues.

Regarding expanding customer base, the Group has secured a significant customer in a leading casual wear retail chain in Japan and has dedicated two production lines in its Shenzhen factory to cater for additional orders from the customer in the second half year. As the orders from this customer carry a higher gross profit, the Group expects the gross margin of Manufacturing Business to increase.

The Group believes the worldwide manufacturing rights for FIFA headwear products it has secured will turn into a new income source for the Manufacturing Business in the advent of the 2010 World Cup.

The Group will focus on developing production facilities and enhancing production capacity in the PRC to accommodate orders taken originally by the Vietnam factory. The new factory building in Shenzhen has been in operation and is ready to take more orders.

Regarding the litigation in relation to Concept One breaching the manufacturing agreement it signed with the Group, the Group expects the dispute will be settled in the first half of 2010.

For Retail Business, the Group will actively negotiate with landlords to lower rentals and relieve cost pressure. With second- and third-tier cities in the PRC relatively less affected by the financial turmoil, the Group will actively develop Sanrio business in cities including Chongqing, Dalian and Shenyang in the second half year. It will open Sanrio flagship stores in those cities to attract franchisees and expand distribution network. Moreover, to boost profits, the Group targets to increase the proportion of own designed products to 50% in the second half of the year.

Management Discussion and Analysis

For LIDS operation, the Group will continue to increase franchisees in second-tier cities including cities in northeastern China where headwear is popular. The Group will also strengthen the management and operating performances of franchisees.

Regarding Diecui, apart from selling tourist souvenirs, its 3 retail stores in Beijing will continue to sell licensed Olympic products until the end of 2009.

Riding on the solid business relations with major European retailers, Trading Business will continue to capture opportunities in private label business to help Manufacturing Business grow its customer base and create greater synergies for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had cash and bank balances of HK$129.8 million (31 December 2008: HK$153.5 million including a portfolio of liquid investment). About 52% and 29% of these liquid funds were denominated in US dollars and Renminbi respectively.

As at 30 June 2009, the Group had banking facilities of HK$105.0 million (31 December 2008: HK$105.0 million), of which HK$102.4 million (31 December 2008: HK$103.3 million) was not utilized.

The Group continues to maintain its gearing ratio (aggregate of bank borrowings divided by shareholders' equity) at zero (31 December 2008: 0%). In view of the strong financial and liquidity position, the Group will have sufficient financial resources to meet its commitments and working capital requirements.

ACQUISITION OF ADDITIONAL INTERESTS IN KEEN IDEA

On 27 February 2009, the Group through its wholly owned subsidiary, entered into a sales and purchase agreement with Forever Wise Holdings Limited to further acquire 24% equity interests of Keen Idea for a cash consideration of USD560,000 (equivalent to HK$4,368,000). Upon the completion of the agreement, the Group had effectively 60% equity interests in Keen Idea, which has become a non-wholly owned subsidiary of the Group.

Net negative goodwill arising from the acquisition of the 36% interests and 24% interests in January 2008 and February 2009 respectively in Keen Idea amounted to HK$1,033,000. Negative goodwill was arising mainly from bargain purchase.

The board of directors of Keen idea decided to close down the operations of the Vietnam factory after the balance sheet date. See note 15 of this interim report for details.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$3.0 million (2008: HK$4.0 million) on additions to equipment to further upgrade its manufacturing capabilities, HK$1.2 million (2008: HK$1.4 million) on the construction of a new factory building and HK$1.7 million (2008: HK$1.5 million) for the opening of retail stores.

As at 30 June 2009, the Group had authorized capital commitment of HK$5.5 million in respect of manufacturing equipment. In addition, the Group also had authorized capital commitment of HK$1.8 million for the opening of new retail outlets.

CONTINGENT LIABILITIES

As disclosed in the Company's 2008 annual report, on 6 March 2008, the Company, through its US attorney, filed a complaint in the United District court for the Southern District of New York against Drew Pearson Marketing LLC and USPA Accessories LLC d/b/a Concept One (collectively, the "Defendants") for breaches of the terms and conditions of a Asset Purchase Agreement ("APA") and a Manufacturing Agreement ("MA") entered with the Company in December 2006, the transactions of which were announced and circulated on 11 December 2006 and 29 December 2006 respectively.

Subsequent to the filing of the complaint on 6 March 2008, the Company, through its US attorney, came to know that the USPA Accessories LLC d/b/a Concept One had filed a complaint against the Company for a non-compliance of certain obligations under the MA, and sought from the Company for monetary damages, plus a declaratory judgement finding that the MA would be void and not enforceable.

The directors strongly refute the allegations from Concept One and consider them to be without merit, and as such, are determined to vigorously defend those allegations. Although directors are confident that the Company will prevail in the case, they expect the matter to be resolved under the first half of 2010.

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in HK dollars, US dollars or Renminbi. The Group estimates that any 2% appreciation of the Renminbi is expected to reduce the gross margin of the Group by about 1%.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2009, the Group employed a total of 6 (2008: 6) employees in the UK, 97 (2008: 113) employees in Hong Kong and Macau, and 4,210 (2008: 3,667) workers and employees in the PRC and Vietnam. The expenditures for the employees during the Period were approximately HK$73 million (2008: HK$73 million). The Group ensures that the pay levels of its employees are competitive and employees are remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

Interim Dividend and Closure of Register of Members

INTERIM DIVIDEND

The Board has declared an interim dividend of 1 HK cent (2008: 2 HK cents) per share, payable on or after 21 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 September 2009 to 7 October 2009 (both dates inclusive). 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 Share Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 29 September 2009.

Independent Review Report

Grant Thornton
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Member of Grant Thornton International Ltd

TO THE BOARD OF DIRECTORS OF
MAINLAND HEADWEAR HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 29 which comprise the condensed consolidated balance sheet of Mainland Headwear Holdings Limited (the "Company") as of 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

9 September 2009

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 HK$'000	2008 HK$'000
Turnover and revenue	3 & 4	**245,553**	297,047
Cost of sales		**(187,731)**	(211,509)
Gross profit		**57,822**	85,538
Other income		**2,891**	1,471
Selling and distribution costs		**(31,769)**	(34,049)
Administration expenses		**(40,400)**	(43,784)
Other operating expenses		**(9,045)**	(1,680)
(Loss)/profit from operations		**(20,501)**	7,496
Share of results of a jointly controlled entity		**209**	(4,024)
Finance costs	5(a)	**(83)**	(30)
(Loss)/profit before taxation	5	**(20,375)**	3,442
Taxation	6	**(357)**	(1,974)
(Loss)/profit for the period		**(20,732)**	1,468
Attributable to:			
Equity holders of the Company		**(15,409)**	1,797
Minority interests		**(5,323)**	(329)
(Loss)/profit for the period		**(20,732)**	1,468
(Loss)/earnings per share	8		
Basic		**(4.6 HK cents)**	0.6 HK cents
Diluted		**N/A**	0.6 HK cents

The notes on pages 18 to 29 form part of the interim financial report. Details of dividends payable to equity holders of the Company are set out in note 7.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(20,732)**	1,468
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	**1,593**	12,374
Total comprehensive (expense)/income for the period	**(19,139)**	13,842
Attributable to:		
Equity holders of the Company	**(13,746)**	13,607
Minority interests	**(5,393)**	235
Total comprehensive (expense)/income for the period	**(19,139)**	13,842

The notes on pages 18 to 29 form part of the interim financial report.

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2009

	Note	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**142,084**	138,696
Prepaid premium on leasehold land held for own use under an operating lease		**1,009**	1,075
Interests in a jointly controlled entity	9	**–**	15,136
Goodwill		**4,958**	4,958
Deferred tax assets		**137**	28
		148,188	159,893
Current assets			
Inventories		**109,543**	119,946
Trade and other receivables	10	**166,104**	144,738
Amount due from a related company		**914**	918
Short term investments		**–**	4,322
Tax recoverable		**608**	608
Bank balances and cash		**129,781**	149,148
		406,950	419,680
Current liabilities			
Trade and other payables	11	**70,927**	95,996
Amounts due to related companies		**1,647**	1,412
Taxation		**3,353**	3,774
		75,927	101,182
Net current assets		**331,023**	318,498
Total assets less current liabilities		**479,211**	478,391

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2009

	Note	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Non-current liabilities			
Post-employment benefits		**73**	73
Deferred tax liabilities		**2,256**	2,253
		2,329	2,326
NET ASSETS		**476,882**	476,065
CAPITAL AND RESERVES			
Share capital	12	**33,516**	31,840
Reserves		**432,358**	441,654
Total equity attributable to equity holders of the Company		**465,874**	473,494
Minority interests		**11,008**	2,571
TOTAL EQUITY		**476,882**	476,065

The notes on pages 18 to 29 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Net cash (used in)/from operating activities	**(21,968)**	21,015
Net cash used in investing activities	**(1,344)**	(48,866)
Net cash from financing activities	**4,006**	2,050
Net decrease in cash and cash equivalents	**(19,306)**	(25,801)
Cash and cash equivalents at the beginning of the period	**149,148**	95,874
Effect of foreign exchange rate changes	**(61)**	2,704
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**129,781**	72,777

The notes on pages 18 to 29 form part of the interim financial report.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital	Share premium	Contributed surplus	Capital reserve	Accumulated profits	Exchange reserve	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	31,840	100,203	25,878	4,612	339,847	8,954	511,334	2,854	514,188
Profit/(loss) for the period	–	–	–	–	1,797	–	1,797	(329)	1,468
Other comprehensive income									
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	11,810	11,810	564	12,374
Total comprehensive income for the period	–	–	–	–	1,797	11,810	13,607	235	13,842
Dividend paid	–	–	–	–	(15,920)	–	(15,920)	–	(15,920)
At 30 June 2008	31,840	100,203	25,878	4,612	325,724	20,764	509,021	3,089	512,110
Representing:									
2008 interim dividend declared		–	–	–	6,368	–	6,368		
Reserves		100,203	25,878	4,612	319,356	20,764	470,813		
		100,203	25,878	4,612	325,724	20,764	477,181		

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2009

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Exchange reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2009	31,840	100,203	25,878	5,247	288,378	21,948	473,494	2,571	476,065
Loss for the period	–	–	–	–	(15,409)	–	(15,409)	(5,323)	(20,732)
Other comprehensive income/(expense) – Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	–	1,663	1,663	(70)	1,593
Total comprehensive income/(expense) for the period	–	–	–	–	(15,409)	1,663	(13,746)	(5,393)	(19,139)
Dividend paid	–	–	–	–	(10,055)	–	(10,055)	–	(10,055)
Acquisition of a subsidiary	–	–	–	–	–	–	–	13,830	13,830
Equity settled share-based transactions	–	–	–	2,037	–	–	2,037	–	2,037
Share options lapsed	–	–	–	(4,629)	4,629	–	–	–	–
Issue of new shares	1,676	12,468	–	–	–	–	14,144	–	14,144
At 30 June 2009	33,516	112,671	25,878	2,655	267,543	23,611	465,874	11,008	476,882
Representing:									
2009 interim dividend declared		–	–	–	3,352	–	3,352		
Reserves		112,671	25,878	2,655	264,191	23,611	429,006		
		112,671	25,878	2,655	267,543	23,611	432,358		

The notes on pages 18 to 29 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

1. BASIS OF PREPARATION

The interim financial report 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 ("Listing Rules"), and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2 to this interim financial report.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee and the Company's auditor, Grant Thornton in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs 2008

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

2. ADOPTION OF NEW OR AMENDED HKFRSs *(CONTINUED)*

Other than as noted below, the adoption of these new and revised HKFRSs has had no material impact on this interim financial report.

HKAS 1 (Revised 2007) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transaction with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income.

The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

As a result of the adoption of HKFRS 8, reported segment information is now based on internal management reporting information that is regularly reviewed by the senior executive management. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The adoption of HKFRS 8 has not affected the identified and reportable operating segments but to provide comparative amounts in respect of items disclosed for the first time in 2009.

3. TURNOVER AND REVENUE

The principal activities of the Group are manufacture and sales of headwear products, sales of licensed products and tourist souvenir products.

Turnover and revenue represent sales of goods at invoiced value to customers net of returns and discounts.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

4. SEGMENT INFORMATION

On adoption of HKFRS 8 *Operating Segments*, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting are determined following the Group's major business lines. The Group has identified the following reportable segments.

- Manufacturing Business: This segment manufactures headwear products for sale to its Trading Business and Retail Business as well as to external customers. The prime manufacturing facilities are located in Shenzhen and Panyu, the PRC. Customers are mainly located in the USA and Europe.

- Trading Business: This segment focuses on trading and distribution of headwear and other products to the Europe market.

- Retail Business: This segment focuses on retailing of headwear and souvenir products through LIDS stores in the PRC and Hong Kong, and SANRIO stores and tourist souvenir shops in the PRC.

Each of these operating segments is managed separately as each of these business lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has not changed the identified operating segments for the Group as compared to 2008 annual financial statements.

Under HKFRS 8, reported segment information is based on internal management reporting information that is regularly reviewed by the senior executive management. The senior executive management assesses segment profit or loss using a measure of operating profit.

Segment profit represents the profit earned by each segment without allocation of corporate income and expenses, share of results of a jointly controlled entity, net gain or loss from short term investments, expenses relating to share-based payments, finance costs and income tax expenses.

Segment assets include all tangible, intangible assets and current assets with the exception of interests in a jointly controlled entity, short term investments, deferred tax assets and other corporate assets.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

4. SEGMENT INFORMATION *(CONTINUED)*

Inter-segment revenue is charged on terms equivalent to those that prevail in arm's length transactions.

Information regarding the Group's reportable segments as provided to the Group's senior executive management is set out below:

	Manufacturing Six months ended		Trading Six months ended		Retail Six months ended		Inter-segment elimination Six months ended		Total Six months ended	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**199,901**	193,840	**10,096**	23,532	**44,922**	93,277	**(9,366)**	(13,602)	**245,553**	297,047
Inter-segment revenue	**(9,366)**	(13,602)	**-**	-	**-**	-	**9,366**	13,602	**-**	-
Revenue from external customers	**190,535**	180,238	**10,096**	23,532	**44,922**	93,277	**-**	-	**245,553**	297,047
Reportable segment (loss)/profit	**(7,192)**	8,917	**41**	1,119	**(10,948)**	(1,618)	**(916)**	161	**(19,015)**	8,579
Unallocated other income									**379**	597
Other unallocated corporate expenses									**(2,037)**	-
Net gain/(loss) from short-term investments (included in other income/(other operating expenses))									**172**	(1,680)
Finance costs									**(83)**	(30)
Share of results of a jointly controlled entity									**209**	(4,024)
(Loss)/profit before taxation									**(20,375)**	3,442

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

4. SEGMENT INFORMATION *(CONTINUED)*

	Manufacturing	Trading	Retail	Other	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets:					
30 June 2009	**345,261**	**13,577**	**65,774**	**130,526**	**555,138**
31 December 2008	327,982	10,312	72,040	169,239	579,573

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**83**	30
(b) Other items		
Net (gain)/loss from short-term investments	**(172)**	1,680
Negative goodwill	**(1,033)**	–
Depreciation	**16,391**	14,874
Provision for impairment of property, plant and equipment	**9,045**	–
Written down of inventories to net realizable value	**5,032**	–

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

6. TAXATION

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**165**	558
PRC income tax	**288**	1,150
Overseas tax	**10**	292
	463	2,000
Deferred taxation	**(106)**	(26)
	357	1,974

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the Period. Taxation for PRC and overseas subsidiaries has been calculated at the rates applicable in the respective jurisdictions and based on prevailing legislation, interpretations, and practices in respect thereof.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

7. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Final dividend paid in respect of 2008 of 3 HK cents (2007: 5 HK cents) per share	**10,055**	15,920
Interim dividend declared of 1 HK cent (2008: 2 HK cents) per share	**3,352**	6,368

The interim dividend declared after the balance sheet date has not been recognized as a liability at the balance sheet date.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$15,409,000 (2008: profit of HK$1,797,000) and on the weighted average number of shares of 334,697,356 (2008: 318,402,284) in issue for the Period.

No diluted loss per share has been presented for the Period as there was no dilutive effect on the outstanding share options. For the period ended 30 June 2008, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company of HK$1,797,000 and 318,662,282 shares which was the weighted average number of shares during the period ended 30 June 2008 adjusted for the number of dilutive potential shares under the share option schemes.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

9. INTERESTS IN A JOINTLY CONTROLLED ENTITY

At 31 December 2008, investment in a jointly controlled entity represented 36% equity interests in Keen Idea Group Limited ("Keen Idea"), a company which is engaged in headwear manufacturing business with its factory based in Vietnam.

On 27 February 2009, the Group further acquired 24% equity interests of Keen Idea. After the acquisition, the Group had effectively 60% equity interests in Keen Idea, which has become a non-wholly owned subsidiary of the Group (note 13).

10. TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
Trade and bills receivables	**120,418**	107,713
Less: provision for impairment of trade receivables	**(3,566)**	(3,566)
	116,852	104,147
Deposits, prepayments and other debtors	**49,252**	40,591
	166,104	144,738

The ageing analysis of trade and bills receivables (net of provision for impairment of trade receivables) is as follows:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
0 – 30 days	**49,250**	41,651
31 – 60 days	**26,306**	28,258
61 – 90 days	**12,629**	15,033
Over 90 days	**28,667**	19,205
	116,852	104,147

Notes to the Unaudited Interim Financial Report
For the six months ended 30 June 2009

10. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Trade receivables are due within 30 to 90 days from the date of billing depending on the trading relationship. Credit evaluations of customers are performed by the Group from time to time to minimize any credit risk associated with receivables. In addition, customers with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

11. TRADE AND OTHER PAYABLES

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Trade and bills payables	**32,580**	43,938
Accrued charges and other creditors	**38,347**	52,058
	70,927	95,996

The ageing analysis of trade and bills payables is as follows:

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
0 – 30 days	**14,472**	19,816
31 – 60 days	**7,602**	9,263
61 – 90 days	**980**	1,385
Over 90 days	**9,526**	13,474
	32,580	43,938

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

12. SHARE CAPITAL

	Number of shares *('000)*	*HK$'000*
Authorized:		
Ordinary shares of HK$0.10 each		
At 1 January 2008, 31 December 2008 and 30 June 2009	1,000,000	100,000
Issued and fully paid:		
At 1 January 2008 and 31 December 2008	318,402	31,840
Issue of shares *(Note)*	16,758	1,676
At 30 June 2009	335,160	33,516

Note: Pursuant to a manufacturing agreement entered into by the Group with New Era Cap Asia Pacific Limited ("NE"), New Era Cap Co., Inc and its group companies on 21 October 2008, NE was granted a right to subscribe 16,758,000 shares of the Company at a subscription price of HK$0.844 per share. NE has fully subscribed 16,758,000 shares of the Company and these shares rank pari passu in all respects with the existing shares of the Company.

13. ACQUISITION OF A SUBSIDIARY

At 31 December, 2008, the Group had 36% equity interests in a jointly controlled entity, Keen Idea (note 9). Keen Idea is a company engaged in headwear manufacturing business with its factory based in Vietnam.

On 27 February 2009, the Group further acquired 24% equity interests of Keen Idea for a cash consideration of HK$4,368,000. The Group had effectively 60% equity interests in Keen Idea, which has become a non-wholly owned subsidiary of the Group.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

13. ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

Details of the net assets acquired by the Group were as follows:

	Carrying value and fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	21,938
Inventories	7,369
Trade and other receivables	10,177
Bank balances and cash	2,916
Trade and other payables	(7,824)
	34,576
Share of net assets by the minority interests	(13,830)
Change in the Group's share of net assets from date of initial investment to date of acquisition	4,361
Negative goodwill	(1,033)
Total cash consideration	24,074
The analysis of the net cash outflow in respect of the acquisition transaction is as follows:	
Total cash consideration	24,074
Cash consideration paid in previous period	(19,706)
Bank balances and cash acquired	(2,916)
Net cash outflow during the period	1,452

Negative goodwill has arisen on the acquisition of Keen Idea as a result of a bargain purchase.

The subsidiary acquired contributed a revenue of approximately HK$12,223,000 and a profit of approximately HK$199,000 to the Group for the Period.

If the acquisition had been completed on 1 January 2009, the Group's turnover would have been increased by HK$6,709,000 and loss after tax would have been decreased by HK$139,000 for the Period.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2009

14. CAPITAL COMMITMENTS

At 30 June 2009, the Group had capital expenditure commitments as follows:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
Contracted but not provided for		
– Manufacturing business	**–**	335
– Retail business	**343**	–
Authorized but not contracted for		
– Manufacturing business	**5,500**	7,296
– Retail business	**1,483**	3,989
	7,326	11,620

15. POST BALANCE SHEET EVENT

The recent global weakening economy has affected the performance of Keen Idea, especially in the third quarter of 2009. Therefore, in August 2009, the board of directors of Keen Idea decided to close down the operations of the Vietnam factory in third quarter of 2009.

16. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised 2007) *Presentation of Financial Statements* and HKFRS 8 *Operating Segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 9 September 2009.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2009, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares				
	Personal interest	Other direct interest	Underlying shares	Total	Percentage of interest
Mr. Ngan Hei Keung	–	200,848,000 *(note 1, 2)*	45,800,000 *(note 3, 4)*	246,648,000	73.59%
Madam Ngan Po Ling, Pauline	17,148,000 *(note 2)*	183,700,000 *(note 1, 2)*	45,800,000 *(note 3, 4)*	246,648,000	73.59%
Mr. James S. Patterson	–	–	2,000,000 *(note 5)*	2,000,000	0.60%

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

(1) 183,700,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan Hei Keung and the discretionary beneficiaries include Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, and their family members.

(2) The 17,148,000 shares are beneficially owned by Madam Ngan, Pauline, the spouse of Mr. Ngan.

(3) Pursuant to the contingent purchase deed dated 21 October 2008 between Mr. Ngan, Madam Ngan and NE, NE is entitled to require Mr. Ngan and Madam Ngan to purchase up to 39,800,000 shares on the terms and conditions of the said deed.

(4) Each of Mr. Ngan and Madam Ngan have been granted share options under the Company's share options scheme to subscribe for 3,000,000 shares of the Company on 23 June 2009.

(5) Mr. Patterson has been granted share options under the Company's share option scheme to subscribe for 2,000,000 shares of the Company on 23 June 2009.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests in the shares or underlying shares of the Company or any of its associated corporations as defined in the SFO.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES

(1) Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees, including directors of the Company or any of its subsidiaries or any invested entity, any suppliers of goods or services to any member of the Group or any invested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

For options granted before 1 September 2001, the exercise price of options was determined by the Board and was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Group may not in aggregate exceed 30,536,058, being 10% of the shares in issue of the Company as at 23 May 2002, the date of adoption of the New Scheme adjusted for the issue of bonus shares on 22 May 2007. The scheme mandate limit was refreshed on 28 November 2008. Upon refreshing of the scheme mandate limit, the Company may grant options up to a maximum of 31,840,228 shares, representing 10% of the shares in issue of the Company as at 28 November 2008.

The New Scheme will remain in force for a period of 10 years from the date of its adoption. The purpose of the New Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

(1) *(Continued)*

Unless approved by shareholders in general meeting, the total number of shares issued and which may fall to be issued upon exercise of the options of the New Scheme and the options granted under any other schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at the relevant time.

An option may be exercised in accordance with the terms of the New Scheme at any time during the period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses in accordance with the terms of the New Scheme and 10 years from the date on offer of that option. A consideration of HK$1 will be payable upon acceptance of the offer.

As at the date of interim report, save for those granted but yet to be exercised, the total number of shares available for issue under the New Scheme was 37,816,486 shares, which represented 11.3% of the issued share capital of the Company as at 31 August 2009.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

(1) *(Continued)*

At 30 June 2009, the Directors, employees, customers and suppliers of the Group had the following interests in options to subscribe for shares of the Company (market value per share was HK$1.0 at the balance sheet date) granted at nominal consideration under the share option schemes operated by the Company, each option gives the holder the right to subscribe for one share:

	Date of grant	Period during which options exercisable	Exercise price *(HK$)*	Outstanding at 1.1.2009	Granted during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2009	Market value per share at date of grant *(HK$)*
Old Scheme									
Employees	11.06.2001	11.06.2002 – 10.06.2009	1.116	301,400	–	–	(301,400)	–	1.40
New Scheme									
Director	11.11.2008	11.11.2009 – 24.09.2017	0.800	3,000,000	–	–	(3,000,000)	–	0.80
	23.06.2009	23.06.2010 – 23.06.2019	0.946	–	8,000,000	–	–	8,000,000	0.93
				3,000,000	8,000,000	–	(3,000,000)	8,000,000	
Employees	03.07.2002	03.07.2003 – 02.07.2010	2.455	4,361,500	–	(4,361,500)	–	–	2.45
	03.06.2003	03.06.2004 – 02.06.2013	2.091	7,836,300	–	(7,836,300)	–	–	2.09
	11.06.2008	12.06.2009 – 11.06.2018	1.190	1,000,000	–	–	–	1,000,000	1.16
	23.06.2009	23.06.2010 – 23.06.2019	0.946	–	8,600,000	–	–	8,600,000	0.93
				13,197,800	8,600,000	(12,197,800)	–	9,600,000	
Customers and suppliers	03.07.2002	03.07.2003 – 02.07.2010	2.455	2,145,000	–	–	–	2,145,000	2.45

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

(1) *(Continued)*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on a Black-Scholes pricing mode. The inputs into the model were as follows:

Weighted average share price	HK$0.94
Weighted average exercise price	HK$0.96
Expected volatility	74.5%
Expected life	9.9 years
Risk free rate	0.61%
Expected dividend yield	5.6%

The expected volatility is based on the historic volatility of share prices of the Company. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services rendered. There were no market conditions associated with the share option grants.

Under this share option scheme, HK$2,037,000 of share-based payment expense has been included in the consolidated income statement for the six months ended 30 June 2009 (2008: nil) and the corresponding amount has been credited to capital reserve.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

(2) Under the manufacturing agreement signed between a wholly owned subsidiary of the Company and NE, in consideration of the purchase commitment given by NE, the Company agreed to grant NE the right to subscribe for certain numbers of shares ("Option") subject to the terms and conditions of the manufacturing agreement.

Option consists of three tranches with their respective exercise periods as below:

Tranche No.	Number of underlying shares	Exercise period
1	16,750,000	01.04.2009 – 02.01.2010
2	25,000,000	01.02.2010 – 31.07.2010
3	21,093,000	01.08.2010 – 31.01.2011
	62,843,000	

Any part of the Option which has not been exercised during their respective exercise period shall be expired and automatically cancelled on the expiry of the exercise period.

The total number of underling shares of option amounts to 62,843,000 shares, representing 18.75% of the issued share capital of the Company as at 31 March 2009.

The exercise price shall be determined based on certain discount applied to average of the closing price for thirty trading days prior to the date of exercise (inclusive if it is a trading day) and the level of discount depends on (i) the closing price on the relevant date; and (ii) whether NE fulfills the minimum purchase commitment during the year ended 31 December 2009 and 2010 ("Annual Periods") within six months after commencement of Annual Periods.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

(2) *(Continued)*

Average closing price for thirty trading days before the date of exercise	Discount level to be applied to the exercise price per share	
	Earlier fulfillment condition not fulfilled *(Note)*	Earlier fulfillment condition fulfilled *(Note)*
Less than or equal to HK$3.00	12.5%	14.5%
More than HK$3.00 and equal to or less than HK$4.00	14%	15%
More than HK$4.00 and equal to or less than HK$5.00	16%	17%
Above HK$5.00	20%	20%

Notes:

(i) During the period from 1 January 2009 to 30 June 2009, the actual aggregate purchase by New Era did not exceed the minimum annual consideration in accordance with the Manufacturing Agreement, NE is entitled to lower discount levels set out in above to any parts of Tranche No. 1 option.

(ii) During the period from 1 January 2010 to 30 June 2010, if the actual aggregate purchase by New Era exceeds the minimum annual consideration in accordance with the Manufacturing Agreement, NE is entitled to higher discount levels set out in above to any parts of Tranche No. 2 and Tranche No. 3 option which remain outstanding as of 30 June 2010.

(iii) In no event, the exercise price will be above HK$8.00 per option share or will be below the prevailing nominal value of the shares.

(iv) The probability of earlier fulfillment condition not fulfilled adopted by the Group is 30%.

Apart from the foregoing, at no time during the year was the Company, its holding company or subsidiaries a party to any arrangements to enable the Company's Directors or chief executives or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 June 2009, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares

		Number of shares				
Name	Capacity	Personal interest	Other interest	Underlying shares	Total	Percentage of interest
Successful Years International Co., Ltd. *(note 1)*	Beneficial owner	183,700,000	–	–	183,700,000	54.81%
Standard Chartered Trust (Cayman) Limited (formerly called Amex International Trust (Cayman) Ltd.) *(note 1)*	Trustee	–	183,700,000	–	183,700,000	54.81%
Mr. Christopher Koch *(note 2)*	Interest of a controlled corporation	–	16,758,000	62,843,000	79,601,000	23.75%
New Era Cap Hong Kong LLC *(note 2)*	Interest of a controlled corporation	–	16,758,000	62,843,000	79,601,000	23.75%
New Era Cap Asia Pacific Limited *(note 2)*	Beneficial owner	16,758,000	–	62,843,000	79,601,000	23.75%

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Long positions in the shares and underlying shares *(Continued)*

Notes:

1. Successful Years International Co., Ltd. is owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan Hei Keung and the discretionary beneficiaries include Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, and their family members. Standard Chartered Trust (Cayman) Limited is the trustee of the two trusts. The interests of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline in Successful Years International Co., Ltd. are also disclosed in the section headed "Directors' Interests in Shares and Underlying Shares" above.

2. Pursuant to the manufacturing agreement, New Era Cap Asia Pacific Limited ("NE") is entitled to subscribe for 16,758,000 shares and to be granted option of 62,843,000 underlying shares subject to the terms and conditions of the manufacturing agreement. NE has fully subscribed 16,758,000 shares of the Company during the period. Mr. Christopher Koch owns 75% of the issued share capital of New Era Cap Hong Kong LLC which in turn owns 100% of the issued share capital of NE. As such, Mr. Christopher Koch and New Era Cap Hong Kong LLC are deemed to be interested in the 16,758,000 shares and 62,843,000 underlying shares.

Short positions in the underlying shares

Name	Number of underlying shares	Percentage of interest
Mr. Christopher Koch	39,800,000 *(note)*	12.5%
New Era Cap Hong Kong LLC	39,800,000 *(note)*	12.5%
New Era Cap Asia Pacific Limited ("NE")	39,800,000 *(note)*	12.5%

Note: Pursuant to the contingent purchase deed dated 21 October 2008 between Mr. Ngan, Madam Ngan and NE, NE is entitled to sell up to 39,800,000 shares to Mr. Ngan and Madam Ngan on the terms and conditions of the said deed. In view of Mr. Koch's 75% shareholding interest in New Era Cap Hong Kong LLC which beneficially owns the entire issued share capital of NE, Mr. Koch and New Era Cap Hong Kong LLC are also taken to have interest in short position of 39,800,000 underlying shares.

Save as disclosed above, as at 30 June 2009, the Company had not been notified by any persons (other than Directors) who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information Provided in Accordance with the Listing Rules

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2009 except for the deviations from Code Provisions A.4.1 and A.4.2 as detailed in the Corporate Governance Report included in the 2008 Annual Report that independent non-executive directors have not been appointed for a specific term; and that the Chairman and the Managing Director (who are also the founders of the Company), are not subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in Model Code throughout the Period.

AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules in relation to the establishment of an audit committee. The audit committee members comprise the non-executive director and all independent non-executive directors. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has reviewed the interim results for the Period.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 9 September 2009

As at the date hereof, the Board of Directors of the Company comprises seven directors, of which three are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline and Mr. James S. Patterson; one is Non-executive Director, Mr. Tse Kam Fow; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lo Hang Fong and Mr. Brandon Liu Tieh Ching, JP.