Mainland Headwear Holdings Limited

(Stock code: 1100)

2012
INTERIM REPORT

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 2012 (the "Period") together with comparative figures for the corresponding period in 2011.

FINANCIAL REVIEW

The Group achieved a satisfactory performance in its overall business for the six months ended 30 June 2012, mainly attributable to the outstanding results in both the Trading Business and the Manufacturing Business. Although the debt crisis in Europe has hit global consumer confidence and the uncertainties in the PRC's economy has affected the development of the retail market in the country, the Group was still able to stand tall, riding on its competitive advantages and its long-standing remarkable reputation well-established in the global headwear market. The trend towards consolidation accelerated across the industry as only the most capable players are able to deliver a strong performance in the current operating environment. This has enabled the Group to capture larger market share based on its strengths.

During the period under review, the Group's turnover was HK$361,955,000 (2011 Interim: HK$360,520,000), maintaining a similar level as that of last year. Though facing negative factors, including a surge in labour costs and a labour shortage in the PRC, the Group was able to expand its distribution and trading channels within Europe and the USA through the acquisition of H3 Sportgear which is mainly engaged in distribution of licensed and private label headwear, apparel and accessories in the USA. These advances, plus the securing of more headwear licensing rights by the Group's sales teams in Europe and the USA have created synergies for the Group's overall business, offsetting the impact of labour issues in the PRC.

The Group has also strictly controlled costs and implemented a number of cost-saving measures. As a result, although turnover was at a similar level to last year, the Group's gross profit still strongly increased by 16% to HK$106,654,000 (2011 Interim: HK$91,869,000). Gross profit margin was also up by 4.0 percentage points to 29.5% (2011 interim: 25.5%). The Group's strategy of migrating production to high value-added products and a substantially less provision was made for trade and other receivables during the period drove profit attributable to shareholders to surge nearly 20-fold to HK$14,707,000 from HK$744,000 last year. Net profit margin also grew substantially by 3.8 percentage points to 4.0%.

Management Discussion and Analysis

BUSINESS REVIEW

Manufacturing Business

The Manufacturing Business remained as the Group's main income contributor during the period under review, accounting for approximately 72% of total turnover. Riding on the Group's leadership position and reputation in the headwear industry, and its strong performance reinforcing the perception as a capable player in the market, the Group has succeeded in standing out among its peers as a preferred partner for its customers. The strong market demand for the Group's products has also stimulated a sharp growth in the volume of orders. However, the Group was unable to meet all the orders due to labour shortages in the PRC. At the same time, the Group adhered to the operating principle of prudent development and outsourced a small part of the order to a factory in Bangladesh for an initial trial run. Thus, no notable contribution to production capacity was seen during the period. These factors combined to cause turnover of the Manufacturing Business to drop by 6% to HK$272,686,000 (2011 interim: HK$291,423,000).

However, the Group has embarked on a number of initiatives to strengthen its operational efficiency and save costs, such as the adoption of new technology to reduce materials costs without sacrificing product quality. Thus the gross profit margin of the Manufacturing Business increased by 1.4 percentage point, from 19.9% in the same period last year to 21.3%. Operating profit surged more than 2.2-fold from HK$9,986,000 to HK$32,171,000.

The partnership with New Era continued to make a significant contribution to the Group. During the period, the Group received orders amounting to US$14,600,000 from New Era, which was 42% of the minimum annual order value of US$35,000,000 in the manufacturing agreement. In addition, New Era provided training courses for the Group's staff in the PRC. The arrangement has enhanced the production efficiency and marked a major milestone in consolidating our partnership.

As for the capacity expansion strategy, the Group sent part of the production equipment to its outsourcing base in Bangladesh and appointed qualified management staff to improve the operational efficiency at the facility. So far the communication between both parties has been smooth, and the factory in Bangladesh is now responsible for processing a small portion of our orders. We are looking forward to seeing more contribution from the facility to enhance our production capacity in the second half of the year.

Management Discussion and Analysis

Trading Business

Efforts to strengthen the sales team of this segment and to expand the customer base during the period have brought fruitful returns. The Group has secured the distribution rights of more English Premier League ("EPL") headwear in Europe, opening new income sources for the Group. Therefore, turnover of Trading Business soared by 104% to HK$46,667,000 (2011 Interim: HK$22,855,000), with a surge of 85% in operating profit to HK$3,923,000.

In addition, the Group acquired H3 Sportgear last year, which added a strong business platform for the Group enabling us to make direct sales to major retailers in the USA, our largest market. Thus far, the Group has received orders from one of the largest retailers in the USA through H3 Sportgear, illustrating the bright prospects in that market.

Retail Business

While the PRC market continued to be affected by the uncertain domestic economy, the demand from the retail market also slowed down. However, capitalising on the e-commerce platform we built last year, the Group has established new sales channels. At the same time, the Group has conducted nationwide promotions to reduce inventory. Therefore, turnover in the Retail Business amounted to HK$59,920,000, 9% higher than the total of HK$54,763,000 recorded in the corresponding period last year. On the other hand, subject to the rising cost of labour and rental in the PRC and Hong Kong, and guided by our prudent principles, the Group had to make a provision of HK$3,800,000 for inventory during the period. As a result, the Retail Business recorded an operating loss of HK$11,648,000 (2011 Interim: Operating loss of HK$5,243,000).

Sanrio Business

In an initiative to add new sales channels, the Group has established an e-commerce platform for its Sanrio Business last year, as well as launching a series of nationwide promotional campaigns to boost sales. As a result, turnover rose 10% to HK$45,632,000 and gross profit increased by 12% to HK$24,775,000 (2011 Interim: HK$22,182,000). However, the rapid rises in rentals for retail outlets and labour cost in the PRC caused an operating loss of HK$7,381,000 (2011 Interim: Operating loss of HK$2,640,000).

As at 30 June 2012, the Group operated a total of 53 self-owned stores and 55 franchise stores. During the period, the Group continued to introduce more product varieties into its retail stores, such as Hello Kitty girls' fashion items, bags and stationery, in order to enhance the shopping experience for customers and satisfy different needs of consumers.

Management Discussion and Analysis

LIDS Business

The LIDS Business comprises the "LIDS" and "NOP" self-owned stores and franchise stores in the PRC, together with "LIDS", "NOP" and "New Era" self-owned retail store in Hong Kong. The sluggish economy has driven consumers to turn to less expensive products to satisfy their needs, which is a boon to the accessories market. As such, the Group has strategically diversified its LIDS Business by opening "LIDS," "NOP" and "New Era" stores aimed at different customer groups, which has attracted more customers during the period. This strategy has boosted the turnover of the LIDS Business from HK$13,321,000 to HK$14,286,000, representing an increase of 7%. However, due to the rising labour costs in both the PRC and Hong Kong and guided by our prudent operational principles, the Group made a provision of approximately HK$2,600,000 for inventory, so the LIDS Business recorded an operating loss of HK$3,991,000 (2011 Interim: Operating loss of HK$1,807,000).

As at 30 June 2012, the Group operated a total of 30 self-owned LIDS stores and NOP stores, 9 of which were in Hong Kong while 21 in the PRC, the Group had 11 LIDS franchise stores. Besides, the Group had 1 New Era retail stores.

Prospects

As the global economy as well as the economy in the PRC and Hong Kong will remain uncertain in the second half of the year, the Group expects to encounter severe challenges such as labour shortage in the PRC, as well as rising labour cost and rents in both there and Hong Kong. However, the Group believes that opportunities can also be found during the challenging times. The consolidation in the headwear market will eliminate the weaker players and enable the Group to expand its market share. With its leading presence in the industry and strong reputation in the market and among its customers, the Group is poised to achieve consistent growth, thus we remain confident about our prospects.

Management Discussion and Analysis

As for the Manufacturing Business, the Group has established a solid partnership with New Era which is growing from strength to strength. We are confident we can secure orders exceeding the minimum order value of US$35,000,000 as stipulated in our agreement during this year. Taking into account the orders from other customers, the Group expects to see further growth in business after the products are delivered in the second half of the year. Affected by labour shortage in the PRC, to fill the large orders, our first priority is to expand production capacity and improve operating efficiency. In addition to continuing the execution of our strategy to produce higher value products to increase profitability and our efforts to improve efficiency via New Era's training courses, the Group will continue to prudently and carefully develop the outsourcing base in Bangladesh. The factory has started trial production to help fill some orders and will contribute more to the Group in the near future. Looking ahead, cheap and sufficient labour in Bangladesh will help to relieve our cost pressures. The Group hopes that as the trial production run proceeds smoothly, more consignments can be allocated to that facility.

For the Trading Business, H3 Sportgear plays a key role for our business expansion into the USA and European markets. H3 Sportgear offers a major strategic advantage through direct access to the US retail market. To date, we have received satisfactory orders from renowned local retailers there, so a bigger profit contribution is expected after the products are delivered in 2013. The European sales team has scored a major success in our diverse business development strategy by securing the license for EPL headwear, as well as other products such as items for cartoon characters and children brands. A more diversified product and market mix will boost the Trading Business and create stronger synergies with our Manufacturing Business.

For the Retail Business, to further enlarge Sanrio's sales network and market share, the Group will continue to boost the sales of Sanrio products via the online e-commerce platform, and to maintain inventory at a healthy level through nationwide promotional activities. The Group will also introduce added product varieties such as fashion and accessories to attract more customers. With a more comprehensive product mix and wider distribution channels, the Group expects to achieve long-term growth. At the same time, the Group will boost the pace of expansion and seek suitable locations for new retail stores for Sanrio.

Regarding the LIDS Business, the Group will remain flexible in its expansion strategies and will open new stores with close reference to market condition. Moreover, the Group will maintain its multiple brands merchandising strategy to attract wider customer groups, aimed at boosting business performance.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had cash and bank balances and a portfolio of liquid investments totaling HK$202.7 million (31 December 2011: HK$192.0 million). About 63% and 20% of these liquid funds were denominated in US dollars and Renminbi respectively. As at 30 June 2012, in addition to the HK$0.3 million (31 December 2011: HK$1.8 million) bank loan of a subsidiary acquired in 2011, the Group had banking facilities of HK$155.0 million (31 December 2011: HK$106.6 million), of which HK$140.2 million (31 December 2011: HK$95.6 million) was not utilised.

The Group continues to maintain its gearing ratio (aggregate of bank borrowings divided by shareholders' equity) at close to 0% (31 December 2011: 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.

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$2.9 million (2011: HK$0.4 million) on additions to equipment to further upgrade its manufacturing capabilities, and HK$1.8 million (2011: HK$2.3 million) for the opening of retail stores and for trading business.

As at 30 June 2012, the Group had authorised capital commitment of HK$6.2 million in respect of manufacturing equipment. In addition, the Group also had authorised capital commitment of HK$2.0 million for the opening of new retail outlets.

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in HK dollars, US dollars or Renminbi. The Group estimates that any 1% appreciation of the Renminbi is expected to reduce the gross margin of the Group by about 0.7%.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2012, the Group employed a total of 2,803 (2011: 3,234) workers and employees in the PRC, 111 (2011: 97) employees in Hong Kong and Macau, and 19 (2011: 8) employees in the USA and the UK. The expenditures for the employees during the Period were approximately HK$89.8 million (2011: HK$87.0 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 2 HK cents (2011: 1 HK cent) per share, payable on or after 19 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 September 2012 to 28 September 2012 (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 24 September 2012.

Independent Review Report

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 11 to 35, which comprises the interim condensed consolidated balance sheet of Mainland Headwear Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2012

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 HK$'000	2011 HK$'000
Revenue	5 & 6	**361,955**	360,520
Cost of sales		**(255,301)**	(268,651)
Gross profit		**106,654**	91,869
Other income		**572**	912
Other (losses)/gains – net		**(890)**	375
Selling and distribution costs		**(41,579)**	(33,452)
Administration expenses		**(45,219)**	(57,340)
Profit from operations		**19,538**	2,364
Finance income		**309**	196
Finance costs		**(1,880)**	(1,033)
Finance costs – net	7(a)	**(1,571)**	(837)
Profit before income tax	7	**17,967**	1,527
Income tax expense	8	**(3,785)**	(574)
Profit for the period		**14,182**	953
Attributable to:			
Owners of the Company		**14,707**	744
Non-controlling interests		**(525)**	209
		14,182	953
Earnings per share attributable to owners of the Company	9		
Basic		**3.7 HK cents**	0.2 HK cent
Diluted		**3.7 HK cents**	0.2 HK cent

The notes on pages 18 to 35 form an integral part of these condensed consolidated interim financial information.

	Note	HK$'000	HK$'000
Dividends	10	**7,972**	3,986

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**14,182**	953
Other comprehensive income		
Exchange differences on translation of financial statements of foreign operations	**3,822**	1,461
Total comprehensive income for the period, net of tax	**18,004**	2,414
Attributable to:		
Owners of the Company	**18,501**	2,171
Non-controlling interests	**(497)**	243
Total comprehensive income for the period	**18,004**	2,414

The notes on pages 18 to 35 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2012

	Note	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**96,527**	104,245
Land use rights		**623**	695
Goodwill		**27,446**	27,446
Other intangible assets	11	**29,303**	38,588
Other non-current prepayments and receivables	12	**9,051**	2,857
Deferred income tax assets		**890**	975
Non-current bank deposits		**1,618**	1,689
		165,458	176,495
Current assets			
Inventories		**134,136**	137,074
Trade and other receivables	12	**158,677**	156,044
Financial assets at fair value through profit or loss		**2,514**	3,141
Derivative financial instruments		**525**	–
Income tax recoverable		**262**	262
Cash and cash equivalents		**200,181**	188,896
		496,295	485,417
Total assets		**661,753**	661,912

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2012

	Note	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	**39,858**	39,858
Other reserves		**225,435**	220,515
Retained earnings			
– Proposed dividends		**7,972**	11,957
– Others		**232,641**	225,906
		505,906	498,236
Non-controlling interests		**798**	801
Total equity		**506,704**	499,037
LIABILITIES			
Non-current liabilities			
Other non-current payables	14	**13,877**	22,216
Long service payment payable		**367**	336
		14,244	22,552
Current liabilities			
Trade and other payables	14	**117,759**	120,091
Amount due to a related company		**495**	513
Borrowings		**349**	1,831
Derivative financial instruments		**1,243**	–
Current income tax liabilities		**20,959**	17,888
		140,805	140,323
Total liabilities		**155,049**	162,875
Total equity and liabilities		**661,753**	661,912
Net current assets		**355,490**	345,094
Total assets less current liabilities		**520,948**	521,589

The notes on pages 18 to 35 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	39,858	160,230	25,878	5,719	28,688	237,863	498,236	801	499,037
Profit/(loss) for the period	-	-	-	-	-	14,707	14,707	(525)	14,182
Other comprehensive income:									
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	3,794	-	3,794	28	3,822
Total comprehensive income for the period	-	-	-	-	3,794	14,707	18,501	(497)	18,004
Capital contribution into a new subsidiary	-	-	-	-	-	-	-	494	494
2011 final dividend paid	-	-	-	-	-	(11,957)	(11,957)	-	(11,957)
Equity settled share-based transactions	-	-	-	1,126	-	-	1,126	-	1,126
Total contribution by and distribution to owners of Company	-	-	-	1,126	-	(11,957)	(10,831)	494	(10,337)
At 30 June 2012	39,858	160,230	25,878	6,845	32,482	240,613	505,906	798	506,704
Representing:									
2012 proposed interim dividend						7,972			
Other retained earnings						232,641			
						240,613			

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	39,800	159,539	25,878	4,685	26,771	228,619	485,292	4,025	489,317
Profit for the period	-	-	-	-	-	744	744	209	953
Other comprehensive income:									
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	1,427	-	1,427	34	1,461
Total comprehensive income for the period	-	-	-	-	1,427	744	2,171	243	2,414
2010 final dividend paid	-	-	-	-	-	(7,972)	(7,972)	-	(7,972)
Exercise of share options	58	691	-	(201)	-	-	548	-	548
Equity settled share-based transactions	-	-	-	832	-	-	832	-	832
Total contributions by and distribution to owners of the Company	58	691	-	631	-	(7,972)	(6,592)	-	(6,592)
At 30 June 2011	39,858	160,230	25,878	5,316	28,198	221,391	480,871	4,268	485,139
Representing:									
2011 proposed interim dividend						3,986			
Other retained earnings						217,405			
						221,391			

The notes on pages 18 to 35 form an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Net cash generated from operating activities	**24,497**	12,415
Net cash used in investing activities	**(3,212)**	(2,524)
Net cash used in financing activities	**(13,439)**	(7,424)
Net increase in cash and cash equivalents	**7,846**	2,467
Cash and cash equivalents at the beginning of the period	**188,896**	185,667
Effect of foreign exchange rate changes	**3,439**	1,819
Cash and cash equivalents at the end of the period	**200,181**	189,953

The notes on pages 18 to 35 form an integral part of these condense consolidated interim financial information.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

This condensed consolidated financial information has not been audited.

2. ACCOUNTING POLICIES

Except as mentioned below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2012. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first time adopters
HKFRS 7 (Amendment)	Disclosures – transfers of financial assets
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

2. ACCOUNTING POLICIES *(CONTINUED)*

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group:

HKFRS 1 (Amendment)	Government loans (2)
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities (2)
HKFRS 9	Financial instruments (4)
HKFRS 10	Consolidated financial statements (2)
HKFRS 11	Joint arrangements (2)
HKFRS 12	Disclosures of interests in other entities (2)
HKFRS 13	Fair value measurement (2)
HKAS 1 (Amendment)	Presentation of financial statements (1)
HKAS 19 (Amendment)	Employee benefits (2)
HKAS 27 (2011)	Separate financial statements (2)
HKAS 28 (2011)	Investments in associates and joint ventures (2)
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities (3)
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine (2)

Forth 2011 annual improvement project (2)

(1) Effective for the Group for annual period beginning on 1 July 2012.
(2) Effective for the Group for annual period beginning on 1 January 2013.
(3) Effective for the Group for annual period beginning on 1 January 2014.
(4) Effective for the Group for annual period beginning on 1 January 2015.

The expected impacts from the adoption of the above standards and amendments are still being assessed in details by management but it is expected that the adoption should not have significant impacts to the Group.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

3 ESTIMATES

The preparation of interim financial information requires management to make judgments, 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 condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2011.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in any risk management policies since year end.

4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash flows for financial liabilities.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

4 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value estimation

The Group's financial instruments carried at fair value is analysed by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2012.

	Level 1	Level 2	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Derivatives financial instruments	–	525	525
Financial assets at fair value through profit or loss	2,514	–	2,514
Total assets	**2,514**	**525**	**3,039**
Liabilities			
Derivatives financial instruments	–	1,243	1,243
Total liabilities	**–**	**1,243**	**1,243**

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

4 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

4.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Total *HK$'000*
Assets			
Financial assets at fair value through profit or loss	3,141	–	3,141
Total assets	3,141	–	3,141
Total liabilities	–	–	–

There were no significant changes in the business or economic circumstances for the period ended 30 June 2012 that affect the fair value of the Group's financial assets and financial liabilities. There were no reclassifications of financial assets for the period ended 30 June 2012.

5. REVENUE

The principal activities of the Group are manufacture, trading and retailing of headwear products, and retailing of licensed products.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

6. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a business perspective whereby management assesses the performance of business operations by segment as follows:

(i) Manufacturing Business: The Group 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.

(ii) Trading Business: The trading and distribution of headwear and other products business of the Group is operating through Drew Pearson International (Europe) Ltd., ("DPI Europe") which focuses on the Europe market, and H3 Sportgear LLC, ("H3") which focuses on the US market.

(iii) Retail Business: The Group operates LIDS stores in the PRC and Hong Kong, and SANRIO stores in the PRC.

Segment assets exclude financial assets at fair value through profit or loss, other intangible assets, deferred income tax assets and income tax recoverable. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

6. SEGMENT INFORMATION *(CONTINUED)*

	Manufacturing Six months ended		Trading Six months ended		Retail Six months ended		Total Six months ended	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**255,368**	282,902	**46,667**	22,855	**59,920**	54,763	**361,955**	360,520
Inter-segment revenue	**17,318**	8,521	**-**	–	**-**	–	**17,318**	8,521
Reportable segment revenue	**272,686**	291,423	**46,667**	22,855	**59,920**	54,763	**379,273**	369,041
Reportable segment profit/(loss)	**32,171**	9,986	**3,923**	2,120	**(11,648)**	(5,243)	**24,446**	6,863
Gain on disposal of financial assets at fair value through profit or loss							**179**	–
Fair value loss on financial assets at fair value through profit or loss							**(156)**	(59)
Fair value loss on derivative financial instruments							**(718)**	–
Share-based payment expenses							**(1,126)**	(832)
Unallocated corporate income							**-**	7
Unallocated corporate expenses							**(3,087)**	(3,615)
Profit from operations							**19,538**	2,364
Finance costs - net							**(1,571)**	(837)
Income tax expense							**(3,785)**	(574)
Profit for the period							**14,182**	953

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

6. SEGMENT INFORMATION *(CONTINUED)*

	Manufacturing		Trading		Retail		Total	
	30 June 2012 (unaudited) *HK$'000*	31 December 2011 (audited) *HK$'000*	**30 June 2012 (unaudited) *HK$'000***	31 December 2011 (audited) *HK$'000*	**30 June 2012 (unaudited) *HK$'000***	31 December 2011 (audited) *HK$'000*	**30 June 2012 (unaudited) *HK$'000***	31 December 2011 (audited) *HK$'000*
Reportable segment assets	299,380	296,697	73,444	82,101	84,557	89,840	457,381	468,638
Deferred income tax assets							890	975
Income tax recoverable							262	262
Financial assets at fair value through profit or loss							2,514	3,141
Derivative financial instruments							525	-
Other corporate assets							200,181	188,896
Total assets							661,753	661,912

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

7. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
(a) Finance (costs)/income – net		
Interest on bank loans, overdrafts and other borrowings	**(359)**	(61)
Interest on license fee payables	**(1,508)**	(952)
Interest on amount due to a related company	**(13)**	(20)
Interest income	**309**	196
Net finance costs	**(1,571)**	(837)
(b) Other items		
Gain on disposal of financial assets at fair value through profit or loss	**(179)**	–
Fair value loss on financial assets at fair value through profit or loss	**156**	59
Fair value loss on derivative financial instruments	**718**	–
Depreciation of property, plant and equipment	**13,109**	13,405
Amortisation of other intangible assets	**8,376**	4,952
Provision for impairment of trade and other receivables	**440**	21,337
Provision for slow moving and obsolete inventories	**7,260**	6,004
Exchange loss/(gain), net	**428**	(434)

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**49**	–
Overseas tax	**3,651**	2,214
	3,700	2,214
Deferred income tax	**85**	(1,640)
	3,785	574

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$14,707,000 (2011: HK$744,000) and on the weighted average number of shares of 398,583,284 (2011: 398,527,041) in issue during the Period.

Dilutive earnings per share is the same as basic earnings per share for the periods ended 30 June 2011 and 30 June 2012 as the share options have no dilutive impact for both periods.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

10. DIVIDENDS

(a) Dividends attributable to the period

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared of 2 HK cents (2011: 1 HK cent) per share	**7,972**	3,986

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date, but will be reflected as an appropriation of retained earnings for the period ended 30 June 2012.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Final dividend paid in respect of 2011 of 3 HK cents (2010: 2 HK cents) per share	**11,957**	7,972

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

11. CAPITAL EXPENDITURE

	Property, plant and equipment *HK$'000*	Other intangible assets *HK$'000*
Six months ended 30 June 2012		
Opening net book amount as at 1 January 2012	104,245	38,588
Exchange differences	725	(141)
Additions	4,666	7,226
Write off	–	(7,994)
Depreciation and amortisation	(13,109)	(8,376)
Closing net book amount as at 30 June 2012	**96,527**	**29,303**
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	118,678	2,041
Exchange differences	(375)	–
Additions	2,723	40,628
Depreciation and amortisation	(13,405)	(4,952)
Closing net book amount as at 30 June 2011	**107,621**	**37,717**

As at 30 June 2012, other intangible assets represent acquired customer relationship of HK$5,164,000 and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products and retail outlets of HK$24,139,000.

During the period ended 30 June 2012, a licensing right with a carrying value of HK$7,994,000 was terminated prior to the expiration of the contract. The amount has been written off and the corresponding license fee payable of HK$8,778,000 has been written back in the current period.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

12. TRADE AND OTHER RECEIVABLES

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Trade and bills receivables	**126,637**	130,068
Deposits, prepayments and other receivables	**48,834**	37,023
	175,471	167,091
Less: provision for impairment	**(7,743)**	(8,190)
	167,728	158,901
Less: non-current portion of prepayments and other receivables	**(9,051)**	(2,857)
Current portion	**158,677**	156,044

The carrying amounts of the trade and other receivables approximate their fair values.

The ageing analysis of trade and bills receivables at the balance sheet date is as follows:

	2012 *HK$'000*	2011 *HK$'000*
0 – 30 days	**83,835**	84,364
31 – 60 days	**20,763**	24,496
61 – 90 days	**7,949**	5,503
Over 90 days	**14,090**	15,705
	126,637	130,068

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

12. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes:

(a) Included in trade receivables is a balance past due over 60 days from a customer of HK$995,000 (31 December 2011: HK$1,240,000). The balance bears interest at 15% per annum and is repayable in quarterly instalments of US$15,000 until the entire principal balance and interest has been paid. No collateral were held over this balance.

(b) Included in other receivables is a note receivable from a customer of HK$6,409,000 (2011: HK$7,483,000). The note receivable is interest bearing at 7% per annum and is repayable in monthly instalments up to July 2015. The balance is secured by a second mortgage over a property. As at 30 June 2011 and 2012, a provision of HK$3,965,000 was made against this balance.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

13. SHARE CAPITAL

	Note	**Number of shares of HK$0.10 each**	*HK$'000*
Authorised:			
At 1 January 2011, 31 December 2011 and 30 June 2012		1,000,000,000	100,000
Issued and fully paid:			
At 1 January 2011		398,003,284	39,800
Issue of shares upon exercise of share options	(a)	580,000	58
At 31 December 2011 and 30 June 2012		**398,583,284**	**39,858**

Notes:

(a) During the period ended 30 June 2011, 580,000 options were exercised to subscribe for 580,000 shares at the exercise price of HK$0.946 per share under the share option scheme.

These newly issued shares rank pari passu with the existing shares.

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

14. TRADE AND OTHER PAYABLES

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Trade and bills payables	**50,491**	50,075
Accrued charges and other payables	**81,145**	92,232
	131,636	142,307
Less: other non-current payables	**(13,877)**	(22,216)
Current portion	**117,759**	120,091

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
0 – 30 days	**20,974**	28,521
31 – 60 days	**22,643**	14,418
61 – 90 days	**2,293**	2,045
Over 90 days	**4,581**	5,091
	50,491	50,075

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

15. CAPITAL COMMITMENTS

At 30 June 2012, the Group had capital expenditure commitments as follows:

	30 June 2012 *HK$'000*	31 December 2011 *HK$'000*
Contracted for but not provided for		
– Manufacturing business	**1,168**	3,672
Authorised but not contracted for		
– Manufacturing business	**5,000**	6,000
– Retail business	**2,000**	3,439
	8,168	13,111

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions during the period.

	Six months ended 30 June	
	2012 *HK$'000*	2011 *HK$'000*
Sales of goods to affiliated companies of a shareholder	**113,683**	92,674
Rental paid in respect of office premises to a company controlled by a director	**480**	480

Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2012

16. SIGNIFICANT RELATED PARTY TRANSACTIONS *(CONTINUED)*

Key management personnel remuneration

Remuneration for the Group's key management personnel is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Short-term employee benefits	**6,469**	7,265
Share-based payments	**354**	589
Retirement scheme contributions	**67**	66
	6,890	7,920

17. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 28 August 2012.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, 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	–	214,826,000 *(note 1, 2)*	45,800,000 *(note 3, 4)*	260,626,000	65.39%
Madam Ngan Po Ling, Pauline	31,126,000 *(note 2)*	183,700,000 *(note 1)*	45,800,000 *(note 3, 4)*	260,626,000	65.39%
Mr. James S. Patterson	–	–	2,000,000 *(note 5)*	2,000,000	0.50%
Ms. Maggie Gu	–	–	500,000 *(note 5)*	500,000	0.13%

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 Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively.

(2) The 31,126,000 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 New Era Cap Asia Pacific Limited ("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.

(5) Mr. Patterson and Ms. Gu have been granted share options under the Company's share option scheme to subscribe for 2,000,000 shares and 500,000 shares of the Company respectively.

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

On 29 December 2011, 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 interested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

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 39,858,328, being 10% of the shares in issue of the Company as at 29 December 2011, the date of adoption of the New Scheme.

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 Old and New Schemes 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.

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 of offer of that option. A consideration of HK$1 will be payable upon acceptance of the offer.

As at the date of interim report, the total number of shares available for issue, save for those granted but yet to be exercised, under the New Scheme was 35,858,328 shares, which represented 9.0% of the issued share capital of the Company.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

At 30 June 2012, 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$0.8 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$)*	Outstanding at 1.1.2012	Reclassification (note) *(HK$)*	Outstanding at 30.6.2012	Market value per share at date of grant
New Scheme							
Director	23.06.2009	23.06.2010 – 22.06.2019	0.946	8,000,000	500,000	8,500,000	0.93
Employees	11.06.2008	11.06.2009 – 10.06.2018	1.190	1,000,000	–	1,000,000	1.16
	23.06.2009	23.06.2010 – 22.06.2019	0.946	8,020,000	(500,000)	7,520,000	0.93
	08.11.2010	08.11.2011 – 07.11.2020	0.920	2,000,000	–	2,000,000	0.92
	30.12.2011	30.12.2012 – 29.12.2021	0.80	2,000,000	–	2,000,000	0.80
				13,020,000	(500,000)	12,520,000	
Customers and suppliers	30.12.2011	30.12.2012 – 29.2.2021	0.80	2,000,000	–	2,000,000	0.80

Note:

Ms. Maggie Gu has been granted share options under the Company's share options scheme to subscribe for 500,000 shares of the Company. Ms. Gu was appointed as Director of the Company in February 2012.

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.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

Under this share option scheme, HK$1,126,000 of share-based payment expense has been included in the condensed consolidated income statement for the six months ended 30 June 2012 (2011: HK$832,000) and the corresponding amount of which has been credited to share based compensation reserve.

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.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 June 2012, 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	46.09%
Mr. Christopher Koch *(note 2)*	Interest of a controlled corporation	–	79,601,000	–	79,601,000	19.97%
New Era Cap Hong Kong LLC *(note 2)*	Beneficial owner	79,601,000	–	–	79,601,000	19.97%

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 Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively. 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") subscribed 16,758,000 shares and exercised 62,843,000 option shares. NE transferred 79,601,000 shares of the Company to New Era Cap Hong Kong LLC on 23 June 2011. Mr. Christopher Koch owns 75% of the issued share capital of New Era Cap Hong Kong LLC. As such, Mr. Christopher Koch is deemed to be interested in the 79,601,000 shares.

Short positions in the underlying shares

Name	Number of underlying shares	Percentage of interest
Mr. Christopher Koch	39,800,000 *(note)*	9.99%
New Era Cap Hong Kong LLC	39,800,000 *(note)*	9.99%

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. On 23 June 2011, NE transferred the title of the contingent purchase deed to New Era Cap Hong Kong LLC. In view of Mr. Koch's 75% shareholding interest in New Era Cap Hong Kong LLC, Mr. Koch is also taken to have interest in short position of 39,800,000 underlying shares.

Save as disclosed above, as at 30 June 2012, 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 2012, 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 2012 except for the deviations from Code Provisions A.4.1 as detailed in the Corporate Governance Report included in the 2011 Annual Report that independent non-executive directors have not been appointed for a specific term.

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 all independent non-executive directors and 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 financial information for the period.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 28 August 2012

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