



# Mainland Headwear Holdings Limited

(Stock code: 1100)



Interim Report  
**2015**

## Contents

	<i>pages</i>
Management Discussion and Analysis	2
Interim Dividend and Closure of Register of Members	7
Independent Review Report	8
Condensed Consolidated Income Statement (Unaudited)	10
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	11
Condensed Consolidated Balance Sheet (Unaudited)	12
Condensed Consolidated Statement of Changes in Equity (Unaudited)	14
Condensed Consolidated Cash Flow Statement (Unaudited)	16
Notes to the Unaudited Interim Financial Information	17
Other Information Provided in Accordance with the Listing Rules	36

## Management Discussion and Analysis

The Board of Directors (the “Directors”) of Mainland Headwear Holdings Limited (the “Company”), hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period”) together with comparative figures for the corresponding period of 2014.

### FINANCIAL REVIEW

For the six months ended 30 June 2015, the Manufacturing Business remained as the Group’s main contributor with continuous increasing orders, together with the strong performance of the Trading Business which the Group has committed to expanding, and improved performance of the Retail Business, the Group thus delivered improved overall profit performance.

During the Period, the Group’s turnover slightly decreased by 1.6% to HK\$443,280,000 from the same period last year (2014 Interim: HK\$450,540,000), which was mainly attributable to the strong market demand for the Group’s headwear products, yet the production capacity of its Shenzhen factory has decreased due to manpower shortages, the effect of which has mostly but not completely mitigated by the expanded capacity of its Bangladesh factory. Therefore, the increasing order demand was not completely fulfilled which ultimately affected the turnover.

On the other hand, the Trading Business achieved strong profit performance, along with the implementation of various strict cost control measures, the Group’s gross profit rose 3.3% to HK\$131,648,000 (2014 Interim: HK\$127,440,000) and the Group’s gross profit margin increased by 1.4 percentage points to 29.7% (2014 Interim: 28.3%). The Group has been benefited by the increasing efficiency and low manufacturing cost of its Bangladesh factory as well as better production planning of the Manufacturing Business during the Period, hence profit attributable to shareholders also surged by 49.4% to HK\$25,821,000 (2014 Interim: HK\$17,285,000).

### BUSINESS REVIEW

#### Manufacturing Business

During the Period, the Manufacturing Business, which accounted for 63.9% of the Group’s total turnover, remained as the Group’s principal revenue generator. Turnover of this segment dropped 5.6% to HK\$307,794,000 (2014 Interim: HK\$326,139,000), because the production capacity of its Shenzhen factory was reduced due to manpower shortages, rendering the Group unable to handle the increased order volume. However, the Bangladesh factory that had been at the investment stage has started to generate a contribution to this business arm, and its growing capacity substituted substantially for the decreased capacity of its Shenzhen factory, thus mitigating the potential adverse influence on turnover to a minimum. The Group continued to implement initiatives to increase operational efficiency and control costs. As a result, operating profit of the Manufacturing Business soared by 22.7% to HK\$25,783,000 (2014 Interim: HK\$21,012,000).

## Management Discussion and Analysis

As for the factory in Shenzhen, the Group has further enhanced its internal management and assigned staff to the appropriate positions based on their talent and experience during the Period. Cost reduction measures also continued so as to maintain the operational efficiency of the factory. Meanwhile, the Group has also expanded the Bangladesh factory. As of 30 June 2015, the number of staff rose by 60% year-on-year to 2,800 with increased production capacity of 1.5 million pieces of headwear each month, which is a clear evidence of its satisfactory progress. In addition, the production skills of staff and overall procedures at the Bangladesh factory are gradually improving from manufacturing simple headwear to mid-and high-end products within just a year, which further eases the pressure from the production capacity reduction in Shenzhen, generates revenue for the Group and becomes an important support for the long-term development of the Manufacturing Business.

### Trading Business

The Trading Business focuses on development of diversified markets. During the Period, this segment outperformed with turnover up 12.7% to HK\$118,038,000 (2014 Interim: HK\$104,732,000), principally as a result of the outstanding performance of SDHC and DPI. With the increasing penetration rate in European and US markets, the Group's products have been well-received, thus there was no need to boost sales through clearances as in the corresponding period last year. Thus the segmental gross profit climbed 19.8% to HK\$41,377,000 (2014 Interim: HK\$34,530,000). The segmental operating profit rocketed 10 times to HK\$7,603,000 (2014 Interim: HK\$692,000), within which SDHC made a turnaround and generated operating profit to the Group.

During the Period, SDHC continued to enrich its product mix by offering a wide range of accessories such as handbags and scarves, and DPI has secured several headwear license rights of well-known cartoon characters, which in turn should generate new growth momentum for the Trading Business.

### Retail Business

Under the challenging conditions of the slowing retail market, turnover of the Retail Business slightly dropped by 1.9% to HK\$55,701,000 (2014 Interim: HK\$56,767,000). The Group strategically decreased the number of self-owned stores in the PRC and actively developed its franchise strategy, which managed to reduce the operating loss by 17.7% to HK\$1,040,000 (2014 Interim: operating loss of HK\$1,264,000).

## Management Discussion and Analysis

### **Sanrio**

During the Period, the Group continued to enrich the Sanrio product mix, and directly imported more high-end products from Japan to stimulate the sales, while aspiring to expand the franchise store network. As a result, turnover of the Sanrio business rebounded 9.9% to HK\$44,696,000 (2014 Interim: HK\$40,667,000). Affected by the higher cost of sales, however, gross profit slightly declined 2.4% to HK\$20,716,000 (2014 Interim: HK\$21,234,000).

As of 30 June 2015, the Group operated a total of 32 Sanrio self-owned stores and 125 franchise stores (2014 Interim: 30 self-owned stores and 104 franchise stores).

### **Headwear Sales**

Hong Kong's retail market has been weakened since the fourth quarter last year, and the Group's headwear sales were inevitably affected with turnover down 31.6% to HK\$11,005,000 (2014 Interim: HK\$16,100,000). Gross profit dropped 30.4% to HK\$8,288,000 (2014 Interim: HK\$11,907,000). The Group has closed the underperforming self-owned stores in the PRC since the second half of last year, and further reduced the operating loss considerably by 48.5% to HK\$768,000 (2014 Interim: operating loss of HK\$1,492,000).

Currently, the Group's headwear sales includes "NOP" and "New Era" self-owned stores in Hong Kong, as well as "NOP" franchise stores in the PRC. As of 30 June 2015, the Group operated 9 "NOP" self-owned stores and 13 franchise stores, and 1 "New Era" retail store (2014 Interim: 12 "NOP" self-owned stores and 20 franchise stores, and 1 "New Era" retail store).

### **Prospects**

Leveraging its solid business foundation and effectively executing its business development strategy, the Group has achieved satisfactory results during the Period. This performance has demonstrated the wisdom of the Group's overall strategic direction – a base rooted in the PRC while proactively advancing the "Going out" strategy. Looking ahead, the Group will keep abreast of the market environment and continue to adjust and optimise its development strategies in a bid to expand its existing businesses.

## Management Discussion and Analysis

The Group will continue to actively expand the Bangladesh factory with the aim to further meet the continued robust market demand for its products. Encouragingly, the Bangladesh factory has entered the harvest stage. With the greater production capacity and the maturing production skills of the workers, the Bangladesh factory is now capable of handling the orders of customers for mid-range to high-end products. Its production capacity is expected to increase to 2 million pieces of headwear each month at the end of the year. The greater capacity enables the Group to further alleviate the problem of reduced production capacity due to rising staff cost and shortage of labor in the PRC in recent years and also fill the increasing volume of orders from customers.

While the development of the Bangladesh factory is an important part of the Group's strategy, its factory in the PRC continues to play an integral role in its business development. The staff in the PRC has accumulated rich experience in production management, product design and marketing as well as possessing a more advanced skill set in production operations. The Group is optimising the management of its factory in the PRC, strictly controlling operating costs, focusing on manufacturing high value-added products and also shifting operations to complement its factory in Bangladesh so as to maximise synergies and boost business performance.

The Group expects to achieve steady growth in the Trading Business due to a number of favorable factors including the increasing penetration in the European and US markets together with the new license rights of headwear of popular cartoon characters secured by DPI. It is expected that the business of SDHC, H3 and DPI will continue to see steady growth. H3 and DPI will strive to explore wider license rights of headwear, while SDHC will continue to optimise its product mix, including accessory collections such as apparel, handbags and scarves to meet the needs of different customers, and will capitalise DPI's platform to enlarge its market share in Europe.

As for the Retail Business, the Group will continue to reduce the number of its self-owned stores with its focus on strengthening the franchise store network as its key business strategy. As the consumer peak season is in the second half of the year, the Group's Retail Business is expected to perform better than it did in the first half of the year. Therefore during the second half of the year, the Group will organise a range of promotion activities at shopping malls in the PRC to enhance product awareness, attract greater customer flow and spur spending in order to boost the sales performance of the retail stores.

In the future, the management will strive to drive the Group's steady business growth and maximise returns for shareholders.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the Group had cash and bank balances and a portfolio of liquid investments totaling HK\$167.9 million (31 December 2014: HK\$126.4 million). About 52% and 32% of these liquid funds were denominated in US dollars and Renminbi respectively. As at 30 June 2015, the Group had banking facilities of HK\$243.1 million (31 December 2014: HK\$243.1 million), of which HK\$197.1 million (31 December 2014: HK\$205.2 million) was not utilised.

The gearing ratio (being the Group's net borrowings over total equity) of the Group is at 7.3% (31 December 2014: 6.4%). In view of the strong financial and liquidity position, the Group has sufficient financial resources to meet its commitments and working capital requirements.

### CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK\$5.3 million (2014: HK\$16.6 million) on additions to equipment to further upgrade and expand its manufacturing capabilities mainly in Bangladesh, and HK\$1.7 million (2014: HK\$2.0 million) for the opening of retail stores and for the Trading Business.

As at 30 June 2015, the Group had authorised a capital commitment of HK\$20.0 million in respect of manufacturing plants and equipment. The Group had also authorised a capital commitment of HK\$57.3 million in respect of offices and a warehouse in the United Kingdom and the USA. In addition, the Group had authorised a 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, Renminbi or Bangladesh Taka. The Group estimates that any 1% appreciation of the Renminbi is expected to reduce the gross margin of the Manufacturing Business by about 0.4%. However, as the Retail businesses in the PRC market grow, the expected positive contribution will provide a hedge against the adverse effect of any appreciation of Renminbi to the manufacturing costs. The Group estimated that any 1% appreciation of the Bangladesh Taka is not expected to have material impact on the gross margin.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group employed a total of 1,731 (2014: 2,211) workers and employees in the PRC, 2,827 (2014: 1,750) workers and employees in Bangladesh, 110 (2014: 124) employees in Hong Kong and Macau, and 45 (2014: 45) employees in the USA and the UK. The expenditures for the employees during the Period were approximately HK\$113.3 million (2014: HK\$113.5 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 (2014: 1 HK cent) per share, payable on or after 9 October 2015.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2015 to 21 September 2015 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 September 2015.

## 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 10 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 2015 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, 20 August 2015

## Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2015

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Revenue</b>	5 & 6	<b>443,280</b>	450,540
Cost of sales		<b>(311,632)</b>	(323,100)
Gross profit		<b>131,648</b>	127,440
Other income		<b>5,869</b>	4,696
Other gains/(losses) – net		<b>412</b>	(218)
Selling and distribution costs		<b>(43,459)</b>	(53,571)
Administration expenses		<b>(64,948)</b>	(60,508)
<b>Profit from operations</b>		<b>29,522</b>	17,839
Finance income		<b>743</b>	903
Finance costs		<b>(716)</b>	(651)
Finance income – net	7(a)	<b>27</b>	252
<b>Profit before income tax</b>	7	<b>29,549</b>	18,091
Income tax expense	8(a)	<b>(2,315)</b>	(2,812)
<b>Profit for the period</b>		<b>27,234</b>	15,279
<b>Attributable to:</b>			
Owners of the Company		<b>25,821</b>	17,285
Non-controlling interests		<b>1,413</b>	(2,006)
		<b>27,234</b>	15,279
<b>Earnings per share attributable to owners of the Company</b>	9		
Basic		<b>6.5 HK cents</b>	4.3 HK cents
Diluted		<b>6.4 HK cents</b>	4.3 HK cents

The notes on pages 17 to 35 form an integral part of these condensed consolidated interim financial information.

		<b>HK\$'000</b>	<i>HK\$'000</i>
Dividends	10	<b>3,986</b>	3,986

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Profit for the period</b>	<b>27,234</b>	15,279
<b>Other comprehensive income</b>		
<b>Item that may be reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign operations	<b>751</b>	(3,875)
<b>Items that will not be reclassified to profit and loss:</b>		
Revaluation surplus upon transfer of land use rights and buildings to investment properties	-	10,723
Deferred tax arising from revaluation surplus upon transfer of land use rights and buildings to investment properties ( <i>Note 8(b)</i> )	-	(2,681)
<b>Total comprehensive income for the period, net of tax</b>	<b>27,985</b>	19,446
<b>Attributable to:</b>		
Owners of the Company	<b>26,602</b>	21,452
Non-controlling interests	<b>1,383</b>	(2,006)
<b>Total comprehensive income for the period</b>	<b>27,985</b>	19,446

The notes on pages 17 to 35 form an integral part of these condensed consolidated interim financial information.

## Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2015

	<i>Note</i>	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>125,199</b>	129,785
Investment properties	11	<b>38,764</b>	38,764
Goodwill		<b>33,798</b>	33,798
Other intangible assets	11	<b>19,206</b>	21,593
Available-for-sale financial assets		<b>218</b>	218
Deferred income tax assets		<b>3,113</b>	3,385
Other non-current receivables	12	<b>9,811</b>	14,654
		<b>230,109</b>	242,197
<b>Current assets</b>			
Inventories		<b>167,470</b>	201,453
Trade and other receivables	12	<b>190,015</b>	176,705
Financial assets at fair value through profit or loss		<b>1,685</b>	2,563
Pledged bank deposits		<b>–</b>	1,750
Cash and cash equivalents		<b>166,253</b>	123,862
		<b>525,423</b>	506,333
<b>Total assets</b>		<b>755,532</b>	748,530

## Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2015

	Note	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	13	39,858	39,858
Other reserves		231,253	230,458
Retained earnings			
– Declared dividends		3,986	7,972
– Others		261,471	239,636
		<u>536,568</u>	<u>517,924</u>
Non-controlling interests		(2,620)	(4,003)
<b>Total equity</b>		<u><u>533,948</u></u>	<u><u>513,921</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other non-current payables	14	1,655	1,112
Long service payment payable		457	457
Deferred tax liabilities		2,681	2,681
		<u>4,793</u>	<u>4,250</u>
<b>Current liabilities</b>			
Trade and other payables	14	149,520	168,712
Amount due to related companies		956	943
Current income tax liabilities		27,591	27,814
Borrowings	15	38,724	32,890
		<u>216,791</u>	<u>230,359</u>
<b>Total liabilities</b>		<u><u>221,584</u></u>	<u><u>234,609</u></u>
<b>Total equity and liabilities</b>		<u><u>755,532</u></u>	<u><u>748,530</u></u>
<b>Net current assets</b>		<u><u>308,632</u></u>	<u><u>275,974</u></u>
<b>Total assets less current liabilities</b>		<u><u>538,741</u></u>	<u><u>518,171</u></u>

The notes on pages 17 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 2015

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Share based				Retained earnings	Total		
			Contributed surplus	compensation reserve	Revaluation reserve	Exchange reserve				
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 January 2015	39,858	160,230	25,878	6,522	8,042	29,786	247,608	517,924	(4,003)	513,921
Profit for the period	-	-	-	-	-	-	25,821	25,821	1,413	27,234
Other comprehensive income:										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	781	-	781	(30)	751
Total comprehensive income for the period net of tax	-	-	-	-	-	781	25,821	26,602	1,383	27,985
2014 final dividend paid	-	-	-	-	-	-	(7,972)	(7,972)	-	(7,972)
Equity settled share-based transactions	-	-	-	14	-	-	-	14	-	14
Total contributions by and distribution to owners of the Company	-	-	-	14	-	-	(7,972)	(7,958)	-	(7,958)
At 30 June 2015	39,858	160,230	25,878	6,536	8,042	30,567	265,457	536,568	(2,620)	533,948
Representing:										
2015 declared interim dividend							3,986			
Other retained earnings							261,471			
							265,457			

## Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2015

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Share based		Exchange reserve	Retained earnings			
				compensation reserve	Revaluation reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014	39,858	160,230	25,878	6,486	-	35,703	222,538	490,693	(734)	489,959
Profit for the period	-	-	-	-	-	-	17,285	17,285	(2,006)	15,279
Other comprehensive income:										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(3,875)	-	(3,875)	-	(3,875)
- Revaluation surplus upon transfer of land use rights and buildings to investment properties, net	-	-	-	-	8,042	-	-	8,042	-	8,042
Total comprehensive income for the period net of tax	-	-	-	-	8,042	(3,875)	17,285	21,452	(2,006)	19,446
2013 final dividend paid	-	-	-	-	-	-	(3,986)	(3,986)	-	(3,986)
Equity settled share-based transactions	-	-	-	9	-	-	-	9	-	9
Total contributions by and distribution to owners of the Company	-	-	-	9	-	-	(3,986)	(3,977)	-	(3,977)
At 30 June 2014	<u>39,858</u>	<u>160,230</u>	<u>25,878</u>	<u>6,495</u>	<u>8,042</u>	<u>31,828</u>	<u>235,837</u>	<u>508,168</u>	<u>(2,740)</u>	<u>505,428</u>
Representing:										
2014 declared interim dividend							3,986			
Other retained earnings							<u>231,851</u>			
							<u>235,837</u>			

The notes on pages 17 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 2015

	Six months ended 30 June	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	50,393	23,809
Income tax paid	(2,266)	(1,238)
Interest paid	(703)	(355)
	47,424	22,216
<b>Cash flows from investing activities</b>		
Interest received	743	903
Proceeds from disposal of subsidiaries	150	–
Purchase of property, plant and equipment	(7,000)	(18,558)
Proceeds from sale of financial assets at fair value through profit or loss	707	–
Decrease in pledged bank deposits	1,750	–
	(3,650)	(17,655)
<b>Cash flows from financing activities</b>		
Dividends paid	(7,972)	(3,986)
Repayment of bank borrowings	(6,500)	(6,500)
Proceeds from bank borrowings	12,334	5,446
	(2,138)	(5,040)
<b>Net increase/(decrease) in cash and cash equivalents</b>	41,636	(479)
Cash and cash equivalents at beginning of year	123,862	146,209
Effect of foreign exchange rate changes	755	(2,450)
<b>Cash and cash equivalents at end of the period</b>	166,253	143,280

The notes on pages 17 to 35 form an integral part of these condensed consolidated interim financial information.

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, 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 2014, as described in those annual financial statements.

#### (a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for accounting periods beginning on or after 1 January 2015. The adoption of these amended standards does not have any significant impact to the results and financial position of the Group.

HKAS 19 (Amendment)	Defined benefit plans: Employee contributions
Annual improvements project	Annual improvements 2010 – 2012 cycle
Annual improvements project	Annual improvements 2011 – 2013 cycle

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 2. ACCOUNTING POLICIES (CONTINUED)

**(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted**

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Disclosure initiative <sup>1</sup>
HKAS 16 and 38 (Amendments)	Clarification of acceptance methods of depreciation and amortisation <sup>1</sup>
HKAS 27 (Amendment)	Equity method in separate financial statements <sup>1</sup>
HKFRS 9	Financial instruments <sup>3</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception <sup>1</sup>
HKFRS 14	Regulatory deferred accounts <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
Annual improvements project	Annual improvements 2012 – 2014 cycle <sup>1</sup>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2018

The expected impacts from the adoption of the above standards and amendments are still being assessed in details by management and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

### 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.

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 3. ESTIMATES (CONTINUED)

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 consolidated financial statements for the year ended 31 December 2014.

### 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, 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 2014.

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

#### 4.2 Fair value estimation

The Group's financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2014 and 30 June 2015 because of the immediate or short term maturity of these financial assets and liabilities.

The table below analyses financial instruments carried at fair value, 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).

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.2 Fair value estimation (Continued)

The following table presents the Group's assets measured at fair value in the balance sheet in accordance with the fair value hierarchy at 30 June 2015.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	1,685	-	-	1,685
<b>Total financial assets</b>	<b>1,685</b>	<b>-</b>	<b>-</b>	<b>1,685</b>

The following table presents the Group's assets measured at fair value in the balance sheet in accordance with the fair value hierarchy at 31 December 2014.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss	2,563	-	-	2,563
<b>Total financial assets</b>	<b>2,563</b>	<b>-</b>	<b>-</b>	<b>2,563</b>

There were no transfers between levels 1 and 2 or into or out of level 3 during the period.

There were no other changes in valuation techniques during the period.

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.2 Fair value estimation (Continued)

There were no significant changes in the business or economic circumstances for the period ended 30 June 2015 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 2015.

### 5. REVENUE

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

### 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 principal manufacturing facilities are located in Shenzhen, the PRC, and Bangladesh. Customers are mainly located in the USA and Europe.
- (ii) Trading Business: The trading and distribution business of headwear and other products of the Group is operating through Drew Pearson International (Europe) Ltd., ("DPI") which focuses on the Europe market, and H3 Sportgear LLC, ("H3") and San Diego Hat Company ("SDHC") which focus on the US market.
- (iii) Retail Business: The Group operates headwear stores in Hong Kong, and SANRIO stores in the PRC.

Segment assets exclude investment properties, available-for-sale financial assets, deferred income tax assets, financial assets at fair value through profit or loss and cash and cash equivalents. 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 2015

### 6. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Retail		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	269,541	289,041	118,038	104,732	55,701	56,767	443,280	450,540
Inter-segment revenue	38,253	37,098	-	-	-	-	38,253	37,098
Reportable segment revenue	<u>307,794</u>	<u>326,139</u>	<u>118,038</u>	<u>104,732</u>	<u>55,701</u>	<u>56,767</u>	<u>481,533</u>	<u>487,638</u>
Reportable segment profit/(loss)	25,783	21,012	7,603	692	(1,040)	(1,264)	32,346	20,440
Fair value loss on financial assets at fair value through profit or loss							(381)	(178)
Gain on sales of financial assets at fair values through profit or loss							210	-
Fair value loss on derivative financial instruments							-	(42)
Gain on settlement of derivative financial instruments							-	42
Share-based payment expenses							(14)	(9)
Unallocated corporate income							3,703	2,017
Unallocated corporate expenses							(6,342)	(4,431)
Profit from operations							29,522	17,839
Finance income – net							27	252
Income tax expense							(2,315)	(2,812)
Profit for the period	<u>27,234</u>	<u>15,279</u>						

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 6. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Retail		Total	
	30 June 2015 (unaudited) HK\$'000	31 December 2014 (audited) HK\$'000						
Reportable segment assets	320,671	369,153	154,597	138,026	70,231	72,360	545,499	579,539
Investment properties							38,764	38,764
Available-for-sale financial assets							218	218
Deferred income tax assets							3,113	3,385
Financial assets at fair value through profit or loss							1,685	2,563
Cash and cash equivalents							166,253	123,862
Other corporate assets							-	199
Total assets							755,532	748,530

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 7. PROFIT BEFORE INCOME TAX

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

	<b>Six months ended 30 June</b>	
	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>(a) Finance income – net</b>		
Interest on bank loans, overdrafts and other borrowings	<b>(533)</b>	(355)
Interest on license fee payables	<b>(170)</b>	(283)
Interest on amount due to a related company	<b>(13)</b>	(13)
Interest income	<b>743</b>	903
	<hr/>	<hr/>
Net finance income	<b>27</b>	252
	<hr/> <hr/>	<hr/> <hr/>
<b>(b) Other items</b>		
Fair value loss on financial assets at fair value through profit or loss	<b>381</b>	178
Gain on sales of financial assets at fair value through profit or loss	<b>(210)</b>	–
Fair value loss on derivative financial instruments	–	42
Gain on settlement of derivative financial instruments	–	(42)
Depreciation of property, plant and equipment	<b>11,550</b>	13,127
Amortisation of other intangible assets	<b>3,820</b>	4,231
Provision for impairment of trade and other receivables	<b>821</b>	–
Provision for slow moving and obsolete inventories	<b>4,086</b>	1,611
Exchange (gain)/loss, net	<b>(504)</b>	40
Loss on disposal of subsidiaries ( <i>Note</i> )	<b>1</b>	–
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 7. PROFIT BEFORE INCOME TAX (CONTINUED)

#### (b) Other items (Continued)

Note:

During the period ended 30 June 2015, the Group disposed of its 100% equity interest in Manga Investments Limited and its subsidiary, United Crown International Macau Commercial Offshore Limited, for a consideration of HK\$150,000.

	<i>HK\$'000</i>
Proceeds	150
Net assets of the disposed subsidiaries	(151)
	<hr/>
Loss on disposal of subsidiaries	(1)
	<hr/> <hr/>

### 8. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong Profits Tax	<b>700</b>	900
Overseas tax		
– Current period	<b>4,260</b>	2,126
– Over-provision in prior years	<b>(2,917)</b>	(129)
	<hr/>	<hr/>
	<b>2,043</b>	2,897
Deferred income tax	<b>272</b>	(85)
	<hr/>	<hr/>
	<b>2,315</b>	2,812
	<hr/> <hr/>	<hr/> <hr/>

- (a) 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% (2014: 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.

- (b) During the period ended 30 June 2014, deferred income tax liability arising from the revaluation surplus upon transfer of land and buildings to investment properties amounting to HK\$2,681,000 has been charged to other comprehensive income on the date of change in use.

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 9. EARNINGS PER SHARE

#### (a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	2015	2014
Profit attributable to owners of the Company (HK\$'000)	<u>25,821</u>	<u>17,285</u>
Weighted average number of ordinary shares in issue	<u>398,583,284</u>	<u>398,583,284</u>

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the share options.

	2015	2014
Profit attributable to owners of the Company (HK\$'000)	<u>25,821</u>	<u>17,285</u>
Weighted average number of ordinary shares in issue	<u>398,583,284</u>	398,583,284
Adjustment for share options	<u>4,767,221</u>	—
Weighted average number of ordinary shares for diluted earnings per share	<u>403,350,505</u>	<u>398,583,284</u>
Diluted earnings per share (HK cent)	<u>6.4</u>	<u>4.3</u>

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 10. DIVIDENDS

#### (a) Dividends attributable to the period

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	<i>HK\$'000</i>
Interim dividend declared of 1 HK cent (2014: 1 HK cent) per share	<b>3,986</b>	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 2015.

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	<i>HK\$'000</i>
Final dividend paid in respect of 2014 of 2 HK cents (2013: 1 HK cent) per share	<b>7,972</b>	3,986

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 11. CAPITAL EXPENDITURE

	Property, plant and equipment <i>HK\$'000</i>	Investment properties <i>HK\$'000</i>	Other intangible assets <i>HK\$'000</i>
<b>Six months ended 30 June 2015</b>			
Opening net book amount as at 1 January 2015	129,785	38,764	21,593
Exchange differences	(4)	–	(234)
Additions	7,000	–	1,667
Disposals	(27)	–	–
Disposal of subsidiaries	(5)	–	–
Depreciation and amortisation	(11,550)	–	(3,820)
	<u>125,199</u>	<u>38,764</u>	<u>19,206</u>
<b>Closing net book amount as at 30 June 2015</b>			
	<u>125,199</u>	<u>38,764</u>	<u>19,206</u>
<b>Six months ended 30 June 2014</b>			
Opening net book amount as at 1 January 2014	126,040	12,889	28,775
Transfer of land use rights and building to investment properties	(15,120)	15,435	–
Revaluation surplus upon transfer of land use rights and buildings to investment properties	–	10,723	–
Exchange differences	(1,049)	(283)	–
Additions	18,558	–	1,253
Disposals	(99)	–	–
Depreciation and amortisation	(13,127)	–	(4,231)
	<u>115,203</u>	<u>38,764</u>	<u>25,797</u>
<b>Closing net book amount as at 30 June 2014</b>			
	<u>115,203</u>	<u>38,764</u>	<u>25,797</u>

As at 30 June 2015, other intangible assets represent acquired customer relationship of HK\$10,729,000 (31 December 2014: HK\$11,483,000), trademark of HK\$3,867,000 (31 December 2014: HK\$4,393,000) and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products of HK\$4,610,000 (31 December 2014: HK\$5,717,000).

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 11. CAPITAL EXPENDITURE (CONTINUED)

The valuations of the investment properties are based on the valuation results carried out by independent professionally qualified valuer, Stirling Appraisals Limited, who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

The Group's investment properties of residential units in USA and PRC and the production facilities in the PRC are classified as Level 3 fair value measurements as at 31 December 2014 and as at 30 June 2015 which included significant unobservable inputs in the fair value measurement.

The valuation of the residential units in USA and in the PRC was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as rental value, time, location, size and other relevant factors. The most significant input into this valuation approach is the rental value.

The valuation of the production facilities in the PRC was determined using the income approach. The potential rent of the property (with reference to current market rent) of which the Group is entitled to receive for the residual term of the lease of property is capitalised. The most significant impact into this valuation approach is the rental value.

Key unobservable inputs used in the level 3 valuation of the investment properties is the prevailing market rent. Prevailing market rents are based on lettings of the properties within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 12. TRADE AND OTHER RECEIVABLES

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade and bills receivables	<b>150,940</b>	144,735
Deposits, prepayments and other receivables	<b>59,308</b>	56,588
	<b>210,248</b>	201,323
Less: provision for impairment	<b>(8,129)</b>	(7,671)
Less: provision for sales return	<b>(2,293)</b>	(2,293)
	<b>199,826</b>	191,359
Less: non-current portion of prepayments and other receivables	<b>(9,811)</b>	(14,654)
Current portion	<b>190,015</b>	176,705

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:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
0 – 30 days	<b>67,862</b>	67,105
31 – 60 days	<b>45,374</b>	34,992
61 – 90 days	<b>11,241</b>	11,521
Over 90 days	<b>26,463</b>	31,117
	<b>150,940</b>	144,735

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

*Note:*

Included in other receivables are two note receivables of HK\$14,212,000 due from two customers (31 December 2014: HK\$16,834,000).

One note receivable of HK\$1,087,000 (31 December 2014: HK\$1,274,000) is interest bearing at 7% per annum and is repayable in 26 monthly instalments up to July 2015. As at 30 June 2015, a provision was made against the note receivable to the extent of HK\$1,087,000 (31 December 2014: HK\$1,274,000).

Another note receivable of HK\$13,125,000 (31 December 2014: HK\$15,560,000) is interest bearing at 5% per annum and is repayable by 12 quarterly instalments from January 2015 to October 2017. The note is secured by all the assets of the customer but the Group's interest in the collaterals is subordinated to the customer's major lender. The customer has also committed to place purchase orders with the Group with a minimum amount no less than US\$16 million each year for three years or over the duration of the loan, whichever is shorter.

### 13. SHARE CAPITAL

	<b>Number of shares of HK\$0.10 each</b>	<i>HK\$'000</i>
<b>Authorised:</b>		
At 1 January 2014, 31 December 2014 and 30 June 2015	<u>1,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2014, 31 December 2014 and 30 June 2015	<u>398,583,284</u>	<u>39,858</u>

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 14. TRADE AND OTHER PAYABLES

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Trade and bills payables	<b>61,957</b>	76,782
Accrued charges and other payables	<b>89,218</b>	93,042
	<b>151,175</b>	169,824
Less: other non-current payables	<b>(1,655)</b>	(1,112)
Current portion	<b>149,520</b>	168,712

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

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
0 – 30 days	<b>37,870</b>	40,229
31 – 60 days	<b>15,369</b>	21,382
61 – 90 days	<b>1,469</b>	7,420
Over 90 days	<b>7,249</b>	7,751
	<b>61,957</b>	76,782

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 15. BORROWINGS

Movement in borrowings is analysed as follows:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Opening amount as at 1 January	<b>32,890</b>	27,000
Drawdown of borrowings	<b>12,334</b>	26,670
Repayment of borrowings	<b>(6,500)</b>	(20,780)
	<hr/>	<hr/>
Closing amount as at 30 June/31 December	<b>38,724</b>	32,890
	<hr/> <hr/>	<hr/> <hr/>

### 16. CAPITAL COMMITMENTS

At 30 June 2015, the Group had capital expenditure commitments as follows:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Authorised but not contracted for		
– Manufacturing business	<b>20,000</b>	9,000
– Trading business	<b>57,280</b>	1,000
– Retail business	<b>2,000</b>	2,000
	<hr/>	<hr/>
	<b>79,280</b>	12,000
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 17. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

#### (a) Sale and purchase of goods and services

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Sales of goods to affiliated companies of a shareholder	<b>135,717</b>	133,896
Rental paid in respect of office premises to directors and a company controlled by a director	<b>792</b>	636
License fee paid to an affiliated company of a shareholder	<b>221</b>	570
Claim charges paid to affiliated companies of a shareholder	<b>2,747</b>	4,824
Royalty income from a related party	<b>450</b>	450

#### (b) Period-end balances arising from sale of goods and services

	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Trade receivables from affiliated companies of a shareholder	<b>58,959</b>	63,861

## Notes to the Unaudited Interim Financial Information

For the six months ended 30 June 2015

### 17. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Key management personnel remuneration

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>10,498</b>	10,348
Retirement scheme contributions	<b>79</b>	77
	<b>10,577</b>	10,425

### 18. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 20 August 2015.

## Other Information Provided in Accordance with the Listing Rules

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, 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			Total	Percentage of interest
	Personal interest	Other direct interest	Underlying shares		
Mr. Ngan Hei Keung	–	217,250,000 <i>(note 1, 2)</i>	45,800,000 <i>(note 3, 4)</i>	263,050,000	66.00%
Madam Ngan Po Ling, Pauline	33,550,000 <i>(note 2)</i>	183,700,000 <i>(note 1)</i>	45,800,000 <i>(note 3, 4)</i>	263,050,000	66.00%
Mr. James S. Patterson	–	–	2,000,000 <i>(note 5)</i>	2,000,000	0.50%
Ms. Maggie Gu	–	–	500,000 <i>(note 5)</i>	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 Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively.
- (2) The 33,550,000 shares are beneficially owned by Madam Ngan, Pauline, the spouse of Mr. Ngan.
- (3) Pursuant to the contingent purchase deed renewed on 30 September 2014 between Mr. Ngan, Madam Ngan and New Era Cap Hong Kong LLC ("NEHK"), NEHK 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 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 on 23 June 2009 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.

### SHARE OPTION SCHEMES

On 23 May 2002, a share option scheme (the "Old 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.

The total number of shares which may be issued upon exercise of all options to be granted under the Old 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.

## Other Information Provided in Accordance with the Listing Rules

### SHARE OPTION SCHEMES (CONTINUED)

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 invested 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% of the issued share capital of the Company.

## Other Information Provided in Accordance with the Listing Rules

### SHARE OPTION SCHEMES (CONTINUED)

At 30 June 2015, 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\$1.17 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:

	<b>Date of grant</b>	<b>Period during which options exercisable</b>	<b>Exercise price (HK\$)</b>	<b>Outstanding at 1.1.2015 and 30.6.2015</b>	<b>Market value per share at date of grant</b>
<b>New Scheme</b>					
Director	23.06.2009	23.06.2010 – 22.06.2019	0.946	8,500,000	0.93
Employees	11.06.2008	11.06.2009 – 10.06.2018	1.19	1,000,000	1.16
	23.06.2009	23.06.2010 – 22.06.2019	0.946	6,270,000	0.93
	08.11.2010	08.11.2011 – 07.11.2020	0.92	900,000	0.92
	30.12.2011	30.12.2012 – 29.12.2021	0.80	4,000,000	0.80
				<u>12,170,000</u>	

*Note:*

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\$14,000 of share-based payment expense has been included in the condensed consolidated income statement for the six months ended 30 June 2015 (2014: HK\$9,000) and the corresponding amount of which has been credited to share based compensation reserve.

Apart from the foregoing, at no time during the period 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 2015, 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

Name	Capacity	Number of shares			Total	Percentage of interest
		Personal interest	Other interest	Underlying shares		
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%
NEHK (note 2)	Interest of a controlled corporation	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. Mr. Christopher Koch owns 75% of the issued share capital of NEHK. 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 ( <i>note</i> )	9.99%
NEHK	39,800,000 ( <i>note</i> )	9.99%

*Note:* Pursuant to the contingent purchase deed renewed on 30 September 2014 between Mr. Ngan, Madam Ngan and NEHK, NEHK 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 NEHK, 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 2015, 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 2015, 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 2015.

### **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 ended 30 June 2015.

### **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 ended 30 June 2015.

By Order of the Board

**Ngan Hei Keung**

*Chairman*

Hong Kong, 20 August 2015

*As at the date hereof, the Board of Directors of the Company comprises eight 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; one Non-executive Director, Mr. Andrew Ngan; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.*