MAINLAND HEADWEAR HOLDINGS LIMITED
飛達帽業控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 1100)

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

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 2011 (the "Period") together with comparative figures for the corresponding period in 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**360,520**	292,902
Cost of sales		**(268,651)**	(205,870)
Gross profit		**91,869**	87,032
Other income		**912**	341
Other gains – net		**375**	479
Selling and distribution costs		**(33,452)**	(39,922)
Administration expenses		**(57,340)**	(35,202)
Profit from operations		**2,364**	12,728
Finance (expense)/income – net	*4(a)*	**(837)**	755
Profit before income tax	*4*	**1,527**	13,483
Income tax expense	*5*	**(574)**	(3,119)
Profit for the period		**953**	10,364

* *For identification purpose only*

		Six months ended 30 June	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the parent		**744**	10,262
Non-controlling interests		**209**	102
		953	10,364
Earnings per share attributable to owners of the parent	*6*		
Basic		**0.2 HK cent**	2.8 HK cents
Diluted		**0.2 HK cent**	2.8 HK cents
		HK$'000	*HK$'000*
Dividends	*7*	**3,986**	3,980

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period	**953**	10,364
Other comprehensive income for the period		
Exchange differences on translation of financial statements of foreign operations	**1,461**	(944)
Total comprehensive income for the period, net of tax	**2,414**	9,420
Attributable to:		
Owners of the parent	**2,171**	9,318
Non-controlling interests	**243**	102
Total comprehensive income for the period	**2,414**	9,420

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2011

	Note	**30 June 2011 (Unaudited)** *HK$'000*	31 December 2010 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**107,621**	118,678
Land use rights		**760**	816
Goodwill		**4,958**	4,958
Other intangible assets	*8*	**37,717**	2,041
Other non-current receivables	*9*	**1,911**	5,023
Deferred tax assets		**1,164**	152
		154,131	131,668
Current assets			
Inventories		**114,477**	130,518
Trade and other receivables	*9*	**171,094**	160,325
Amount due from a related company		**964**	941
Financial assets at fair value through profit or loss		**1,364**	1,423
Tax recoverable		**–**	604
Cash and cash equivalents		**189,953**	185,667
		477,852	479,478
Total assets		**631,983**	611,146
EQUITY			
Equity attributable to owners of the parent			
Share capital		**39,858**	39,800
Other reserves		**219,622**	216,873
Retained earnings			
– Proposed dividends		**3,986**	7,971
– Others		**217,405**	220,648
		480,871	485,292
Non-controlling interests		**4,268**	4,025
Total equity		**485,139**	489,317

	Note	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Other non-current payables	*10*	**25,584**	–
Long service payment payable		**336**	260
Deferred tax liabilities		**–**	629
		25,920	889
Current liabilities			
Trade and other payables	*10*	**104,184**	106,448
Amounts due to related companies		**1,469**	1,435
Income tax payable		**15,271**	13,057
		120,924	120,940
Total liabilities		**146,844**	121,829
Total equity and liabilities		**631,983**	611,146
Net current assets		**356,928**	358,538
Total assets less current liabilities		**511,059**	490,206

Notes

1. **BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with HKFRSs.

This condensed consolidated financial information has not been audited.

2. **ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

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

The following amendments to standards are mandatory and relevant for the first time for the financial year beginning 1 January 2011:

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) **New and amended standards effective in 2011 but not relevant to the Group**

The following amended standards and interpretations of HKFRS are mandatory for accounting periods beginning on or after 1 January 2011 but they are not relevant to the Group's operations:

HKAS 24 (Revised)	Related party disclosures
HKAS 32 Amendment	Classification of rights issue
HK(IFRIC) – Int 14	Prepayment of minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Annual improvement project to HKFRS 2010	

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 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 2011 and have not been early adopted by the Group:

HKFRS 9	Financial instruments
HKAS 12 Amendment	Deferred tax: Recovery of underlying assets
HKFRS 7 Amendment	Disclosures – Transfers of financial assets
HKAS 1 Amendment	Presentation of financial statements
HKAS 19 Amendment	Employee benefits
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 27 Amendment	Separate financial statements
HKAS 28 Amendment	Investments in associates

The Group has not early adopted the above standards and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial statements will result.

3. 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 focus on the Europe market.

(iii) Retail Business: The Group operates LIDS stores in the PRC and Hong Kong, and SANRIO stores in the PRC. The operation of tourist souvenir shops ceased during 2010.

Segment assets exclude financial assets at fair value through profit or loss, other intangible assets, deferred tax assets and 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.

	Manufacturing		Trading		Retail		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**282,902**	229,320	**22,855**	14,294	**54,763**	49,288	**360,520**	292,902
Inter-segment revenue	**8,521**	8,881	**–**	–	**–**	–	**8,521**	8,881
Reportable segment revenue	**291,423**	238,201	**22,855**	14,294	**54,763**	49,288	**369,041**	301,783
Reportable segment profit/(loss)	**9,986**	24,679	**2,120**	(1,434)	**(5,243)**	(5,261)	**6,863**	17,984
Fair value (loss)/gain on financial assets at fair value through profit or loss							**(59)**	366
Share-based payment expenses							**(832)**	(1,783)
Unallocated corporate income							**7**	–
Unallocated corporate expenses							**(3,615)**	(3,839)
Profit from operations							**2,364**	12,728
Finance (expense)/income - net							**(837)**	755
Income tax expense							**(574)**	(3,119)
Profit for the period							**953**	10,364

	Manufacturing		Trading		Retail		Total	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment assets	**309,119**	327,543	**8,408**	7,201	**69,081**	71,778	**386,608**	406,522
Other intangible assets							**37,717**	2,041
Deferred tax assets							**1,164**	152
Tax recoverable							**–**	604
Financial assets at fair value through profit or loss							**1,364**	1,423
Other corporate assets							**205,130**	200,404
Total assets							**631,983**	611,146

4. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
(a) **Finance (expense)/income – net**		
Interest on bank loans, overdrafts and other borrowings	**(61)**	(12)
Interest on license fee payables	**(952)**	–
Interest on amount due to a related company	**(20)**	(20)
Interest income	**196**	787
Net finance (expense)/income	**(837)**	755
(b) Other items		
Fair value loss/(gain) on financial assets at fair value through profit or loss	**59**	(366)
Depreciation of property, plant and equipment	**13,405**	13,834
Amortisation of other intangible assets	**4,952**	875
Provision for impairment of trade and other receivables	**21,337**	2,000
Provision for slow moving and obsolete inventories	**6,004**	–
Exchange gain, net	**(434)**	(113)

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong Profits Tax	**–**	1,366
Overseas tax	**2,214**	1,739
	2,214	3,105
Deferred taxation	**(1,640)**	14
	574	3,119

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% (2010: 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.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the parent of HK$744,000 (2010: HK$10,262,000) and on the weighted average number of shares of 398,527,041 (2010: 361,440,671) in issue during the Period.

Diluted earnings per share is calculated by adjusting 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 interim 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 of that would have been issued assuming the exercise of the share options.

	For the six months ended 30 June 2011
Profit attributable to equity holders of the Company (HK$'000)	744
Weighted average number of ordinary shares in issue	398,527,041
Adjustment for share options	1,792,759
Weighted average number of ordinary shares for diluted earnings per share	400,319,800
Diluted earnings per share (HK cent)	0.2

Dilutive earnings per share was the same as basic earnings per share for the period ended 30 June 2010 as there was no dilutive impact.

7. DIVIDENDS

(a) Dividends attributable to the period

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Interim dividend declared of 1 HK cent (2010: 1 HK cent) per share	**3,986**	3,980

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 year ending 31 December 2011.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Final dividend paid in respect of 2010 of 2 HK cents (2009: 2 HK cents) per share	**7,972**	7,538

8. OTHER INTANGIBLE ASSETS

As at 30 June 2011, other intangible assets represent acquired customer relationship attributable to the purchase orders committed by New Era Group of HK$1,021,000 and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products and retail outlets of HK$36,696,000.

9. TRADE AND OTHER RECEIVABLES

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Trade and bills receivables	**150,308**	116,762
Deposits, prepayments and other receivables	**47,799**	67,758
	198,107	184,520
Less: provision for impairment	**(25,102)**	(19,172)
	173,005	165,348
Less: non-current portion of other receivables	**(1,911)**	(5,023)
Current portion	**171,094**	160,325

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:

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
0 – 30 days	**57,091**	50,700
31 – 60 days	**39,039**	31,962
61 – 90 days	**13,417**	5,947
Over 90 days	**40,761**	28,153
	150,308	116,762

10. TRADE AND OTHER PAYABLES

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
Trade and bills payables	**40,238**	44,857
Accrued charges and other payables	**89,530**	61,591
	129,768	106,448
Less: non-current portion of license fee payables	**(25,584)**	–
	104,184	106,448

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

	30 June 2011 *HK$'000*	31 December 2010 *HK$'000*
0 – 30 days	**21,281**	24,941
31 – 60 days	**14,245**	13,768
61 – 90 days	**2,170**	2,380
Over 90 days	**2,542**	3,768
	40,238	44,857

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2011, the Group's turnover rose 23% over the same period last year to HK$360,520,000. The growth was mainly due to the increase in orders of the Manufacturing Business and the satisfactory performance of Trading Business.

Despite the unfavourable factors including the appreciating RMB, rising raw material prices and labour costs, the Group managed to offset the impact of rising costs to some extent by reducing the cost of its Manufacturing Business and increasing prices. Overall gross profit margin during the period was 25.5% (2010: 29.7%). On the other hand, the Group has adopted a prudent approach to business operations. During the period under review, the Group has had to make impairment provision for debts due from two customers of approximately HK$21,337,000 as detailed below. Consequently, the profit attributable to shareholders of the Group decreased from HK$10,262,000 in the corresponding period last year to HK$744,000 in the review period. Excluding the provision, the profit attributable to shareholders of the Group would be HK$22,081,000 (2010: HK$10,262,000) during the period.

(i) As at 30 June 2011, the Group had an aggregate amount of HK$52,843,000 (2010: HK$39,038,000) due from a customer, H3 Sportgear. On 24 March 2011, the Group received an unconditional guarantee from the shareholder of H3 Sportgear ("Guarantor") in respect of the repayment of the balance due to the Group. In the event that H3 Sportgear fails to make payments on time, the Group may require the Guarantor to make those payments under the guaranty agreement and the Group has the option to require the Guarantor to make such payments in the form of common stock of the customer of a value at least equal to the payment obligation.

    On 19 August 2011, the Group completed the acquisition of the entire equity interest in Million Soung Limited at a total consideration of US$5,600,001 (equivalent to approximately HK$43,600,000) as a repayment of debts owed to a subsidiary of the Company. Upon completion of the acquisition, the Group would indirectly own 85% equity interest in H3 Sportgear, through Million Soung Limited. As H3 Sportgear is mainly engaged in distribution of licensed and private label headwear, apparel and accessories in the USA, the acquisition will make H3 Sportgear the Group's distribution trading arm in the USA, currently its largest market, enabling direct sales to major retailers there.

    The amount due from H3 Sportgear to the Group has accumulated over 2 years. Despite the positive outlook of H3 business and synergy to the Group, some of its potential cannot be reflected in its business valuation which management has carried out in a prudent manner. Accordingly a provision of HK$17,371,000 has been made to reflect the shortfall of the value of the 85% of equity interest in H3 Sportgear as compared to the carrying value of its debt to the Group.

(ii) The Group has a note receivable from a customer of HK$7,931,000 (2010: HK$8,271,000). The note receivable is interest bearing at 7% per annum and is repayable by 26 monthly instalments up to November 2012. The balance is secured by a second mortgage over a property. As at 30 June 2011, a provision of HK$3,966,000 was made due to default in repayment of certain installments from the customer during the period.

BUSINESS REVIEW

Manufacturing Business

During the period under review, the recovery of the overall economy, a more proactive approach by customers towards procurement, and stronger demand for the Group's products have all benefitted the headwear market. This has led to a year-on-year increase of 22% in turnover of the Group's Manufacturing Business, its main income stream, to HK$291,423,000, accounting for 79.0% of the Group's total turnover.

The Group also faced myriad external challenges during the period, including an appreciating RMB as well as rising raw material prices and wages which have resulted in notable increases in cost. In addition, due to the impact of the temporary manpower shortage, the resulting limitation in production capacity of the Group's plants has made it unable to fully meet the substantial increase in customers' orders and brought extra challenges to the Group's operation. In order to maintain a long term and good cooperative relationship with customers, the Group outsourced the production of some orders, which incurred higher costs. The above factors have led to a reduction in gross profit margin to approximately 20%. Besides, as detailed above, an impairment provision of approximately HK$21,337,000 was recognised for trade and other receivables due from two customers. Therefore the operating profit of the Manufacturing Business dropped 60% from HK$24,679,000 in the corresponding period last year to HK$9,986,000.

Trading Business

The Group committed efforts to strengthening the sales team of Trading Business and expanding customer base during the period, thus the turnover rose by 60% to HK$22,855,000. The trading business has also reported an encouraging performance and achieved a turnaround with an operating profit of HK$2,120,000 (2010: an operating loss of HK$1,434,000).

Retail Business

With the continued improvement in consumer sentiment in the PRC, turnover of the Group's Retail Business grew by 11% year-on-year to HK$54,763,000 during the period under review, accounting for about 14.8% of the Group's total turnover. However, due to the rise of the JPY exchange rate exerting pressure on the Sanrio business operating cost as well as the increase of staff cost of the LIDs business during the period, the Retail Business recorded an operating loss of HK$5,243,000, which was similar to the performance of last year (2010 operating loss: HK$5,261,000).

Sanrio

Driven by the healthy growth of the PRC economy, market demand for high-end premium consumer products has been rising. Turnover from the Sanrio operations climbed by 8% to HK$41,431,000 with same store sales growth of 11%. However, as nearly 50% of products of the Sanrio business were imported from Japan, the continuous rise in the exchange rate of the JPY placed pressure on the operating costs of the Sanrio business, thus its gross profit margin was reduced to approximately 53.5% (2010: 56.6%), and its operating loss was HK$2,640,000 (2010: operating loss: HK$2,599,000). As at 30 June 2011, the Group operated 48 Sanrio self-owned stores and 59 franchise stores.

The exclusive licensing agreement signed by the Group and Sanrio in 2005 expired during the period under review. The two parties have renewed the agreement, pursuant to which Futureview Investment Ltd., a 75% subsidiary of the Group, was granted the right to continue to design, manufacture and distribute all Sanrio cartoon character products in the next three years. Capitalising on strong demand for high-end premium goods driven by the booming economy of China and rising consumer spending, the Group is confident that the Sanrio business will continue to improve in the future.

LIDS

The Group has strived to diversify the LIDS business. Apart from opening its first “NOP” store, which specialises in trendy headwear, and the “New Era” brand store in the previous financial year, the Group continued to expand the business by opening two “NOP” stores in prime locations within Tsim Sha Tsui, a major retail shopping district, during the period under review. The “NOP” store and “New Era” store have received positive response from customers after their debut, boosting the turnover of the LIDS business by 27% from HK$10,529,000 in the corresponding period of last year to HK$13,321,000, with same store sales growth of 12%. Gross profit margin of the LIDS business remained at a level slightly above 70%, similar to last year. However, because of the continuous growth of staff cost in Hong Kong and the PRC, and as the first half year is traditionally the slow season for LIDS’ business, an operating loss of HK$1,807,000 was recorded. As at 30 June 2011, the Group had 30 self-owned LIDS stores, of which 24 were in the PRC and six were in Hong Kong. In addition, the Group operated 13 LIDS franchise stores in the PRC, and three own-brand “NOP” stores and one “New Era” retail store in Hong Kong.

Prospects

The Group expects to face tough ongoing challenges such as RMB appreciation, a labour shortage in the PRC and rising wages and rentals in the second half of the year. Despite this, the Group is continuing to prudently plan in a bid to drive sustainable business development.

For the Manufacturing Business, the Group's efforts in exploring new customer sources has begun to pay off. The negotiations between the Group and key customers to secure orders with an increase in volume are underway. The new orders are expected to sustain strong growth momentum during the second half of the year. To meet the order demands of customers, the Group plans to further expand production scale in other regions. Since the prices of some materials such as cotton have been decreasing from the second quarter of 2011, we believe the material cost pressure would be relieved during the second half of the year, so we remain confident that the manufacturing business will continue to develop steadily.

In its Trading Business, the Group's efforts in strengthening the sales team in Europe have gained a satisfactory result. The sales team has just reached an agreement with a leading soccer team in the English Premier League on the distribution rights of headwear products in Europe for the team. The trading business team is striving to gain the distribution rights of headwear products for more of the renowned teams in the English Premier League, and expand our customer base to create more synergies in operations within the Group.

Soon after the Group announced the acquisition of 85% equity interest in H3 Sportgear, one of the largest retailers in the US contacted H3 Sportgear for a supply arrangement. Thus, the Group has strong confidence in the prospects for its business in the US. Besides, Mainland Headwear can establish its own licensed product mix through this acquisition to attract higher margin licensed headwear business, while H3 Sportgear can also ease entry into the accessories market in the USA. With a better product mix, this acquisition is set to create stronger synergies for the Group.

To further expand the sales network and market share of the Sanrio business, the Group will open an online trading platform in the second half of the year. Capitalising on the anticipated strong visitation via the internet and its higher cost-efficiency, the online platform aims at boosting the sales of Sanrio products. Meanwhile, the Group is planning to devote more resources to improving operational efficiency to enhance sales performance, thus providing added momentum to advance the Group's long-term development. On the other hand, the Group is continuing to implement its development strategy to increase the number of its self-owned stores in first-tier cities and that of franchisees in second- and third-tier cities within mainland China.

For the LIDS business, backed by overwhelming responses received since the first "NOP" retail store has debut, the Group strives to capture the enormous market opportunities by opening more "NOP" retail stores in the second half of the year. At the same time, the Group is continuing to diversify its brand mix to meet the demand for different headwear in the market. On top of attracting new customers, the Group's ultimate aim is to increase the sales and profit.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had cash and bank balances and a portfolio of liquid investments totaling HK$191.3 million (31 December 2010: HK$187.1 million). About 53% and 25% of these liquid funds were denominated in US dollars and Renminbi respectively. As at 30 June 2011, the Group had banking facilities of HK$104.0 million (31 December 2010: HK$116.0 million), of which HK$95.4 million (31 December 2010: HK$106.0 million) was not utilised.

The Group continues to maintain its gearing ratio (aggregate of bank borrowings divided by shareholders' equity) at 0% (31 December 2010: 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.

SUBSEQUENT EVENT

On 19 August 2011, the Group acquired 85% equity interest H3 Sportgear LLC which engages in distribution for licensed and private label headwear, apparel and accessories in the USA. The aggregate consideration for the acquisition amounted to US$5,600,001 which was settled in the following manner: (i) as to US$1 by payment to the vendor; (ii) as to US$2,800,000 by way of debt capitalization; and (iii) as to HK$2,800,000 in form of debenture by conversion of the existing debt.

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$0.4 million (2010: HK$6.1 million) on additions to equipment to further upgrade its manufacturing capabilities, and HK$2.3 million (2010: HK$2.9 million) for the opening of retail stores and for trading business.

As at 30 June 2011, the Group had authorised capital commitment of HK$35.0 million in respect of manufacturing equipment. In addition, the Group also had authorised capital commitment of HK$1.5 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 1.5%.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2011, the Group employed a total of 3,234 (2010: 3,477) workers and employees in the PRC, 97 (2010: 97) employees in Hong Kong and Macau, and 8 (2010: 8) employees in the UK. The expenditures for the employees during the Period were approximately HK$87 million (2010: HK$76 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 (2010: 1 HK cent) per share, payable on or after 21 October 2011.

Closure of Register of Members

The register of members of the Company will be closed from 27 September 2011 to 30 September 2011 (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 26 September 2011.

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

During the six months ended 30 June 2011, 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 2011 except for the deviations from Code Provisions A.4.1 and A.4.2 as detailed in the Corporate Governance Report included in the 2010 Annual Report that independent non-executive directors have not been appointed for a specific term; and that the Chairman and the Managing Director (who are also the founders of the Company), are not subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules in relation to the establishment of an audit committee. The audit committee members comprise 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, 29 August 2011

As at the date of this announcement, the Board comprises eight directors, of which three are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline and Mr. James S. Patterson; 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.