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 2012

The Board of Directors (the "Directors") of Mainland Headwear Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 (the "Period") together with comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**361,955**	360,520
Cost of sales		**(255,301)**	(268,651)
Gross profit		**106,654**	91,869
Other income		**572**	912
Other (losses)/gains – net		**(890)**	375
Selling and distribution costs		**(41,579)**	(33,452)
Administration expenses		**(45,219)**	(57,340)
Profit from operations		**19,538**	2,364
Finance income		**309**	196
Finance costs		**(1,880)**	(1,033)
Finance costs – net	*4(a)*	**(1,571)**	(837)
Profit before income tax	*4*	**17,967**	1,527
Income tax expense	*5*	**(3,785)**	(574)
Profit for the period		**14,182**	953

* *For identification purpose only*

		Six months ended 30 June	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**14,707**	744
Non-controlling interests		**(525)**	209
		14,182	953
Earnings per share attributable to owners of the Company	*6*		
Basic		**3.7 HK cents**	0.2 HK cent
Diluted		**3.7 HK cents**	0.2 HK cent
		HK$'000	*HK$'000*
Dividends	*7*	**7,972**	3,986

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2012

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

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2012

	Note	**30 June 2012 (Unaudited)** *HK$'000*	31 December 2011 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**96,527**	104,245
Land use rights		**623**	695
Goodwill		**27,446**	27,446
Other intangible assets		**29,303**	38,588
Other non-current prepayments and receivables	*8*	**9,051**	2,857
Deferred income tax assets		**890**	975
Non-current bank deposits		**1,618**	1,689
		165,458	176,495
Current assets			
Inventories		**134,136**	137,074
Trade and other receivables	*8*	**158,677**	156,044
Financial assets at fair value through profit or loss		**2,514**	3,141
Derivative financial instruments		**525**	–
Income tax recoverable		**262**	262
Cash and cash equivalents		**200,181**	188,896
		496,295	485,417
Total assets		**661,753**	661,912
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,858**	39,858
Other reserves		**225,435**	220,515
Retained earnings			
– Proposed dividends		**7,972**	11,957
– Others		**232,641**	225,906
		505,906	498,236
Non-controlling interests		**798**	801
Total equity		**506,704**	499,037

	Note	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Other non-current payables	9	**13,877**	22,216
Long service payment payable		**367**	336
		14,244	22,552
Current liabilities			
Trade and other payables	9	**117,759**	120,091
Amount due to a related company		**495**	513
Borrowings		**349**	1,831
Derivative financial instruments		**1,243**	–
Current income tax liabilities		**20,959**	17,888
		140,805	140,323
Total liabilities		**155,049**	162,875
Total equity and liabilities		**661,753**	661,912
Net current assets		**355,490**	345,094
Total assets less current liabilities		**520,948**	521,589

Notes

1. BASIS OF PREPARATION

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

This condensed consolidated financial information has not been audited.

2. ACCOUNTING POLICIES

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

(a) New and amended standards adopted by the Group

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

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

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

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

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

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

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

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 focuses on the Europe market, and H3 Sportgear LLC, ("H3") which focuses on the US market.

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

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

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

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

4. PROFIT BEFORE INCOME TAX

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

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

5. INCOME TAX EXPENSE

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

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

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

6. EARNINGS PER SHARE

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

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

7. DIVIDENDS

(a) Dividends attributable to the period

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

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

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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

Business Review

Manufacturing Business

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

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

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

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

Trading Business

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

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

Retail Business

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

Sanrio Business

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

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

LIDS Business

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

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

Prospects

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group continues to maintain its gearing ratio (aggregate of bank borrowings divided by shareholders' equity) at close to 0% (31 December 2011: 0%). In view of the strong financial and liquidity position, the Group will have sufficient financial resources to meet its commitments and working capital requirements.

CAPITAL EXPENDITURE

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

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

EXCHANGE RISK

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

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2012, the Group employed a total of 2,803 (2011: 3,234) workers and employees in the PRC, 111 (2011: 97) employees in Hong Kong and Macau, and 19 (2011: 8) employees in the USA and UK. The expenditures for the employees during the Period were approximately HK$89.8 million (2011: HK$87.0 million). The Group ensures that the pay levels of its employees are competitive and employees are remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Interim Dividend

The Board has declared an interim dividend of 2 HK cents (2011: 1 HK cent) per share, payable on or after 19 October 2012.

Closure of Register of Members

The register of members of the Company will be closed from 25 September 2012 to 28 September 2012 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 September 2012.

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2012 except for the deviations from Code Provisions A.4.1 as detailed in the Corporate Governance Report included in the 2011 Annual Report that independent non-executive directors have not been appointed for a specific term.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 28 August 2012

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