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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 2015

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 in 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**443,280**	450,540
Cost of sales		**(311,632)**	(323,100)
Gross profit		**131,648**	127,440
Other income		**5,869**	4,696
Other gains/(losses) – net		**412**	(218)
Selling and distribution costs		**(43,459)**	(53,571)
Administration expenses		**(64,948)**	(60,508)
Profit from operations		**29,522**	17,839
Finance income		**743**	903
Finance costs		**(716)**	(651)
Finance income – net	*4(a)*	**27**	252
Profit before income tax	*4*	**29,549**	18,091
Income tax expense	*5(a)*	**(2,315)**	(2,812)
Profit for the period		**27,234**	15,279

* *For identification purpose only*

		Six months ended 30 June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Owners of the Company		**25,821**	17,285
Non-controlling interests		**1,413**	(2,006)
		27,234	15,279
Earnings per share attributable to owners of the Company	*6*		
Basic		**6.5 HK cents**	4.3 HK cents
Diluted		**6.4 HK cents**	4.3 HK cents
		HK$'000	*HK$'000*
Dividends	*7*	**3,986**	3,986

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**27,234**	15,279
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**751**	(3,875)
Items that will not be reclassified to profit and loss:		
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 *(Note 5(b))*	**–**	(2,681)
Total comprehensive income for the period, net of tax	**27,985**	19,446
Attributable to:		
Owners of the Company	**26,602**	21,452
Non-controlling interests	**1,383**	(2,006)
Total comprehensive income for the period	**27,985**	19,446

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 June 2015

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**125,199**	129,785
Investment properties		**38,764**	38,764
Goodwill		**33,798**	33,798
Other intangible assets		**19,206**	21,593
Available-for-sale financial assets		**218**	218
Deferred income tax assets		**3,113**	3,385
Other non-current receivables	*8*	**9,811**	14,654
		230,109	242,197
Current assets			
Inventories		**167,470**	201,453
Trade and other receivables	*8*	**190,015**	176,705
Financial assets at fair value through profit or loss		**1,685**	2,563
Pledged bank deposits		**–**	1,750
Cash and cash equivalents		**166,253**	123,862
		525,423	506,333
Total assets		**755,532**	748,530

	Note	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**39,858**	39,858
Other reserves		**231,253**	230,458
Retained earnings			
– Declared dividends		**3,986**	7,972
– Others		**261,471**	239,636
		536,568	517,924
Non-controlling interests		**(2,620)**	(4,003)
Total equity		**533,948**	513,921
LIABILITIES			
Non-current liabilities			
Other non-current payables	*9*	**1,655**	1,112
Long service payment payable		**457**	457
Deferred tax liabilities		**2,681**	2,681
		4,793	4,250
Current liabilities			
Trade and other payables	*9*	**149,520**	168,712
Amount due to related companies		**956**	943
Current income tax liabilities		**27,591**	27,814
Borrowings		**38,724**	32,890
		216,791	230,359
Total liabilities		**221,584**	234,609
Total equity and liabilities		**755,532**	748,530
Net current assets		**308,632**	275,974
Total assets less current liabilities		**538,741**	518,171

Notes

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

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

(1) Effective for annual periods beginning on or after 1 January 2016

(2) Effective for annual periods beginning on or after 1 January 2017

(3) 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. 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 of headwear and other products business 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.

	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	**307,794**	326,139	**118,038**	104,732	**55,701**	56,767	**481,533**	487,638
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							**27,234**	15,279

	Manufacturing		Trading		Retail		Total	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December	**30 June**	31 December
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	(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	**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

4. PROFIT BEFORE INCOME TAX

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

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

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.

	HK$'000
Proceeds	150
Net assets of the disposed subsidiaries	(151)
Loss on disposal of subsidiaries	(1)

5. INCOME TAX EXPENSE

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

(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.

6. 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)	**25,821**	17,285
Weighted average number of ordinary shares in issue	**398,583,284**	398,583,284

(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)	**25,821**	17,285
Weighted average number of ordinary shares in issue	**398,583,284**	398,583,284
Adjustment for share options	**4,767,221**	–
Weighted average number of ordinary shares for diluted earnings per share	**403,350,505**	398,583,284
Diluted earnings per share (HK cent)	**6.4**	4.3

7. DIVIDENDS

(a) Dividends attributable to the period

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Interim dividend declared of 1 HK cent (2014: 1 HK cent) per share	**3,986**	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

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

8. TRADE AND OTHER RECEIVABLES

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

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

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.

9. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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).

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 over 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).

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$40,666,000). 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.

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.

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.

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 of this announcement, 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.