Mainland Headwear Holdings Limited

(Stock code: 1100)

Look ahead • Get a hat

Interim Report
2008

Contents

Management Discussion and Analysis

The Board of Directors (the "Directors") of Mainland Headwear Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008 (the "Period") together with comparative figures for the corresponding period in 2007.

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group recorded a turnover of HK$297,047,000, representing an increase of 16.4% against the same period last year, which was mainly attributable to a higher turnover from Sanrio and new income from 叠翠旅遊紀念品有限責任公司 ("Diecui"), a tourist-souvenir retailer acquired by the Group in January 2008.

However, profit attributable to shareholders was down by 94.1% to HK$1,797,000 when compared with the same period last year, mainly because of the squeezed gross profit margin of the Manufacturing Business, rising manufacturing overhead and a larger proportion of products with lower profit margin. During the Period, the Retail Business developed in steady strides, particularly with the Olympic souvenir shops of Diecui contributing operating profit of HK$797,000 during the review period.

With the US economy slowing down, appreciation of the RMB and the rise in labour and material costs, the gross profit margin of Manufacturing Business has been under immense pressure. Consequently, the overall gross profit margin of the Group for the Period dropped to 29% from 33% in the last corresponding period. Heeding the situation, the Group has strived to improve the operational efficiency of its Panyu factory and started a LEAN production management model at its Shenzhen factory. These exercises paid off in helping the Group streamline its management structure, enhance operational and production efficiency, lower cost and raise gross margin, thereby compensating part of the drop in the profit margin of the Manufacturing Business.

Management Discussion and Analysis

BUSINESS REVIEW

Manufacturing Business

Manufacturing Business continued to be the major revenue contributor of the Group, bringing in turnover of HK$193,840,000 for the Period, which was comparable with the same period last year. During the Period, fewer orders were secured due to the slowdown of the US market and Concept One's breach of the manufacturing agreement that was effective from May 2007. The agreement requires Concept One to make minimum purchase annually, starting from an initial value of US$20,000,000 in the first year, the product amount will gradually increase to US$35,000,000 in the seventh year (or 65% of Concept One's total annual purchase, if the purchase value fell below the stated range). In March 2008, the Group took appropriate legal actions against Concept One to recover related financial losses. And, to mitigate the impact of the Concept One incident, the Group actively sought to secure new customers during the Period. As it takes time to secure new customers, the Group was able to cushion off part of the impact and maintained turnover at a level similar to that of the same period last year.

However, having to shoulder the same level of fixed costs and facing the undesirable external factors such as appreciation of the RMB, rising labour costs in the People's Republic of China ("the PRC") and increasing material costs, together with a larger proportion of products that were sold with relatively lower added value, the gross profit margin of the Manufacturing Business has been under huge pressure. It dropped to slightly above 20% for the Period.

During the review period, the Panyu factory recorded a turnover of HK$20,052,000 (2007: HK$20,168,000). After the Group formally began to run the factory, it reviewed the operations of the factory and implemented a number of measures to enhance operational efficiency. The significant adjustment of the operating loss of the factory from HK$5,193,000 in the same period last year to HK$917,000 for the Period, close to breakeven, speaks to the effectiveness of those corrective measure.

In addition, to alleviate the adverse impacts of different factors on the Group, the Group brought in to its Shenzhen factory the proven LEAN production management model and applied it on the production lines to help them boost operational and production efficiency, lower cost and widen gross margin.

Regarding the headwear manufacturer Keen Idea Group Ltd with Yue Yuen Industrial (Holdings) Limited and Large Forever Limited in January 2008, it is undergoing reform after which it is expected to raise production efficiency of the factory as well as an offer of alternative manufacturing base to customers, who cannot source from China, hence boost the Group's competitive edge.

Management Discussion and Analysis

Retail Business

Turnover from the segment leaped 101.3% to HK$93,277,000 and accounted for 31.4% of the Group's total turnover. The surge was the result of turnover contribution from Sanrio, and revenue contribution from the new Diecui business acquired by the Group early this year. The operating loss of the Group's retail operation was narrowed down from HK$3,384,000 to HK$1,618,000 for the Period.

Sanrio

Sanrio operation grew steadily during the Period. Its turnover rose by 38.6% against the same period last year to HK$42,722,000. Same-store sales grew by 11% with gross profit margin stable at about 55%.

The operating loss of the segment narrowed down from HK$789,000 to approximately HK$615,000 due to the increase in turnover of self-owned stores and the enhanced brand-building efforts to improve shop image.

The Group believes its Retail Business has enormous room for growth, which will become a key component for the overall revenue of the Group. Thus, the Group will continue to invest in the development of its retail network in the PRC. During the Period, it added three new self-owned Sanrio stores. The success of the Group's strategy of boosting the exposure and image of Sanrio by opening self-owned stores had brought six new franchisees into the business during the Period. As at 30 June 2008, the Group had 52 and 63 self-owned Sanrio stores and franchise stores in operation respectively.

LIDS

Although the turnover from LIDS dropped 6.1% to HK$14,563,000, by adhering to its proven sale strategy and increasing the proportion of sales of own brand products that have higher gross profit, the Group was able to lower the operating loss to HK$1,800,000 from HK$2,595,000 in the same period last year.

In the PRC market, the Group continued to expand the business through franchising, with six new stores added during the Period.

As at 30 June 2008, the Group had 30 LIDS self-owned stores, of which 22 were in the PRC and 8 in Hong Kong. In addition, it had 20 LIDS franchise stores in the PRC.

Management Discussion and Analysis

Diecui

At the beginning of the year, by acquiring Diecui, the Group brought in a new income source for its Retail Business. During the Period, the Group operated 126 outlets that sell licensed Olympic products at major tourist spots and hotels in Beijing, the PRC, which reported turnover and operating profit of HK$35,992,000 and HK$797,000 respectively. However, as the PRC government has tightened entry restrictions on foreign visitors, the tourist spots generally recorded lower than expected visitor traffic, hence affecting the business of Diecui.

Trading Business

Turnover from the Trading Business in Europe dropped by a slight 4.1% to HK$23,532,000. The MLB royalties paid by the Group increased during the Period, and that reduced the segmental operating profit to HK$1,119,000.

PROSPECTS

Although raw material prices have shown signs of stabilizing recently, the Group believes its Manufacturing Business will still be facing stiff challenges from the uncertain US economy, the continuous appreciation of RMB and rising wages in the second half of 2008.

To dilute the effect from the tough operating environment ahead the Group, the Group will continue to enhance cost effectiveness. It expects the LEAN production management model at the Shenzhen factory will be fully implemented in October 2008 to significantly beef up the overall gross profit margin of the Manufacturing Business in 2009. Efforts to reform operations of the Panyu factory have also begun to bear fruits, with a breakeven expected in the second half year.

Furthermore, in its effort to secure new customers, the Group forged strategic business partnership with one of the largest sports-licensed headwear companies in the world and has already received orders from it. The Group believes the new partnership will generate enviable contribution to the Group from 2009 onwards.

In the US market, the Group will actively expand private label business and expand its sales network to cover smaller specialty stores. These endeavours are expected to help assure the Group of stable income.

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In addition, the Group will improve the management and operational efficiency of its Vietnam factory, aiming for a notable improvement in the second half year. Apart from boosting its total production capacity, the Group will have a better spread of production locations to its customers, and in turn strengthen its overall edge. Moreover, the Group will be able to explore other cooperation opportunities with Yue Yuen Group in the Retail Business sector.

Having secured the worldwide exclusive manufacturing rights and distribution rights in Greater China and Japan for FIFA headwear, the Group is confident that its Manufacturing Business will be able to capitalise on the craze over the World Cup to be held in 2010 and 2014 to deliver an excellent business performance. The Group will continue to secure more manufacturing and distribution rights for international major events so as to brace expansion of its Manufacturing Business and take its business forward in healthy strides.

For Retail Business, the Group is poised to having more Sanrio franchise stores in second and third tier cities in the PRC and expanding its distribution network to accelerate development of the business. To ensure consistent management quality of the franchisees, the Group will step up management and improve the quality of its franchise operation. In addition, it will open a Gift Gate Jungle Store at a prime location in Sanlitun, Beijing in November 2008 to sell more own-design products that carry higher margins. Apart from enhancing consumer awareness and the image of "Sanrio", opening Sanrio flagship stores at prime locations in the PRC will also help drive growth of the franchise business.

For LIDS business, the Group will revise its shop deployment plan for Hong Kong. Amid rising shop rental in the market, the Group will close two stores of high rentals and relatively low operational efficiency when their leases expire. It will look for suitable shop spaces in those areas that promise greater operational flexibility and better returns. The Group will also continue to expand the franchise business in the PRC.

As presenting a "safe" event is the principle of the Beijing 2008 Olympic Games, the PRC government tightened entry policies on tourists, which resulted in a drastic drop of tourist traffic. Diecui's business was inevitably badly affected. After the Olympic Games, the PRC government has started to resume normal processing of visa applications. This will significantly boost the number of tourists to the country. Also, tours to Beijing in October to December received overwhelming response. The Group believes the Olympic effect will last till the first quarter of 2009, hence to the benefit of the business of Diecui. Furthermore, as all Diecui stores are located at very popular sightseeing spots in Beijing,

Management Discussion and Analysis

the Group restrategizes its business to sell tourist souvenirs in the stores. This will give Sanrio and LIDS an additional retail platform, creating synergies for the Retail Business and higher income to the Group.

For the Trading Business, the Group will continue to ride on its strong business relations with major European retailers to seize opportunities in private label business for the Manufacturing Business, with an aim to grow its customer base and create greater synergies for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had cash and bank balances, and a portfolio of liquid Investments totalling HK$152.7 million (31 December 2007: HK$177.5 million). About 63% and 30% of these liquid funds were denominated in Renminbi and US dollars respectively. In addition, the Group borrowed short term bank loans of HK$18 million (31 December 2007: Nil) to finance several acquisitions during the Period. All bank loans were fully repaid in August 2008.

As at 30 June 2008, the Group had banking facilities of HK$105.0 million (31 December 2007: HK$105.0 million), of which HK$86.3 million (31 December 2007: HK$100.4 million) was not utilized.

The Group continues to enjoy healthy financial position. As at 30 June 2008, the Group's gearing ratio was at 3.5% (aggregate of bank borrowings divided by shareholders' equity) (31 December 2007: 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.

ACQUISITION OF A SUBSIDIARY

On 31 October 2007, the Group through its wholly owned subsidiary, entered into an agreement to acquire 100% equity interest of 北京疊翠旅遊紀念品有限責任公司 ("Diecui"), a PRC incorporated company engaging in running souvenir and gift shops in Beijing, the PRC, for a total cash consideration of Rmb26 million. Upon the completion of the agreement on 1 January 2008, Diecui becomes a 100% wholly owned subsidiary of the Group.

Goodwill arising from the acquisition of 100% interests in Diecui amounted to HK$17,202,000.

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ACQUISITION OF A JOINTLY CONTROLLED ENTITY

On 28 January 2008, the Group entered into a Subscription Agreement with Din Tsun Holding Co., Ltd. and Large Forever Ltd. for a 36% equity interest in Keen Idea Group Ltd. ("Keen Idea"). Keen Idea is a company which is engaged in headwear manufacturing business with its factory based in Vietnam. The total investment cost in Keen Idea is HK$22.5 million cash consideration.

Goodwill arising from the acquisition of 36% interests in Keen Idea amounted to HK$2,897,000.

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$4.0 million (2007: HK$12.1 million) on additions to equipment to further upgrade its manufacturing capabilities, HK$1.4 million (2007: HK$1.0 million) on the construction of a new factory building and HK$1.5 million (2007: HK$1.7 million) for the opening of retail stores.

As at 30 June 2008, the Group had authorized capital commitment of HK$4.6 million in respect of manufacturing equipment and construction of the new factory building. In addition, the Group also had authorized capital commitment of HK$2.2 million for the opening of new retail outlets.

LITIGATIONS

On 6 March 2008, the Company, through its US attorney, filed a complaint in the United District court for the Southern District of New York against Drew Pearson Marketing LLC and USPA Accessories LLC d/b/a Concept One (collectively, the "Defendants") for breaches of the terms and conditions of a Asset Purchase Agreement ("APA") and a Manufacturing Agreement ("MA") entered with the Company in December 2006, the transactions of which were announced and circulated on 11 December 2006 and 29 December 2006 respectively. The Company is seeking a declaratory judgement, which can release the Company from any further performance under the said APA and a judgement for monetary damages plus interest under the said MA.

Subsequent to the filing of the Complaint on 6 March 2008, the Company, through its US attorney, came to know that the USPA Accessories LLC d/b/a Concept One had filed a Complaint against the Company for a non-compliance of certain obligations under the MA, and sought from the Company for monetary damages, plus a declaratory judgement finding that the MA would be void and not enforceable.

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The directors strongly refute the allegations from Concept One and consider them to be without merit, and as such, are determined to vigorously having those allegations defended. Although directors are confident that the Company will prevail in the case, they do not expect the matter to be resolved under the latter part of 2009.

EXCHANGE RISK

Most assets and liabilities of the Group are denominated either in HK dollars, US dollars or Renminbi. The Group estimates that any 2% appreciation of the Renminbi is expected to reduce the gross margin of the Manufacturing Business by about 1%. However, as the 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.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2008, the Group employed a total of 6 (2007: 6) employees in the UK, 113 (2007: 113) employees in Hong Kong and Macau, and 3,667 (2007: 3,384) workers and employees in the PRC. The expenditures for the employees during the Period were approximately HK$73 million (2007: HK$64 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 (2007: 3 HK cents) per share, payable on or after 16 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 September 2008 to 2 October 2008 (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 25 September 2008.

Independent Review Report

Grant Thornton
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Member of Grant Thornton International Ltd

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 31 which comprises the condensed consolidated balance sheet of Mainland Headwear Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

10 September 2008

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover and revenue	3	**297,047**	255,095
Cost of sales		**(211,509)**	(170,348)
Gross profit		**85,538**	84,747
Other income		**1,471**	8,708
Other expenses		**(1,680)**	–
Selling and distribution costs		**(34,049)**	(26,999)
Administration expenses		**(43,784)**	(32,780)
Profit from operations		**7,496**	33,676
Adjustment to gain on disposal of assets and liabilities of a subsidiary	4	**–**	(3,120)
Finance costs	6(a)	**(30)**	(218)
Share of results of a jointly controlled entity	10	**(4,024)**	–
Profit/(loss) before taxation	6		
Continuing operation		**3,442**	33,458
Discontinued operation		**–**	(3,120)
		3,442	30,338
Taxation	7		
Continuing operation		**(1,974)**	(3,161)
Discontinued operation		**–**	–
		(1,974)	(3,161)
Profit/(loss) for the period			
Continuing operation		**1,468**	30,297
Discontinued operation	4	**–**	(3,120)
		1,468	27,177

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 HK$'000	2007 HK$'000
Attributable to:			
Equity holders of the Company			
Continuing operation		**1,797**	30,673
Discontinued operation	4	**–**	(3,120)
		1,797	27,553
Minority interests		**(329)**	(376)
Profit for the period		**1,468**	27,177
Dividends	8		
Final dividend paid		**15,920**	46,312
Bonus shares issued		**–**	2,894
Interim dividend declared		**6,368**	9,552
Earnings/(loss) per share	9		
Basic			
Continuing operation		**0.6 HK cents**	9.7 HK cents
Discontinued operation		**–**	(1.0 HK cents)
		0.6 HK cents	8.7 HK cents
Diluted			
Continuing operation		**0.6 HK cents**	9.5 HK cents
Discontinued operation		**–**	(1.0 HK cents)
		0.6 HK cents	8.5 HK cents

The notes on pages 20 to 31 form part of the interim financial report.

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2008

	Note	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**146,414**	146,120
Prepaid premium on leasehold land held for own use under an operating lease		**1,147**	1,141
Interests in a jointly controlled entity	10	**15,682**	–
Goodwill		**25,363**	8,161
Intangibles		**10,881**	10,603
Deferred tax assets		**66**	36
		199,553	166,061
Current assets			
Inventories		**127,215**	107,627
Trade and other receivables	11	**148,350**	143,902
Amount due from a related company		**971**	851
Short term investments		**79,902**	81,582
Tax recoverable		**608**	751
Bank balances and cash		**72,777**	95,874
		429,823	430,587
Current liabilities			
Trade and other payables	12	**78,843**	61,422
Amounts due to related companies		**850**	843
Unsecured short term bank loans	13	**18,000**	–
Taxation		**7,080**	7,927
		104,773	70,192
Net current assets		**325,050**	360,395
Total assets less current liabilities		**524,603**	526,456

Condensed Consolidated Balance Sheet (Unaudited)

At 30 June 2008

	Note	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Non-current liabilities			
Long term payables		**8,798**	8,573
Post-employment benefits		**73**	73
Deferred tax liabilities		**3,622**	3,622
		12,493	12,268
NET ASSETS		**512,110**	514,188
CAPITAL AND RESERVES			
Share capital	14	**31,840**	31,840
Reserves		**477,181**	479,494
Total equity attributable to equity holders of the Company		**509,021**	511,334
Minority interests		**3,089**	2,854
TOTAL EQUITY		**512,110**	514,188

The notes on pages 20 to 31 form part of the interim financial report.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Net cash from operating activities	**21,015**	100,349
Net cash used in investing activities	**(48,866)**	(89,232)
Net cash from/(used in) financing activities	**2,050**	(45,275)
Decrease in cash and cash equivalents	**(25,801)**	(34,158)
Cash and cash equivalents at the beginning of the period	**95,874**	139,247
Effect of foreign exchange rate changes	**2,704**	–
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**72,777**	105,089

The notes on pages 20 to 31 form part of the interim financial report.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2008

Attributable to equity holders of the Company (Share capital through Total)

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Exchange reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	28,625	94,820	25,878	6,594	353,271	5,957	515,145	1,135	516,280
Exchange differences	–	–	–	–	–	(2,676)	(2,676)	173	(2,503)
Net income/(expense) in equity	–	–	–	–	–	(2,676)	(2,676)	173	(2,503)
	28,625	94,820	25,878	6,594	353,271	3,281	512,469	1,308	513,777
Profit/(loss) for the period	–	–	–	–	27,553	–	27,553	(376)	27,177
Dividend paid	–	–	–	–	(46,312)	–	(46,312)	–	(46,312)
Further acquisition of a subsidiary	–	–	–	–	–	–	–	1,414	1,414
Share options lapsed	–	–	–	(246)	246	–	–	–	–
Exercise of share options	320	8,250	–	(1,315)	–	–	7,255	–	7,255
Issue of bonus shares	2,894	(2,894)	–	–	–	–	–	–	–
At 30 June 2007	31,839	100,176	25,878	5,033	334,758	3,281	500,965	2,346	503,311
Representing:									
2007 interim dividend declared		–	–	–	9,552	–	9,552		
Reserves		100,176	25,878	5,033	325,206	3,281	459,574		
		100,176	25,878	5,033	334,758	3,281	469,126		

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Exchange reserve HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	31,840	100,203	25,878	4,612	339,847	8,954	511,334	2,854	514,188
Exchange differences	–	–	–	–	–	11,810	11,810	564	12,374
Net income in equity	–	–	–	–	–	11,810	11,810	564	12,374
	31,840	100,203	25,878	4,612	339,847	20,764	523,144	3,418	526,562
Profit/(loss) for the period	–	–	–	–	1,797	–	1,797	(329)	1,468
Dividend paid	–	–	–	–	(15,920)	–	(15,920)	–	(15,920)
At 30 June 2008	31,840	100,203	25,878	4,612	325,724	20,764	509,021	3,089	512,110
Representing:									
2008 interim dividend declared		–	–	–	6,368	–	6,368		
Reserves		100,203	25,878	4,612	319,356	20,764	470,813		
		100,203	25,878	4,612	325,724	20,764	477,181		

The notes on pages 20 to 31 form part of the interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

1. BASIS OF PRESENTATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), and Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee and the Company's auditor, Grant Thornton in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Grant Thornton's unmodified independent review report to the Board of Directors is included on page 11.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements.

2. ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

In the current interim period, the Group has adopted all the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") below, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, which are first effective for accounting periods beginning on or after 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new or amended HKFRSs had no material effect on the preparation and presentation of the results and financial position of the Group for the current or prior accounting periods.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

2. ACCOUNTING POLICIES *(CONTINUED)*

The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and amended HKFRSs and considers that they would not significantly impact on its results of operations and financial position.

HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
Amendments to HKAS 32 and HKAS 1	Puttable financial instruments and obligations arising on liquidation [2]
Amendment to HKFRS 2	Share-based payment – Vesting conditions and cancellation [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 8	Operating segments [2]
HK(IFRIC) – Int 13	Customer loyalty programmes [1]

Note:

1 Effective for annual periods beginning on or after 1 July 2008
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009

3. TURNOVER AND REVENUE

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

Turnover and revenue represent sales of goods at invoiced value to customers net of returns and discounts.

4. ADJUSTMENT TO GAIN ON DISPOSAL OF ASSETS AND LIABILITIES OF A SUBSIDIARY/DISCONTINUED OPERATION

On 31 December 2006, the Group disposed of the business and related assets and liabilities of Drew Pearson Marketing Inc. ("DPM"), a subsidiary of the Group. The cash consideration of US$8,000,000 is subject to downward adjustment for any shortfall (the "NAV Shortfall") between the value of net assets disposed of, excluding any tax provision on the profit on disposal, and US$6,700,000. A provision of HK$3,120,000 (equivalent to US$400,000) for the downward adjustment was provided and such provision had been included as adjustment to gain on disposal of assets and liabilities of a subsidiary in the Consolidated Income Statement for the period ended 30 June 2007.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

5. SEGMENTAL INFORMATION

(a) Business segments

The analysis of the Group's revenue and profit from operations by business segments for the six months ended 30 June is as follows:

	Manufacturing		Trading		Retail		Inter-segment elimination		Consolidation	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**180,238**	184,232	**23,532**	24,535	**93,277**	46,328	**-**	–	**297,047**	255,095
Inter-segment revenue	**13,602**	9,386	**-**	–	**-**	–	**(13,602)**	(9,386)	**-**	–
	193,840	193,618	**23,532**	24,535	**93,277**	46,328	**(13,602)**	(9,386)	**297,047**	255,095
Other income	**709**	1,367	**-**	54	**165**	417	**-**	–	**874**	1,838
Total	**194,549**	194,985	**23,532**	24,589	**93,442**	46,745	**(13,602)**	(9,386)	**297,921**	256,933
Segment result and contribution from operations	**8,917**	26,007	**1,119**	3,981	**(1,618)**	(3,384)	**161**	202	**8,579**	26,806
Unallocated other income									**597**	2,840
Changes in fair value of short-term investments (included in other (expenses)/income)									**(1,680)**	4,030
Profit from operations									**7,496**	33,676

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

5. SEGMENTAL INFORMATION *(CONTINUED)*

(b) Geographical segment

The analysis of the Group's turnover by geographical location is as follows:

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
USA	**141,358**	155,846
HK and the PRC	**104,011**	54,410
Europe	**47,316**	38,659
Others	**4,362**	6,180
Total	**297,047**	255,095

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting):

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**30**	218
(b) Other items		
Changes in fair value of short-term investments	**1,680**	(4,030)
Depreciation	**14,874**	13,850

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

7. TAXATION

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Continuing operation:		
Hong Kong Profits Tax	**558**	2,011
PRC Enterprise Income Tax	**1,150**	125
Overseas tax	**292**	953
Deferred taxation	**(26)**	72
	1,974	3,161
Discontinued operation:	**–**	–
	1,974	3,161

Hong Kong Profits Tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong for the Period. Provisions for taxation for PRC and overseas subsidiaries have been calculated at the rates applicable in the respective jurisdictions and based on prevailing legislation, interpretations, and practices in respect thereof.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

8. DIVIDENDS

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Final dividend paid in respect of 2007 of 5 HK cents (2006: 11 HK cents) per share	**15,920**	31,839
No special dividend is proposed (2006: 5 HK cents per share) for the period	**–**	14,473
No bonus issue is proposed for the period	**–**	2,894
Interim dividend declared of 2 HK cents (2007: 3 HK cents) per share	**6,368**	9,552

Bonus shares were issued on the basis of one share of HK$0.1 each credited as fully paid for every ten existing shares on 22 May 2007.

The interim dividend declared after the balance sheet date has not been recognized as a liability at the balance sheet date.

9. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Profit for the period from continuing operation	**1,797**	30,673
Loss for the period from discontinued operation	**–**	(3,120)
Profit for the period attributable to equity holders of the Company	**1,797**	27,553

The basic earnings/(loss) per share is based on the weighted average number of shares of 318,402,284 (2007: 315,976,284) for the Period. The diluted earnings/(loss) per share is based on 318,662,282 (2007: 321,382,610) shares which is the weighted average number of shares during the Period adjusted for the number of dilutive potential shares under the share option schemes.

10. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	30 June 2008 HK$'000	31 December 2007 HK$'000
Cost of unlisted interests in a jointly controlled entity (note (ii))	22,514	–
Share of post-acquisition loss	(4,024)	–
Amount due to a jointly controlled entity (note (iv))	(2,808)	–
	15,682	–

Notes:

(i) Investment in a jointly controlled entity represents 36% of the issued share capital of Keen Idea Group Ltd., a company which is engaged in headwear manufacturing business with its factory based in Vietnam.

(ii) Included in cost of interests in a jointly controlled entity is goodwill arising on acquisition of the jointly controlled entity of HK$2,897,000.

(iii) The summarised financial information in respect of the jointly controlled entity is set out below:

	30 June 2008 HK$'000	31 December 2007 HK$'000
Current assets	34,239	–
Non-current assets	20,325	–
Current liabilities	(11,251)	–
Non-current liabilities	–	–
Income	6,906	–
Expenses	(18,085)	–

(iv) The amount due to the jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment and expected not to settle within one year after the balance sheet date.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

11. TRADE AND OTHER RECEIVABLES

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Trade and bills receivables	**110,349**	99,612
Less: provision for doubtful debts	**(1,919)**	(1,997)
	108,430	97,615
Deposits, prepayments and other debtors	**39,920**	46,287
	148,350	143,902

The ageing analysis of trade and bills receivables (net of specific provisions for doubtful debts) is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
0 – 30 days	**44,289**	41,237
31 – 60 days	**34,540**	20,585
61 – 90 days	**13,132**	7,752
Over 90 days	**16,469**	28,041
	108,430	97,615

Trade receivables are due within 30 to 90 days from the date of billing depending on the trading relationship. Credit evaluations of customers are performed by the Group from time to time to minimize any credit risk associated with receivables. In addition, customers with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

12. TRADE AND OTHER PAYABLES

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
Trade and bills payables	**45,495**	29,180
Accrued charges and other creditors	**33,348**	32,242
	78,843	61,422

The ageing analysis of trade and bills payables is as follows:

	30 June 2008 *HK$'000*	31 December 2007 *HK$'000*
0 – 30 days	**21,014**	17,060
31 – 60 days	**10,906**	8,371
61 – 90 days	**9,665**	1,006
Over 90 days	**3,910**	2,743
	45,495	29,180

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

13. UNSECURED SHORT TERM BANK LOANS

The interest rate of the unsecured short term bank loans is HIBOR plus 1% per annum.

14. SHARE CAPITAL

	Number of shares *('000)*	*HK$'000*
Issued and fully paid:		
At 1 January 2008 and 30 June 2008	318,402	31,840

15. ACQUISITION OF A SUBSIDIARY

On 1 January 2008, Jumbo Creation Investments Limited, a wholly-owned subsidiary of the Company acquired 100% of the issued share capital of 北京叠翠旅遊紀念品有限責任公司 ("Diecui"), a PRC incorporated company engaging in running souvenir and gift shops in Beijing, the PRC, for a total cash consideration of Rmb26 million.

The acquisition has been accounted for by the purchase method of accounting.

Through the acquisition, the Group was able to rapidly expand its presence in Beijing, the PRC, and in particular, in some prime tourist spots. Besides, it also enriched the product mix of the Group's retail business.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

15. ACQUISITION OF A SUBSIDIARY *(CONTINUED)*

Details of the net assets of Diecui acquired by the Group were as follows:

	Diecui's carrying amount and fair value amount before combination *HK$'000*
Assets and liabilities acquired:	
Property, plant and equipment	2,505
Inventories	10,754
Trade and other receivables	5,887
Bank balances and cash	5,180
Trade and other payables	(12,885)
Tax payable	(382)
Total net assets acquired	11,059
Goodwill	17,202
Total cash consideration paid by the Group	28,261
The analysis of the net cash outflow in respect of the acquisition transaction is as follows:	
Total cash consideration	28,261
Bank balances and cash	(5,180)
Net cash outflow during the period	23,081

The subsidiary acquired contributed a revenue of approximately HK$35,992,000 and a profit of approximately HK$239,000 to the equity holders of the Company for the six months ended 30 June 2008.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2008

16. CAPITAL COMMITMENTS

At 30 June 2008, the Group had capital expenditure commitments as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
Contracted but not provided for		
– Manufacturing business	**2,631**	4,858
– Retail business	**–**	10,638
Authorized but not contracted for		
– Manufacturing business	**1,979**	2,487
– Retail business	**2,242**	2,302
	6,852	20,285

17. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 10 September 2008.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2008, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares				
	Personal interest	Other direct interest	Underlying shares	Total	Percentage of interest
Mr. Ngan Hei Keung	–	195,786,000 *(note 1, 2)*	–	195,786,000	61.49%
Madam Ngan Po Ling, Pauline	12,086,000 *(note 2)*	183,700,000 *(note 1, 2)*	–	195,786,000	61.49%
Mr. Cheung Wai Ching	–	100,000 *(note 3)*	3,000,000 *(note 4)*	3,100,000	0.97%

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(CONTINUED)*

Long positions in the shares and underlying shares of the Company *(Continued)*

Notes:

(1) 183,700,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan Hei Keung and the discretionary beneficiaries include Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, and their family members.

(2) The 12,086,000 shares are beneficially owned by Madam Ngan Po Ling, Pauline, the spouse of Mr. Ngan Hei Keung.

(3) The 100,000 shares are beneficially owned by the spouse of Mr. Cheung.

(4) Pursuant to the service contract signed by Mr. Cheung and the Company, Mr. Cheung has been granted share options under the Company's share option scheme to subscribe for 3,000,000 shares of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests in the shares or underlying shares of the Company or any of its associated corporations as defined in the SFO.

SHARE OPTION SCHEMES

Prior to 23 May 2002, the Company operated an option scheme whereby the Board of Directors could, at their absolute discretion, grant options to employees and Executive Directors of the Company and any of its subsidiaries to subscribe for shares in the Company (the "Old Scheme"). On 23 May 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted, whereby the Board of Directors may, at their absolute discretion, grant options to any eligible employees and non-executive directors of the Company or any of its subsidiaries or any invested entity, any suppliers of goods or services to any member of the Group or any invested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

For options granted before 1 September 2001, the exercise price of options was determined by the Board and was the higher of the nominal value of the shares and 80% of the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options. For options granted after 1 September 2001, the exercise price of the options is the highest of the nominal value of the shares, the closing price of the shares on the Stock Exchange on the date of offer of the options and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer of the options.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Group may not in aggregate exceed 30,536,058, being 10% of the shares in issue of the Company as at 23 May 2002, the date of adoption of the New Scheme adjusted for the issue of bonus shares on 22 May 2007.

The New Scheme will remain in force for a period of 10 years from the date of its adoption. The purpose of the New Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group.

Unless approved by shareholders in general meeting, the total number of shares issued and which may fall to be issued upon exercise of the options of the New Scheme and the options granted under any other schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at the relevant time.

An option may be exercised in accordance with the terms of the New Scheme at any time during the period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses in accordance with the terms of the New Scheme and 10 years from the date on offer of that option. A consideration of HK$1 will be payable upon acceptance of the offer.

As at the date of interim report, save for those granted but yet to be exercised, the total number of shares available for issue under the New Scheme was 7,378,458 shares, which represented 2.3% of the issued share capital of the Company as at 31 August 2008.

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

At 30 June 2008, the Directors, employees, customers and suppliers of the Group had the following interests in options to subscribe for shares of the Company (market value per share was HK$1.15 at the balance sheet date) granted at nominal consideration under the share option schemes operated by the Company, each option gives the holder the right to subscribe for one share:

	Date of grant	Period during which options exercisable	Exercise price *(HK$)*	Outstanding at 1.1.2008	Granted during the period	Lapsed during the period	Outstanding at 30.6.2008	Market value per share at date of grant *(HK$)*
Old Scheme								
Employees	11.06.2001	11.06.2002 – 10.06.2009	1.116	301,400	–	–	301,400	1.40
New Scheme								
Director	25.09.2007	25.09.2007 – 24.09.2017	2.380	3,000,000	–	–	3,000,000	2.24
Employees	03.07.2002	03.07.2003 – 02.07.2010	2.455	4,361,500	–	–	4,361,500	2.45
	03.06.2003	03.06.2004 – 02.06.2013	2.091	7,836,300	–	–	7,836,300	2.09
	04.12.2007	04.12.2007 – 03.12.2017	2.020	1,000,000	–	(1,000,000)	–	1.99
	11.06.2008	12.06.2008 – 11.06.2018	1.190	–	1,000,000	–	1,000,000	1.16
				13,197,800	1,000,000	(1,000,000)	13,197,800	
Customers and suppliers	03.07.2002	03.07.2003 – 02.07.2010	2.455	2,145,000	–	–	2,145,000	2.45

Other Information Provided in Accordance with the Listing Rules

SHARE OPTION SCHEMES *(CONTINUED)*

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on a Black-Scholes pricing mode. The inputs into the model were as follows:

Weighted average share price	HK$2.12
Weighted average exercise price	HK$2.25
Expected volatility	35.6%
Expected life	4.5 years
Risk free rate	5.75%
Expected dividend yield	6%

The expected volatility is based on the historic volatility of share prices of the Company. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The fair value of options granted during the six months ended 30 June 2008, determined using the Black-Scholes pricing model, was HK$0.668 per share. The significant inputs into the model were weighted average share price of HK$1.16 at the grant date, weighted average of expected price volatility shares of 47.6%, weighted average expected life of options of 10 years, expected dividend yield of 5% per annum and weighted average risk-free interest rate of 2.5%. The expected price volatility is based on the historical 36-month period prior to the grant date. Changes in such subjective input assumptions could affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services rendered. There were no market conditions associated with the share option grants.

Apart from the foregoing, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Company's Directors or chief executive or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company, or any other body corporate.

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 June 2008, the following declarations of interests by shareholders (other than Directors) holding 5% or more of the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

	Capacity	Number of shares	Percentage of shareholding
Successful Years International Co., Ltd. *(note)*	Beneficial owner	183,700,000	57.69%
Amex International Trust (Cayman) Ltd. *(note)*	Trustee	183,700,000	57.69%

Note: Successful Years International Co., Ltd. is owned by NHK Trust and NPL Trust as to 40% and 60% respectively. These two trusts are discretionary family trusts settled by Mr. Ngan Hei Keung and the discretionary beneficiaries include Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, and their family members. Amex International Trust (Cayman) Ltd. is the trustee of the two trusts. The interests of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline in Successful Years International Co., Ltd. are also disclosed in the section headed "Directors' Interests in Shares and Underlying Shares" above.

Save as disclosed above, as at 30 June 2008, the Company had not been notified by any persons (other than Directors) who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Other Information Provided in Accordance with the Listing Rules

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 2008 except for the deviations from Code Provisions A.4.1 and A.4.2 as detailed in the Corporate Governance Report included in the 2007 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 the non-executive director and all independent 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 results for the Period.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 10 September 2008

As at the date hereof, the Board of Directors of the Company comprises seven directors, of which three are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline and Mr. Cheung Wai Ching; one is Non-executive Director, Mr. Tse Kam Fow; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Lo Hang Fong and Mr. Brandon Liu Tieh Ching, JP.