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 2009

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 2009 (the "Period") together with comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	***HK$'000***	*HK$'000*
Turnover and revenue	3 & 4	**245,553**	297,047
Cost of sales		**(187,731)**	(211,509)
Gross profit		**57,822**	85,538
Other income		**2,891**	1,471
Selling and distribution costs		**(31,769)**	(34,049)
Administration expenses		**(40,400)**	(43,784)
Other operating expenses		**(9,045)**	(1,680)
(Loss)/profit from operations		**(20,501)**	7,496
Share of results of a jointly controlled entity		**209**	(4,024)
Finance costs		**(83)**	(30)
(Loss)/profit before taxation	5	**(20,375)**	3,442
Taxation	6	**(357)**	(1,974)
(Loss)/profit for the period		**(20,732)**	1,468
Attributable to:			
Equity holders of the Company		**(15,409)**	1,797
Minority interests		**(5,323)**	(329)
(Loss)/profit for the period		**(20,732)**	1,468
(Loss)/earnings per share	8		
Basic		**(4.6 HK cents)**	0.6 HK cents
Diluted		**N/A**	0.6 HK cents

Details of dividend payable to equity holders of the Company are set out in note 7 of this interim results.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(20,732)**	1,468
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	**1,593**	12,374
Total comprehensive (expense)/income for the period	**(19,139)**	13,842
Attributable to:		
Equity holders of the Company	**(13,746)**	13,607
Minority interests	**(5,393)**	235
Total comprehensive (expense)/income for the period	**(19,139)**	13,842

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
At 30 June 2009

	Note	**30 June 2009 (Unaudited)** *HK$'000*	31 December 2008 (Audited) *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**142,084**	138,696
Prepaid premium on leasehold land held for own use under an operating lease		**1,009**	1,075
Interests in a jointly controlled entity		**–**	15,136
Goodwill		**4,958**	4,958
Deferred tax assets		**137**	28
		148,188	159,893
Current assets			
Inventories		**109,543**	119,946
Trade and other receivables	9	**166,104**	144,738
Amount due from a related company		**914**	918
Short term investments		**–**	4,322
Tax recoverable		**608**	608
Bank balances and cash		**129,781**	149,148
		406,950	419,680
Current liabilities			
Trade and other payables	10	**70,927**	95,996
Amounts due to related companies		**1,647**	1,412
Taxation		**3,353**	3,774
		75,927	101,182
Net current assets		**331,023**	318,498
Total assets less current liabilities		**479,211**	478,391

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Non-current liabilities		
Post-employment benefits	**73**	73
Deferred tax liabilities	**2,256**	2,253
	2,329	2,326
NET ASSETS	**476,882**	476,065
CAPITAL AND RESERVES		
Share capital	**33,516**	31,840
Reserves	**432,358**	441,654
Total equity attributable to equity holders of the Company	**465,874**	473,494
Minority interests	**11,008**	2,571
TOTAL EQUITY	**476,882**	476,065

Notes

1. BASIS OF PREPARATION

The interim financial results have 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 results are unaudited, but have been reviewed by the Company’s Audit Committee.

2. ACCOUNTING POLICIES

The interim financial results have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2008, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed below.

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group’s financial statements for the annual financial period beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs 2008

Other than as noted below, the adoption of these new and revised HKFRSs has had no material impact on this interim financial results.

HKAS 1 (Revised 2007) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transaction with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income.

The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial results and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 Operating Segments

As a result of the adoption of HKFRS 8, reported segment information is now based on internal management reporting information that is regularly reviewed by the senior executive management. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. The adoption of HKFRS 8 has not affected the identified and reportable operating segments but to provide comparative amounts in respect of items disclosed for the first time in 2009.

3. TURNOVER AND REVENUE

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

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

4. SEGMENT INFORMATION

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's senior executive management for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting are determined following the Group's major business lines. The Group has identified the following reportable segments.

- Manufacturing Business: This segment 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.

- Trading Business: This segment focuses on trading and distribution of headwear and other products to the Europe market.

- Retail Business: This segment focuses on retailing of headwear and souvenir products through LIDS stores in the PRC and Hong Kong, and SANRIO stores and tourist souvenir shops in the PRC.

Information regarding the Group's reportable segments as provided to the Group's senior executive management is set out below:

	Manufacturing		Trading		Retail		Inter-segment elimination		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**199,901**	193,840	**10,096**	23,532	**44,922**	93,277	**(9,366)**	(13,602)	**245,553**	297,047
Inter-segment revenue	**(9,366)**	(13,602)	**–**	–	**–**	–	**9,366**	13,602	**–**	–
Revenue from external customers	**190,535**	180,238	**10,096**	23,532	**44,922**	93,277	**–**	–	**245,553**	297,047
Reportable segment (loss)/profit	**(7,192)**	8,917	**41**	1,119	**(10,948)**	(1,618)	**(916)**	161	**(19,015)**	8,579
Unallocated other income									**379**	597
Other unallocated corporate expenses									**(2,037)**	–
Net gain/(loss) from short-term investments (included in other income/(other operating expenses))									**172**	(1,680)
Finance costs									**(83)**	(30)
Share of results of a jointly controlled entity									**209**	(4,024)
(Loss)/profit before taxation									**(20,375)**	3,442

	Manufacturing	**Trading**	**Retail**	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment assets:					
30 June 2009	**345,261**	**13,577**	**65,774**	**130,526**	**555,138**
31 December 2008	327,982	10,312	72,040	169,239	579,573

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting):

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Net (gain)/loss from short-term investments	**(172)**	1,680
Negative goodwill	**(1,033)**	–
Depreciation	**16,391**	14,874
Provision for impairment of property, plant and equipment	**9,045**	–
Written down of inventories to net realizable value	**5,032**	–

6. TAXATION

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**165**	558
PRC income tax	**288**	1,150
Overseas tax	**10**	292
	463	2,000
Deferred taxation	**(106)**	(26)
	357	1,974

Hong Kong Profits Tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the Period. Taxation for PRC and overseas subsidiaries has been calculated at the rates applicable in the respective jurisdictions and based on prevailing legislation, interpretations, and practices in respect thereof.

7. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Final dividend paid in respect of 2008 of 3 HK cents (2007: 5 HK cents) per share	**10,055**	15,920
Interim dividend declared of 1 HK cents (2008: 2 HK cents) per share	**3,352**	6,368

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

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$15,409,000 (2008: profit of HK$1,797,000) and on the weighted average number of shares of 334,697,356 (2008: 318,402,284) in issue for the Period.

No diluted loss per share has been presented for the Period as there was no dilutive effect on the outstanding share options. For the period ended 30 June 2008, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company of HK$1,797,000 and 318,662,282 shares which was the weighted average number of shares during the period ended 30 June 2008 adjusted for the number of dilutive potential shares under the share option schemes.

9. TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
Trade and bills receivables	**120,418**	107,713
Less: provision for impairment of trade receivables	**(3,566)**	(3,566)
	116,852	104,147
Deposits, prepayments and other debtors	**49,252**	40,591
	166,104	144,738

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

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
0 – 30 days	**49,250**	41,651
31 – 60 days	**26,306**	28,258
61 – 90 days	**12,629**	15,033
Over 90 days	**28,667**	19,205
	116,852	104,147

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.

10. TRADE AND OTHER PAYABLES

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
Trade and bills payables	**32,580**	43,938
Accrued charges and other creditors	**38,347**	52,058
	70,927	95,996

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

	30 June 2009 *HK$'000*	31 December 2008 *HK$'000*
0 – 30 days	**14,472**	19,816
31 – 60 days	**7,602**	9,263
61 – 90 days	**980**	1,385
Over 90 days	**9,526**	13,474
	32,580	43,938

BUSINESS REVIEW AND PROSPECT

Financial Review

The global economy has been deteriorating since the third quarter last year, leading to weakened consumption sentiment. As a result, the Group's manufacturing, trading and retail businesses have all experienced a decline. For the six months ended 30 June 2009, the Group's turnover was HK$245,553,000 (2008: HK$297,047,000).

To cope with the adverse operating conditions, the Group has strengthened product design and R&D for its Manufacturing Business to assist expansion of customer base. However, since products of lower profit margin dominated sales for the Period, the gross margin of Manufacturing Business was squeezed during the Period. That plus provision for impairment of assets (after minority interests sharing) of HK$6,646,000 for the Vietnam factory led to a loss attributable to shareholders of the Group of HK$15,409,000 (2008: profit attributable to shareholders of HK$1,797,000). If the provision was excluded, the Group would have recorded a loss attributable to Shareholders of HK$8,763,000.

Despite that, the consistent effort of the Group to secure new customers has started to pay off. Apart from having received purchase orders worth the agreed entire amount in the first year from New Era Cap Co., Inc. ("New Era"), the world's largest headwear company, in just the first six months, the Group also secured a new customer in a leading casual wear retail chain in Japan. The Group expects orders from the Japanese customer to climb markedly in the second half year and bring stable and significant revenue to the Group's Manufacturing Business.

BUSINESS REVIEW

Manufacturing Business

Amid the financial turmoil, customers of the Group have been careful in purchasing in the bid to reduce inventory level. Thus, in the first quarter of 2009, the Group experienced a substantial drop in customer orders which only gradually stabilized in the second quarter. In response, the Group endeavored to secure new customers and related efforts have been fruitful.

Pursuant to a 7-year manufacturing agreement signed with New Era in October 2008, New Era will purchase headwear products manufactured and supplied by The Group of total value US$157,500,000 in seven years starting from 1 January 2009 including a minimum purchase amount of US$5,000,000 in the first year. However, during the Period under review, the Group had already received orders from New Era of total amount almost reaching the agreed minimum purchase amount for the entire year. This contributed to the HK$199,901,000 turnover from the Manufacturing Business for the first six months of the year, a 3.1% increase when compared to the same period last year (2008: HK$193,840,000). Accounting for 78% of the total turnover of the Group for the Period, Manufacturing Business continued to be the Group's major revenue contributor.

Although the LEAN production management model implemented by the Group last September in all its production lines has enhanced production efficiency, because of smaller volume orders with short delivery lead time, increase in proportion of lower profit margin products, risen staff costs and depreciation of the new Shenzhen factory, the gross margin of Manufacturing Business decreased to less than 18% for the Period.

In addition, because of limited supply of raw materials in Vietnam and local logistics companies not being able to meet the short delivery time required by customers, the Group gradually moved the production for certain orders to the Shenzhen factory during the Period under review. Expecting the limitations to continue, the Group decided to close the Vietnam factory in September 2009, so as to consolidate the Manufacturing Business effectively and improve operational efficiency. Provision for impairment of assets of HK$11,077,000 (before minority interests sharing) was made in the Period.

During the Period under review, the Group secured a new customer in a leading casual wear retail chain in Japan. Production of headwear has begun for this customer and a significant increase in orders is expected for the second half year, which will translate into a stable additional income for the Group.

To prepare for increase in demand from the expanded customer base, the Group enhanced its product design and R&D capabilities during the Period, including purchasing equipment and recruiting more workers. The Group is confident that these measures will help enhance service value and in turn secure more stable and profitable income sources from customers, thereby laying a firm foundation for its long-term development.

Retail Business

As consumers in first-tier cities in the PRC have been more conservative in spending and tourist souvenir retail business declined substantially after the Beijing 2008 Olympic Games, Retail Business incurred an operating loss of HK$10,948,000 (2008: HK$1,618,000) with turnover at HK$44,922,000 (2008:HK$93,277,000) for the Period, representing about 18% of the total turnover of the Group.

Sanrio

During the Period under review, turnover from Sanrio business amounted to HK$34,139,000 (2008: HK$42,722,000), reflecting also the weakened consumption sentiment in first-tier cities in the PRC for high-end goods.

Despite efforts of the Group to raise the proportion of own designed products to 40% to increase profit margin to 56.1%, as a result of increase in rental in Shanghai and staff costs in the PRC, Sanrio business incurred an operating loss of HK$3,140,000 (2008: HK$615,000).

In addition, the Group reviewed the operating performance of its retail outlets during the Period and moved under-performing shops to locations with higher potentials and reasonable rentals to reduce costs. The number of Sanrio stores operated by the Group decreased by 2 to 50 during the Period. For franchise business, the Group terminated cooperation with certain under-performing franchisees, which resulted in a drop in the number of franchise stores to 56 as at 30 June 2009 from 63 in the corresponding period last year.

LIDS

Impacted by declining consumer spending in first-tier cities, LIDS operation made turnover and operating loss of HK$10,742,000 (2008: HK$14,563,000) and HK$2,062,000 (2008: HK$1,799,000) respectively during the Period.

The gross margin of LIDS rose to 68.9%, mainly attributable to the increased proportion of own brand products. As at 30 June 2009, the Group had 27 self-owned LIDS stores, of which 20 were in the PRC and 7 were in Hong Kong. In addition, the Group had 16 LIDS franchise stores in the PRC.

Diecui

After the Beijing 2008 Olympic Games, demand for Olympic-related products shrank drastically. The Group, therefore, closed several self-owned stores during the Period, which led to a significant drop in Diecui's turnover and in turn an operating loss of approximately HK$5,746,000 (2008: operating profit of HK$797,000) for the business.

As at 30 June 2009, the Group had 3 self-owned stores, namely the Summer Palace, the Temple of Heaven and the Tiananmen in operation.

Trading Business

With the European market hit hard in the financial crisis, turnover from Trading Business plunged 57.1% to HK$10,096,000 (2008: HK$23,532,000) and operating profit decreased to HK$41,000. Nevertheless, the segment continued to contribute to the customer base of the Manufacturing Business, generating synergies for the Group.

PROSPECTS

The Group believes, with the global market taking time to recover, the business environment will remain tough in the coming year. Although the orders for Manufacturing Business have gradually stabilized and capacity of the Group's Shenzhen factory for August is all filled, the future is still full of challenges. Thus, the Group has formulated a series of initiatives to tackle potential issues.

Regarding expanding customer base, the Group has secured a significant customer in a leading casual wear retail chain in Japan and has dedicated two production lines in its Shenzhen factory to cater for additional orders from the customer in the second half year. As the orders from this customer carry a higher gross profit, the Group expects the gross margin of Manufacturing Business to increase.

The Group believes the worldwide manufacturing rights for FIFA headwear products it has secured will turn into a new income source for the Manufacturing Business in the advent of the 2010 World Cup.

The Group will focus on developing production facilities and enhancing production capacity in the PRC to accommodate orders taken originally by the Vietnam factory. The new factory building in Shenzhen has been in operation and is ready to take more orders.

Regarding the litigation in relation to Concept One breaching the manufacturing agreement it signed with the Group, the Group expects the dispute will be settled in the first half of 2010.

For Retail Business, the Group will actively negotiate with landlords to lower rentals and relieve cost pressure. With second- and third-tier cities in the PRC relatively less affected by the financial turmoil, the Group will actively develop Sanrio business in cities including Chongqing, Dalian and Shenyang in the second half year. It will open Sanrio flagship stores in those cities to attract franchisees and expand distribution network. Moreover, to boost profits, the Group targets to increase the proportion of own designed products to 50% in the second half of the year.

For LIDS operation, the Group will continue to increase franchisees in second-tier cities including cities in northeastern China where headwear is popular. The Group will also strengthen the management and operating performances of franchisees.

Regarding Diecui, apart from selling tourist souvenirs, its 3 retail stores in Beijing will continue to sell licensed Olympic products until the end of 2009.

Riding on the solid business relations with major European retailers, Trading Business will continue to capture opportunities in private label business to help Manufacturing Business grow its customer base and create greater synergies for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group had cash and bank balances of HK$129.8 million (31 December 2008: HK$153.5 million including a portfolio of liquid investment). About 52% and 29% of these liquid funds were denominated in US dollars and Renminbi respectively.

As at 30 June 2009, the Group had banking facilities of HK$105.0 million (31 December 2008: HK$105.0 million), of which HK$102.4 million (31 December 2008: HK$103.3 million) was not utilized.

The Group continues to maintain its gearing ratio (aggregate of bank borrowings divided by shareholders' equity) at zero (31 December 2008: 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 ADDITIONAL INTERESTS IN KEEN IDEA

On 27 February 2009, the Group through its wholly owned subsidiary, entered into a sales and purchase agreement with Forever Wise Holdings Limited to further acquire 24% equity interests of Keen Idea for a cash consideration of USD560,000 (equivalent to HK$4,368,000). Upon the completion of the agreement, the Group had effectively 60% equity interests in Keen Idea, which has become a non-wholly owned subsidiary of the Group.

Net negative goodwill arising from the acquisition of the 36% interests and 24% interests in January 2008 and February 2009 respectively in Keen Idea amounted to HK$1,033,000. Negative goodwill was arising mainly from bargain purchase.

POST BALANCE SHEET EVENT

The recent global weakening economy has affected the performance of Keen Idea, especially in the third quarter of 2009. Therefore, in August 2009, the board of directors of Keen Idea decided to close down the operations of the Vietnam factory in the third quarter of 2009.

CAPITAL EXPENDITURE

During the Period, the Group spent approximately HK$3.0 million (2008: HK$4.0 million) on additions to equipment to further upgrade its manufacturing capabilities, HK$1.2 million (2008: HK$1.4 million) on the construction of a new factory building and HK$1.7 million (2008: HK$1.5 million) for the opening of retail stores.

As at 30 June 2009, the Group had authorized capital commitment of HK$5.5 million in respect of manufacturing equipment. In addition, the Group also had authorized capital commitment of HK$1.8 million for the opening of new retail outlets.

CONTINGENT LIABILITIES

As disclosed in the Company's 2008 annual report, 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.

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.

The directors strongly refute the allegations from Concept One and consider them to be without merit, and as such, are determined to vigorously defend those allegations. Although directors are confident that the Company will prevail in the case, they expect the matter to be resolved under the first half of 2010.

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 Group by about 1%.

EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2009, the Group employed a total of 6 (2008: 6) employees in the UK, 97 (2008: 113) employees in Hong Kong and Macau, and 4,210 (2008: 3,667) workers and employees in the PRC and Vietnam. The expenditures for the employees during the Period were approximately HK$73 million (2008: HK$73 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 (2008: 2 HK cents) per share, payable on or after 21 October 2009.

Closure of register of members

The register of members of the Company will be closed from 30 September 2009 to 7 October 2009 (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 29 September 2009.

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

During the six months ended 30 June 2009, 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 2009 except for the deviations from Code Provisions A.4.1 and A.4.2 as detailed in the Corporate Governance Report included in the 2008 Annual Report that independent non-executive directors have not been appointed for a specific term; and that the Chairman and the Managing Director (who are also the founders of the Company), are not subject to retirement by rotation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules in relation to the establishment of an audit committee. The audit committee members comprise all independent non-executive directors. 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, 9 September 2009

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. James S. Patterson; one 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. Liu Tieh Ching, Brandon, JP.

* *for identification purpose only*