



# Mainland Headwear Holdings Limited

(Stock code: 1100)



**2023**  
**INTERIM REPORT**

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## Management Discussion and Analysis

The Board of Directors (the “Board” or the “Directors”) of Mainland Headwear Holdings Limited (the “Company”) hereby presents the unaudited interim results of the Company and its subsidiaries (collectively, “Mainland Headwear” or the “Group”) for the six months ended 30 June 2023 (the “Period”).

### FINANCIAL REVIEW

In the first half of 2023, global manufacturers and traders faced the challenges of built-up inventories waiting to be consumed, weakened new demand and stagnant production and sales. The Group continued to implement strategies to stabilize prices and maintain the gross profit margin of its operations to address an oversupply of headwear during the Period. Supported by quick headwear production and delivery capabilities, the Group has secured a considerable number of quick-turn orders with higher selling prices at a time when the market was clearing goods that were overpurchased during the pandemic.

During the Period, the Group’s revenue totaled HK\$780,258,000 (2022 interim: HK\$941,912,000). Gross profit decreased by 9.8% to HK\$273,930,000 (2022 interim: HK\$303,717,000). As a result of the Group’s effective cost control measures, gross profit margin increased modestly by 2.9 percentage points to 35.1% (2022 interim: 32.2%). Profit attributable to shareholders decreased by 23.0% to HK\$65,075,000 (2022 interim: HK\$84,486,000).

The Board has resolved to declare an interim dividend of 3 HK cents per share (2022 interim: 3 HK cents). The Group is in a healthy financial position and has stable operating cash flows. It also has sufficient cash on hand and unutilized banking facilities of approximately HK\$323.2 million and HK\$705.0 million, respectively, as at 30 June 2023 (31 December 2022: HK\$246.9 million and HK\$579.5 million, respectively).

# Management Discussion and Analysis

## BUSINESS REVIEW

### Manufacturing Business

During the Period, revenue from the manufacturing business declined by 16.5% to HK\$469,233,000 (2022 interim: HK\$561,969,000), accounting for approximately 60.1% of the Group's total revenue. The decrease was mainly attributable to built-up inventories still being offloaded by customers in Europe and the US, a result of the port congestion, and logistics and transportation chaos from last year. In particular, shipping fell notably in the second quarter as customers had started to reduce procurement since the beginning of the year. The decline in sales, coupled with traditional festivals in Bangladesh where workers took holidays which resulted in lower production volume, have pushed up average operating costs. The depreciation of the Bangladesh Taka helped to partially offset the increase in production costs during the Period. The segment's operating profit decreased by 9.0% to HK\$129,083,000 (2022 interim: HK\$141,885,000).

During the Period, cost control at the Bangladesh factory was strengthened by improving management and adding new production capacity to optimize the operation layout. After the scheduled completion of construction of a new plant, the Bangladesh factory has a bigger production space for headwear production and commenced production of accessories, such as wallets and belts, for sale via its trading business. The Shenzhen factory continued to focus on the design, development and production of high-end products. As at 30 June 2023, the two factories had approximately 8,800 and 300 employees, respectively (31 December 2022: about 9,000 employees and 300 employees, respectively).

### Trading Business

The trading business was also affected by customers still offloading overbought stock levels from last year and declining sales. Revenue from the trading business decreased by 18.1% to HK\$311,025,000 (2022 interim: HK\$379,943,000), accounting for 39.9% of the Group's total revenue.

During the Period, the trading segment actively promoted budget management, streamlined structure and manpower, and strictly controlled sales and distribution costs and administrative expenses. However, the decrease in sales revenue was still greater than the reduction in costs. Hence, the trading business recorded an operating loss of HK\$28,039,000 (2022 interim: an operating loss of HK\$23,097,000).

## Management Discussion and Analysis

### PROSPECTS

Looking ahead to next year, the global economy will still be affected by geopolitical tensions and uncertainties surrounding interest rate hikes. However, the European and American retail markets are expected to gain support from falling inflation and rising actual income, and see improvement in consumer confidence. Sales prospects for consumer goods such as headwear and apparel remain cautiously optimistic.

Destocking adjustments in major markets including the US have begun to show signs of improvement. Although major retailers are still facing significant inventory pressure, inventory levels have continued to drop in the past few months and are expected to return to healthy levels in the fourth quarter of this year. Orders will also rebound with recovering demand.

As one of the few manufacturers in the headwear market capable of quick production and delivery, the Group has established solid and long-standing business relations with many leading retail brands, ensuring stable prices for customers and maintaining the high-quality image of Mainland Headwear. The Group believes that stable selling prices are conducive to maintaining a healthy gross profit margin and are essential to the sustainability of enterprises. Therefore, the Group still continue to focus on sustainable development despite fluctuations in market supply and demand.

The Group will also continue to strengthen its operation and management, raise efficiency and enrich its product portfolio to consolidate its core competitive advantages. The new plant completed in Bangladesh in recent months has significantly enhanced the Group's production capacity as it boasts experienced management staff, skillful workers and advanced production equipment, allowing it to respond quickly to customer needs. As the factory has more production space after the completion of the new plant, it is currently expanding its production lines for accessories such as belts and wallets, and the finished products will be delivered to the Group's trading segment for sales. Such an arrangement will support the factory in achieving better resource utilization, while the trading segment will also be able to reduce external procurement cost and achieve faster delivery, thus realizing synergies between the Group's manufacturing and trading businesses.

Furthermore, the Group is adding another production base in Mexico. Associated construction is expected to be completed by the end of this year, with operations to be undertaken in phases. Since the production base is located in the area that is less than two kilometers away from the US border, it will help to strengthen the Group's rapid order production capacity, greatly shorten the order delivery time to the US, and reduce the logistics costs and import tax expenses for sales to the US after commencement of operation, thus further demonstrating the Group's quick production advantage.

## Management Discussion and Analysis

As for the trading business, the Group will continue to optimize its product mix and operational efficiency. With the factory in Bangladesh becoming the production arm of the trading segment's subsidiary, overall operational efficiency is set to improve. The subsidiary will flexibly adjust products, specifications and delivery time in response to changes in different markets, effectively seizing opportunities arising from the anticipated recovery by the end of this year.

To overcome operational challenges brought by soaring raw material prices and freight rates, the Group will continue to implement various cost control measures, while strengthening its supply chain and procurement localization strategy to mitigate rising cost pressure and diversify supply risks.

Over the past 37 years, Mainland Headwear has coped with various economic cycles and challenges and established itself as a market leader in the headwear manufacturing industry. With its market leading position, diversified production layout, wide product portfolio that ranges from headwear to accessories, and keen business sense, the Group remains confident in its ability to overcome various challenges and create long-term value for customers and shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had cash and bank balances and a portfolio of liquid investments totaling Hong Kong dollars ("HK\$") 327.20 million (31 December 2022: HK\$268.5 million). About 58%, 24% and 11% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively. As at 30 June 2023, the Group had banking facilities of HK\$893.0 million (31 December 2022: HK\$788.7 million), of which HK\$705.0 million (31 December 2022: HK\$579.5 million) were not utilised.

The borrowings over total equity ratio of the Group is at 19.5% (31 December 2022: 22.8%). 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\$23.7 million (30 June 2022: HK\$28.5 million) on additions to equipment and machineries to further upgrade and expand its manufacturing capabilities. Also the Group spent HK\$5.6 million (30 June 2022: HK\$2.0 million) on additions of equipment and systems of Trading Business.

As at 30 June 2023, the Group had authorised a capital commitment of HK\$102.2 million in respect of manufacturing plants and equipment in Mexico and Bangladesh. The Group had also authorised a capital commitment of HK\$0.3 million in respect of equipment upgrade for Trading business.

## Management Discussion and Analysis

### 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 1% appreciation/depreciation of Bangladesh Taka is expected to reduce/increase the gross margin of the Manufacturing Business by about 0.2%.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 386 (30 June 2022: 418) workers and employees in the PRC (include Hong Kong), 8,830 (30 June 2022: 8,120) workers and employees in Bangladesh, and 163 (30 June 2022: 181) employees in the USA and the UK. The expenditures for the employees during the Period were approximately HK\$181.8 million (30 June 2022: HK\$214.3 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 3 HK cents (2022: 3 HK cents) per share, payable on or after 10 October 2023.

### CLOSURE OF REGISTER OF MEMBERS

To determine the identity of members who are entitled to the interim dividend of the Company for the period ended 30 June 2023, the register of members of the Company will be closed from 18 September 2023 to 20 September 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 15 September 2023.



## Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>Revenue</b>	6&7	<b>780,258</b>	941,912
Cost of sales		<b>(506,328)</b>	(638,195)
Gross profit		<b>273,930</b>	303,717
Other income		<b>15,713</b>	13,865
Other (losses)/gains – net		<b>(4,008)</b>	2,187
Selling and distribution costs		<b>(77,650)</b>	(92,299)
Administration expenses		<b>(105,933)</b>	(106,632)
Net impairment on financial assets		<b>(2,052)</b>	(2,425)
<b>Profit from operations</b>	8(a)	<b>100,000</b>	118,413
Finance income		<b>516</b>	144
Finance costs		<b>(8,890)</b>	(4,855)
Finance costs – net	8(b)	<b>(8,374)</b>	(4,711)
Share of loss from an investment accounted for using equity method		<b>(14)</b>	(78)
<b>Profit before income tax</b>		<b>91,612</b>	113,624
Income tax expense	9	<b>(20,009)</b>	(22,367)
<b>Profit for the period</b>		<b>71,603</b>	91,257
<b>Attributable to:</b>			
Owners of the Company		<b>65,075</b>	84,486
Non-controlling interests		<b>6,528</b>	6,771
		<b>71,603</b>	91,257
<b>Earnings per share attributable to owners of the Company</b>			
Basic (HK cents per share)	10(a)	<b>15.230</b>	20.804
Diluted (HK cents per share)	10(b)	<b>14.900</b>	20.422

The above interim condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>71,603</b>	91,257
<b>Other comprehensive income</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign operations	(1,131)	(3,228)
Fair value losses on cash flow hedges	(3,554)	–
<b>Total comprehensive income for the period, net of tax</b>	<b>66,918</b>	88,029
<b>Attributable to:</b>		
Owners of the Company	60,273	81,448
Non-controlling interests	6,645	6,581
<b>Total comprehensive income for the period</b>	<b>66,918</b>	88,029

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2023

		<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>497,894</b>	499,684
Right-of-use assets	13	<b>57,089</b>	64,421
Investment properties	12	<b>50,189</b>	51,096
Other intangible assets	12	<b>22,273</b>	30,265
Deferred income tax assets		<b>7,389</b>	7,867
Investment accounted for using equity method		<b>258</b>	272
Financial assets at fair value through profit or loss		<b>44,057</b>	41,377
Other financial assets at amortised cost	14	<b>2,073</b>	2,109
Other non-current assets		<b>37,670</b>	–
		<b>718,892</b>	697,091
<b>Current assets</b>			
Inventories		<b>387,550</b>	523,646
Trade receivable	14	<b>365,078</b>	435,287
Financial assets at fair value through profit or loss		<b>3,932</b>	21,525
Other financial assets at amortised cost	14	<b>6,880</b>	6,810
Other current assets		<b>30,439</b>	23,755
Tax recoverable		<b>3,251</b>	3,251
Cash and cash equivalents		<b>323,248</b>	246,949
		<b>1,120,378</b>	1,261,223
<b>Total assets</b>		<b>1,839,270</b>	1,958,314

## Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2023

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Note		
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to owners of the Company		
Share capital	15 <b>42,868</b>	42,660
Other reserves	<b>212,827</b>	215,238
Retained earnings	<b>807,641</b>	768,269
	<b>1,063,336</b>	1,026,167
Non-controlling interests	<b>47,266</b>	42,814
<b>Total equity</b>	<b>1,110,602</b>	1,068,981
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Other payables	16 <b>13,229</b>	18,140
Borrowings	<b>14,393</b>	14,393
Lease liabilities	13 <b>47,878</b>	54,741
Deferred income tax liabilities	<b>6,299</b>	6,365
	<b>81,799</b>	93,639
<b>Current liabilities</b>		
Trade and other payables	16 <b>357,770</b>	499,233
Amount due to a non-controlling interest	<b>537</b>	537
Borrowings	17 <b>202,712</b>	228,887
Derivative financial instruments	<b>5,868</b>	2,314
Lease liabilities	13 <b>13,055</b>	12,746
Current income tax liabilities	<b>66,927</b>	51,977
	<b>646,869</b>	795,694
<b>Total liabilities</b>	<b>728,668</b>	889,333
<b>Total equity and liabilities</b>	<b>1,839,270</b>	1,958,314
<b>Net current assets</b>	<b>473,509</b>	465,529
<b>Total assets less current liabilities</b>	<b>1,192,401</b>	1,162,620

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2023

	(Unaudited)										
	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Hedging reserve	Capital reserve	Share based compensation reserve	Other reserve	Exchange reserve	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2023	42,660	166,117	(2,314)	25,878	10,284	10,139	5,134	768,269	1,026,167	42,814	1,068,981
Profit for the period	-	-	-	-	-	-	-	65,075	65,075	6,528	71,603
Other comprehensive income											
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(1,248)	-	(1,248)	117	(1,131)
- Fair value losses on cash flow hedges	-	-	(3,554)	-	-	-	-	-	(3,554)	-	(3,554)
Total comprehensive income for the period net of tax	-	-	(3,554)	-	-	-	(1,248)	65,075	60,273	6,645	66,918
2022 final dividend paid	-	-	-	-	-	-	-	(25,703)	(25,703)	-	(25,703)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,193)	(2,193)
Share option scheme:											
- Share options exercised	208	2,955	-	-	(564)	-	-	-	2,599	-	2,599
Total contributions by and distribution to owners of the Company	208	2,955	-	-	(564)	-	-	(25,703)	(23,104)	(2,193)	(25,297)
At 30 June 2023	42,868	169,072	(5,868)	25,878	9,720	10,139	3,886	807,641	1,063,336	47,266	1,110,602

## Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2023

	(Unaudited)									
	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Share based compensation reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2022	40,532	167,016	25,878	10,328	8,042	15,126	609,985	876,907	25,214	902,121
Profit for the period	-	-	-	-	-	-	84,486	84,486	6,771	91,257
Other comprehensive income	-	-	-	-	-	(3,038)	-	(3,038)	(190)	(3,228)
Total comprehensive income for the period net of tax	-	-	-	-	-	(3,038)	84,486	81,448	6,581	88,029
Partial disposal of a subsidiary (Note 19)	-	-	-	-	2,097	-	-	2,097	(75)	2,022
2021 final dividend paid	-	-	-	-	-	-	(16,213)	(16,213)	-	(16,213)
2021 special dividend paid	-	-	-	-	-	-	(8,106)	(8,106)	-	(8,106)
Bonus shares issued	2,027	(2,027)	-	-	-	-	-	-	-	-
Share option scheme: - Value of service provided	-	-	-	92	-	-	-	92	-	92
Total contributions by and distribution to owners of the Company	2,027	(2,027)	-	92	2,097	-	(24,319)	(22,130)	(75)	(22,205)
At 30 June 2022	42,559	164,989	25,878	10,420	10,139	12,088	670,152	936,225	31,720	967,945

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	158,377	70,640
Income tax paid	(4,647)	(1,752)
Interest paid	(7,458)	(3,519)
	146,272	65,369
<b>Cash flows from investing activities</b>		
Interest received	516	144
Purchase of property, plant and equipment	(23,685)	(30,528)
Purchase of financial assets at fair value through profit and loss	(3,605)	(10,056)
Proceeds from disposal of a financial asset at fair value through profit and loss	17,065	–
	(9,709)	(40,440)
<b>Cash flows from financing activities</b>		
Dividends paid	(25,703)	(24,319)
Dividends paid to non-controlling interests	(2,193)	–
Proceeds from exercise of share options	2,599	–
Proceeds from borrowings	68,340	123,356
Repayment of borrowings	(94,515)	(69,240)
Principal elements of lease payments	(7,158)	(9,915)
	(58,630)	19,882
<b>Net cash (used in)/generated from financing activities</b>		
	77,933	44,811
<b>Net increase in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	246,949	198,890
Effect of foreign exchange rate changes	(1,634)	(3,645)
	323,248	240,056
<b>Cash and cash equivalents at end of the period</b>		

The above interim condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 1. GENERAL INFORMATION

Mainland Headwear Holdings Limited (“The Company”) is a public limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are engaged in manufacturing and sales of headwear products, trading and distribution of headwear and other products.

This interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$’000”), unless otherwise stated.

This interim condensed consolidated financial information has not been audited.

### 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for adoption of new and amended standards and the accounting policy for investment in an insurance contract set out below.

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

#### **Investment in an insurance contract**

The Group has an investment in a life insurance contract of HK\$6,542,000, included in other non-current assets. The insurance contract of the Group includes both investment and insurance elements. The investment in an insurance contract is initially recognised at the amount of the premium paid and subsequently carried at the amount that could be realised under the corresponding insurance contract (“cash surrender value”) at the end of each reporting period, with changes in value being recognised in profit or loss.



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 3. ACCOUNTING POLICIES (CONTINUED)

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

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### (b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### 4. ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

### 5. FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

There have been no changes in any risk management policies since year end.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets measured at fair values in the interim condensed consolidated balance sheet in accordance with the fair value hierarchy at 30 June 2023.

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– Unlisted equity investment in the USA	–	–	10,615	10,615
– Unlisted equity investment in the British Virgin Islands	–	–	21,466	21,466
– Unlisted equity investment fund in the PRC	–	–	10,260	10,260
– Unlisted equity investment fund in Hong Kong	–	–	1,716	1,716
– Listed securities in Hong Kong	3,932	–	–	3,932
Total financial assets	<u>3,932</u>	<u>–</u>	<u>44,057</u>	<u>47,989</u>
<b>Liability</b>				
Derivatives used for hedging				
– Exchange rate forward contracts	–	5,868	–	5,868

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.2 Fair value estimation (Continued)

The following table presents the Group's assets measured at fair values in the consolidated balance sheet in accordance with the fair value hierarchy at 31 December 2022.

	2022			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity investment in the USA	–	–	10,615	10,615
– Unlisted equity investment in the British Virgin Islands	–	–	21,634	21,634
– Unlisted equity investment in the PRC	–	–	8,156	8,156
– Unlisted equity investment in Hong Kong	–	–	972	972
– Listed securities in Hong Kong	4,460	–	–	4,460
– Investments in wealth management products	–	17,065	–	17,065
Total financial assets	<u>4,460</u>	<u>17,065</u>	<u>41,377</u>	<u>62,902</u>
Liability				
Derivatives used for hedging				
– Exchange rate forward contracts	–	2,314	–	2,314

There were no transfers of financial assets between the fair value hierarchy classifications during the period (six months ended 30 June 2022: same).

There were no other changes in valuation techniques during the period (six months ended 30 June 2022: same). There were no reclassifications of financial assets for the six months ended 30 June 2023.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.3 Fair value measurements using significant unobservable inputs (Level 3)

##### ***Unlisted equity investment in the USA***

The unlisted equity investment in the USA classified as financial asset at FVPL represents an investment in a 18% equity interest of an unlisted fund in the USA. It is principally engaged in the acquisition and management of a retail plaza and related properties for re-development or rental appreciation. The Group determines the net asset value of the fund is approximates the fair value of the unlisted equity fund in the USA.

##### ***Unlisted equity investment in British Virgin Islands***

The unlisted equity investment in British Virgin Islands classified as financial asset at FVPL represents an investment in 2.26% equity interest of an unlisted fund in British Virgin Islands, which is not traded in an active market. The Group determines the net asset value of the fund is approximates the fair value of the unlisted equity fund in British Virgin Islands.

##### ***Unlisted equity investment in the PRC***

The unlisted equity investment in the PRC classified as financial asset at FVPL represents a capital contribution agreement in relation to a contribution of RMB30 million (approximately HK\$33.0 million) to a limited partnership established in the PRC (the "PRC Fund"), which the Group executed on 15 December 2021. The contribution by the Group represents about 3.36% of the targeted contribution of the PRC Fund. A partnership agreement was signed on 28 January 2022. As at 30 June 2023, capital contribution of RMB9.9 million (approximately HK\$10.9 million) was made. The PRC Fund is not traded in an active market. The Group considers the net asset value of the PRC Fund approximates the fair value of the PRC Fund.

##### ***Unlisted equity investment in Hong Kong***

The unlisted equity investment in Hong Kong classified as financial asset at FVPL represents a subscription agreement in relation to a contribution of US\$0.5 million (approximately HK\$3.9 million) to a limited partnership established in Hong Kong (the "Hong Kong Fund"), which the Group executed on 14 March 2022. The contribution by the Group represents about 2% of the targeted contribution of the Hong Kong Fund. As at 30 June 2023, capital contribution of US\$0.25 million (approximately HK\$1.9 million) was made. The Hong Kong Fund is not traded in an active market. The Group considers the net asset value of the Hong Kong Fund approximates the fair value of the Hong Kong Fund.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 5.3 Fair value measurements using significant unobservable inputs (Level 3) (Continued)

##### 5.3.1 Group's valuation process

The Group's finance department reviews the valuations of the Group's financial instruments and non-financial assets that are stated at fair values for financial reporting purposes, including Level 3 fair values. These valuation results are then reported to the directors for discussions in relation to the valuation processes and the reasonableness of the valuation results.

#### 5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying values:

- Other financial assets at amortised cost
- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Amount due to a non-controlling interest
- Lease liabilities
- Borrowings

### 6. REVENUE

The principal activities of the Group are manufacturing and trading of headwear, small leather goods, bags, apparel and accessories.

### 7. 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.

The executive directors assess the performance of the operating segments based on reportable segment profit/(loss) excluding fair value loss on financial assets at FVPL, share-based payment expenses, finance income and costs, share of loss from an investment accounted for using equity method and income tax expense.

The executive directors 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 as well as to external customers. The principal manufacturing facilities are located in Bangladesh and Shenzhen, the PRC. Customers are mainly located in the USA and Europe.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 7. SEGMENT INFORMATION (CONTINUED)

- (ii) Trading Business: The trading and distribution business of headwear, small leather goods, bags and accessories of the Group is operating through H3 Sportgear LLC (“H3”), San Diego Hat Company (“SDHC”) and Aquarius Ltd. (“Aquarius”) which focus on the USA market, and Drew Pearson International (Europe) Ltd. (“DPI”) which focuses on the Europe market.

	Manufacturing		Trading		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from external customers	469,233	561,969	311,025	379,943	780,258	941,912
Inter-segment revenue	30,163	58,139	-	-	30,163	58,139
Reportable segment revenue	<u>499,396</u>	<u>620,108</u>	<u>311,025</u>	<u>379,943</u>	<u>810,421</u>	<u>1,000,051</u>
Reportable segment profit/(loss)	129,083	141,885	(28,039)	(23,097)	101,044	118,788
Fair value loss on financial assets at FVPL					(1,191)	(218)
Change in value of investment in insurance contracts					(4,166)	-
Share-based payment expenses					-	(92)
Unallocated corporate income					15,042	13,563
Unallocated corporate expenses					(10,729)	(13,628)
Profit from operations					100,000	118,413
Finance costs – net					(8,374)	(4,711)
Share of loss from an investment accounted for using equity method					(14)	(78)
Income tax expense					(20,009)	(22,367)
Profit for the period					<u>71,603</u>	<u>91,257</u>

Segment assets exclude investment properties, deferred income tax assets, investment accounted for using equity method, financial assets at FVPL, tax recoverable 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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 7. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Total	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Reportable segment assets	<b>721,011</b>	859,552	<b>679,393</b>	726,425	<b>1,400,404</b>	1,585,977
Investment properties					<b>50,189</b>	51,096
Deferred income tax assets					<b>7,389</b>	7,867
Investment accounted for using equity method					<b>258</b>	272
Financial assets at FVPL					<b>54,531</b>	62,902
Tax recoverable					<b>3,251</b>	3,251
Cash and cash equivalents					<b>323,248</b>	246,949
Other corporate assets					<b>-</b>	-
Total assets					<b>1,839,270</b>	1,958,314

Segment liabilities exclude current and deferred income tax liabilities, borrowings and other corporate liabilities which are not directly attributable to the business activities of any operating segment.

	Manufacturing		Trading		Total	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
Reportable segment liabilities	<b>250,319</b>	365,100	<b>182,201</b>	210,665	<b>432,520</b>	575,765
Deferred income tax liabilities					<b>6,299</b>	6,365
Current income tax liabilities					<b>66,927</b>	51,977
Borrowings					<b>217,105</b>	243,280
Other corporate liabilities					<b>5,817</b>	11,946
					<b>728,668</b>	889,333
Capital expenditure incurred during the period/year	<b>22,552</b>	136,688	<b>6,714</b>	68,677	<b>29,266</b>	205,365

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 8. PROFIT BEFORE INCOME TAX

An analysis of the amounts debited/(credited) to profit before income tax in the interim condensed consolidated financial information is given below:

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2022 (Unaudited) HK\$'000
<b>(a) Operating profit</b>		
Fair value loss on financial assets at FVPL	<b>1,191</b>	218
Change in value of investment in insurance contracts	<b>4,166</b>	–
Net exchange gain	<b>(1,349)</b>	(2,405)
Depreciation of property, plant and equipment	<b>25,675</b>	20,176
Depreciation of right-of-use assets	<b>9,807</b>	9,878
Short-term lease expenses	<b>3,550</b>	1,191
Amortisation of other intangible assets	<b>13,664</b>	10,548
Net provision for inventories ( <i>note (i)</i> )	<b>1,936</b>	2,674
Net impairment on trade receivables ( <i>note (ii)</i> )	<b>2,052</b>	2,425
	<b><u>2,052</u></b>	<b><u>2,425</u></b>

Notes:

- (i) Provision for obsolete inventories of HK\$1,936,000 has been made during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$2,674,000), after considering their physical condition, market demand and historical usage of those inventories.
- (ii) Provision for the expected credit losses made during the six months ended 30 June 2023 was mainly related to the trade receivables of customers in the USA and Europe after assessing the customers' business outlook and past repayment pattern. Based on the assessment of expected credit loss, the Group has made a provision of HK\$2,052,000 during the period ended 30 June 2023 (six months ended 30 June 2022: HK\$2,425,000).



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 8. PROFIT BEFORE INCOME TAX (CONTINUED)

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>(b) Finance costs – net</b>		
Interest on bank loans, overdrafts and other borrowings	(7,458)	(3,519)
Interest accretion on license fee payables	(563)	(804)
Interest on lease liabilities	(869)	(532)
	<u>(8,890)</u>	<u>(4,855)</u>
Finance costs	(8,890)	(4,855)
Finance income	516	144
	<u>516</u>	<u>144</u>
Finance costs – net	<u>(8,374)</u>	<u>(4,711)</u>

### 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Current year		
– Hong Kong profits tax	1,110	1,585
– Overseas tax	18,486	20,603
	<u>19,596</u>	<u>22,188</u>
Deferred income tax	413	179
	<u>413</u>	<u>179</u>
	<u>20,009</u>	<u>22,367</u>

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 9. INCOME TAX EXPENSE (CONTINUED)

Income tax expense in the interim periods is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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.

### 10. 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.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>65,075</u>	<u>84,486</u>
Weighted average number of ordinary shares in issue	<u>427,289,401</u>	<u>406,107,058</u>
Basic earnings per share (HK cents)	<u>15.230</u>	<u>20.804</u>

#### (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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 10. EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted (Continued)

The calculation of diluted earnings per share was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares, which was calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<b>65,075</b>	84,486
Weighted average number of ordinary shares in issue	<b>427,289,401</b>	406,107,058
Adjustment for share options	<b>9,452,381</b>	7,589,165
Weighted average number of ordinary shares for diluted earnings per share	<b>436,741,782</b>	413,696,223
Diluted earnings per share (HK cents)	<b>14.900</b>	20.422

### 11. DIVIDENDS

#### (a) Dividends attributable to the period

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared of 3 HK cents (2022: 3 HK cents) per share	<b>12,861</b>	12,768

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 six months ended 30 June 2023. The amount of proposed interim dividend was based on 428,684,448 (30 June 2022: 425,589,448) shares in issued as at 30 June 2023.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 11. DIVIDENDS (CONTINUED)

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

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2022 (Unaudited) HK\$'000
Final dividend paid in respect of 2022 of 6 HK cents (2021: 4 HK cents) per share	<b>25,703</b>	16,213
No special dividend paid in respect of 2022 (2021: 2 HK cents)	—	8,106
	<b>25,703</b>	<b>24,319</b>

### 12. CAPITAL EXPENDITURE

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of HK\$23,685,000 (six months ended 30 June 2022: HK\$30,528,000,) and intangible assets of HK\$5,581,000 (six months ended 30 June 2022: HK\$9,580,000).

As at 30 June 2023, other intangible assets represent acquired customer relationship of HK\$9,000 (31 December 2022: HK\$22,000) and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products of HK\$22,264,000 (31 December 2022: HK\$30,243,000).

The Group's investment properties were revalued at 31 December 2022. No valuation was performed during the period as there was no indication of significant changes in the value since last annual reporting date (six months ended 30 June 2022: same).

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) **Amounts recognised in the interim condensed consolidated balance sheet**

The interim condensed consolidated balance sheet shows the following amounts relating to the leases in respect of properties and a motor vehicle:

	<b>At 30 June 2023 (Unaudited) HK\$'000</b>	At 31 December 2022 (Audited) HK\$'000
<b>Right-of-use assets</b>		
Properties	<b>57,089</b>	64,326
Motor vehicle	–	95
	<b>57,089</b>	64,421
<b>Lease liabilities</b>		
Non-current	<b>47,878</b>	54,741
Current	<b>13,055</b>	12,746
	<b>60,933</b>	67,487

No lease liabilities as at 30 June 2023 (31 December 2022: HK\$17,000) of the Group was secured by a legal charge on a motor vehicle of the Group recognised as right-of-use assets with no carrying amount (31 December 2022: HK\$95,000).

No additions to the right-of-use assets during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$36,447,000).

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

#### (ii) Amounts recognised in the interim condensed consolidated statement of profit or loss

The interim condensed consolidated statement of profit or loss shows the following amounts relating to the leases in respect of properties and motor vehicle:

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Depreciation charge of right-of-use assets ( <i>Note 8a</i> )	9,807	9,878
Interest expenses (included in finance costs) ( <i>Note 8b</i> )	869	532
Expenses relating to short-term leases ( <i>Note 8a</i> )	<u>3,550</u>	<u>1,191</u>

The total cash outflow for leases in the six months ended 30 June 2023 is HK\$10,708,000 (six months ended 30 June 2022: HK\$11,106,000).

#### (iii) The Group's lease activities

The Group leases various properties and a motor vehicle. Rental contracts are typically made for 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables	<b>380,898</b>	449,289
Less: provision for impairment losses	<b>(15,820)</b>	(14,002)
Trade receivables, net	<b>365,078</b>	435,287
Other financial assets at amortised cost	<b>8,953</b>	8,919
	<b>374,031</b>	444,206
Less: non-current portion of other financial assets at amortised cost	<b>(2,073)</b>	(2,109)
Current portion	<b>371,958</b>	442,097

The carrying amounts approximate their fair values.

The majority of the Group's sales are with credit terms of 30–180 days. The ageing analysis of trade receivables based on invoice date is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
0–30 days	<b>135,248</b>	127,622
31–60 days	<b>101,224</b>	122,207
61–90 days	<b>67,405</b>	85,906
91–120 days	<b>28,482</b>	48,464
Over 120 days	<b>48,539</b>	65,090
	<b>380,898</b>	449,289

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 15. SHARE CAPITAL

#### (a) Share capital

	Note	Number of shares of HK\$0.10 each	HK\$'000
<b>Authorised:</b>			
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023		1,000,000,000	100,000
<b>Issued and fully paid:</b>			
At 1 January 2022		405,323,284	40,532
Bonus shares issued	(a)	20,266,164	2,027
As at 30 June 2022		425,589,448	42,559
<b>Share options scheme:</b>			
– Exercise of share option		1,012,000	101
At 31 December 2022		426,601,448	42,660
<b>Share options scheme:</b>			
– Exercise of share option		2,083,000	208
As at 30 June 2023		428,684,448	42,868

Note:

- (a) Pursuant to a resolution approving the allotment and issue of one bonus share for every twenty existing shares held passed by the shareholders of the Company at the annual general meeting of the Company held on 26 May 2022, a total of 20,266,164 shares of HK\$0.1 each were issued and allotted, credited as fully paid by way of capitalisation of reserves.

These newly issued shares rank pari passu with the existing shares.



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 15. SHARE CAPITAL (CONTINUED)

#### (b) Equity settled share-based payment transactions

The Company adopted the former share option scheme ("Former Share Option Scheme") on 29 December 2011 and the Former Share Option Scheme expired on 28 December 2021. As at 30 June 2023, there was 28,825,000 outstanding Options with 28,825,000 underlying Shares, which will remain valid and exercisable with their respective terms of issue.

On 15 July 2015 and 13 April 2017, a total of 11,900,000 and 20,370,000 share options were granted to certain directors and employees of the Group. The share option period shall be ten years from the date of grant and the share option shall lapse at the expiry date of the option period. 20% of the options shall vest on the first to fifth anniversary dates of the date of grant each year.

On 26 May 2022, a share option scheme (the "Share Option Scheme") was adopted whereby the Board of Directors, may, at their absolute discretion, grant options to any eligible employee, including directors of the Company or any of its subsidiaries or any investee entity, any suppliers of goods or services to any member of the Group or any investee entity, or any customer of the Group or any investee entity to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group may not in aggregate exceed 40,535,328, being 10% of the shares in issue of the Company as at 26 May 2022, the date of adoption of the Share Option Scheme.

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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 15. SHARE CAPITAL (CONTINUED)

#### (b) Equity settled share-based payment transactions (Continued)

There is no new share option granted during the six months ended 30 June 2023 (six months ended 30 June 2022: same).

#### (i) Movement in share options

	2023		2022	
	Number of share options (Unaudited) '000	Weighted average exercise price (Unaudited) HK\$ (note)	Number of share options (Unaudited) '000	Weighted average exercise price (Unaudited) HK\$
At 1 January	<b>30,908</b>	<b>1.325</b>	30,400	1.317
Bonus shares issued	–	–	1,520	–
Exercised	<b>(2,083)</b>	<b>1.248</b>	–	–
At 30 June	<b>28,825</b>	<b>1.330</b>	31,920	1.317
Options vested at closing	<b>28,825</b>	<b>1.330</b>	31,920	1.317

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 15. SHARE CAPITAL (CONTINUED)

#### (b) Equity settled share-based payment transactions (Continued)

##### (i) Movement in share option (Continued)

As at 30 June 2023, the options have a weighted average contractual terms of 3.2 years (31 December 2022: 3.7 years).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

		<b>30 June 2023</b>	31 December 2022
	Exercise price (Unaudited) (note) HK\$	<b>Number of share options (Unaudited)</b>	(Audited)
		<b>'000</b>	<b>'000</b>
14 July 2025	1.066	<b>9,485</b>	10,606
12 April 2027	1.460	<b>19,340</b>	20,302
		<b>28,825</b>	30,908

As at 30 June 2023, out of total 28,825,000 (31 December 2022: 30,908,000) outstanding options, 28,825,000 options (31 December 2022: 30,908,000) are exercisable. 2,083,000 share options were exercised during six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Under this share option scheme, no (six months ended 30 June 2022: HK\$92,000) share-based payment expenses has been included in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023 and a corresponding amount has been credited to share based compensation reserve.

Note: Weighted average exercise prices have been adjusted for the bonus issued in June 2022.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 16. TRADE AND OTHER PAYABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade payables	<b>153,257</b>	233,579
Accrued charges and other payables	<b>217,742</b>	283,794
	<b>370,999</b>	517,373
Less: other non-current payables	<b>(13,229)</b>	(18,140)
Current portion	<b>357,770</b>	499,233

The ageing analysis of the Group's trade payables based on invoice date is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
0–30 days	<b>46,257</b>	120,896
31–60 days	<b>22,819</b>	30,694
61–90 days	<b>13,854</b>	6,839
Over 90 days	<b>70,327</b>	75,150
	<b>153,257</b>	233,579

Contract liabilities of HK\$1,198,000 (31 December 2022: HK\$1,133,000) are recognised when a customer pays consideration, or is contractually required to pay consideration and the amounts are already due, before the Group recognised the related revenue. The Group expects to deliver the goods to satisfy the remaining performance obligation of these contract liabilities within one year or less.

Revenue recognised during the period ended 30 June 2023 that was included in the contract liabilities balance at the beginning of the period amounted to HK\$1,133,000 (six months ended 30 June 2022: HK\$1,238,000). The Group recognised its contract liabilities under other payables and accruals in the interim condensed consolidated balance sheet.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 17. BORROWINGS

Movement in borrowings is analysed as follows:

	<b>(Unaudited)</b> <b>HK\$'000</b>
<b>Six months ended 30 June 2022</b>	
Opening amount as at 1 January 2022	275,384
Repayment of bank borrowings	(69,240)
Proceeds from bank borrowings	94,570
Proceeds from other borrowings ( <i>note</i> )	28,786
	<u>329,500</u>
<b>Closing amount as at 30 June 2022</b>	<b>329,500</b>
<b>Six months ended 30 June 2023</b>	
Opening amount as at 1 January 2023	<b>243,280</b>
Repayment of bank borrowings	<b>(89,536)</b>
Repayment of other borrowings	<b>(4,979)</b>
Proceeds from bank borrowings	<b>68,340</b>
	<u>217,105</u>
<b>Closing amount as at 30 June 2023</b>	<b>217,105</b>

*Note:*

	<b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Current:		
Bank borrowings	<b>188,047</b>	209,243
Other borrowings	<b>14,665</b>	19,644
	<u>202,712</u>	228,887
Non-current:		
Other borrowings	<b>14,393</b>	14,393
	<u>217,105</u>	243,280

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 17. BORROWINGS (CONTINUED)

As at 30 June 2023, other borrowings represent borrowings from an affiliated company of New Era Cap Hong Kong LLC ("NEHK"), a shareholder of the Company, in which US\$960,000 (HK\$7,469,000) (31 December 2022: US\$1,600,000 (HK\$12,449,000)) was unsecured, interest bearing at 8% per annum and mature in 1 year, while US\$2,775,000 (HK\$21,589,300) (31 December 2022: US\$2,775,000 (HK\$21,589,000)) was unsecured, interest bearing at 7% per annum and mature in 3 years.

### 18. COMMITMENTS

#### (a) Capital commitments

Capital expenditure contracted for but not yet incurred as at the balance sheet date is as follows:

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Contracted but not provided for	<b>4,607</b>	10,536

The above commitment represents capital expenditure commitment relating to purchase of machineries, construction of a factory building and upgrade in IT system.

#### (b) Other commitment

On 15 December 2021, the Group executed a capital contribution agreement in relation to a contribution of RMB30 million (approximately HK\$33.0 million) to a limited partnership established in the PRC (the "Fund"). The contribution by the Group represents about 3.05% of the targeted contribution of the Fund. A partnership agreement was signed for the purpose of the establishment of the partnership on 28 January 2022. As at 30 June 2023, capital contribution of RMB9.9 million (approximately HK\$10.9 million) was made. As a result, the Group has a commitment of RMB20.1 million (approximately HK\$22.1 million) as at 30 June 2023. The relevant financial impact of the investment will be reflected in the consolidated financial statements of the Group for the period ending 31 December 2023.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 18. COMMITMENTS

#### (b) Other commitment (Continued)

On 14 March 2022, the Group executed a capital contribution agreement in relation to a contribution of US\$0.5 million (approximately HK\$3.9 million) to a limited partnership established in Hong Kong (the "Hong Kong Fund"). The contribution by the Group represents about 2% of the targeted contribution of the Hong Kong Fund. As at 30 June 2023, capital contribution of US\$0.25 million (approximately HK\$1.9 million) was made. As a result, the Group has a commitment of US\$0.25 million (approximately HK\$1.9 million) as at 30 June 2023. The relevant financial impact of the investment will be reflected in the consolidated financial statements of the Group for the year ending 31 December 2023.

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in these interim condensed consolidated financial information, the Group entered into the following significant related party transactions during the period.

#### (a) Sale and purchase of goods and services

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Sales of goods to affiliated companies of a shareholder	<b>343,535</b>	360,334
Rental paid in respect of office premises to directors and a company controlled by a director	<b>101</b>	101
Claim charges paid to affiliated companies of a shareholder	<b>1,527</b>	842
Interest on borrowings from an affiliated company of a shareholder	<b>1,104</b>	949

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 19. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Period-end balances arising from sale of goods and services

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables from affiliated companies of a shareholder	<b>171,540</b>	265,885

Trade receivables from affiliated companies of a shareholder arise mainly from sale transactions and are due 60–90 days after the date of sales. The receivables are unsecured in nature and bear no interest. No provisions are held against such receivables.

#### (c) Key management personnel remuneration

Remuneration for the Group's key management personnel is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
Short-term employee benefits	<b>15,861</b>	18,429
Retirement scheme contributions	<b>84</b>	88
	<b>15,945</b>	18,517

### 20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved by the Board of Directors on 29 August 2023.



## Other Information Provided in Accordance with the Listing Rules

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, 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			Total	Percentage of interest
	Personal interest	Other direct interest	Underlying shares		
Mr. Ngan Hei Keung	–	232,583,400 <i>(note 1, 2)</i>	47,040,000 <i>(note 3, 4)</i>	279,623,400	65.23%
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	39,698,400 <i>(note 2)</i>	192,885,000 <i>(note 1)</i>	47,040,000 <i>(note 3, 4)</i>	279,623,400	65.23%
Mr. James S. Patterson	–	–	1,050,000 <i>(note 5)</i>	1,050,000	0.24%
Mr. Ngan Siu Hon, Alexander	–	–	2,100,000 <i>(note 6)</i>	2,100,000	0.49%
Mr. Lai Man Sing	–	–	1,050,000 <i>(note 7)</i>	1,050,000	0.24%

#### Notes:

- (1) 192,885,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively.
- (2) The 39,698,400 shares are beneficially owned by Madam Ngan, Pauline, the spouse of Mr. Ngan Hei Keung.
- (3) Pursuant to the contingent purchase deed renewed on 22 November 2019 between Mr. Ngan Hei Keung, Madam Ngan and New Era Cap Hong Kong LLC (“NEHK”), NEHK is entitled to require Mr. Ngan and Madam Ngan to purchase up to 39,800,000 shares on the terms and conditions of the said deed. The number of underlying shares has been adjusted to 41,790,000 after adjustment for bonus shares issued in June 2022.

## 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: (*Continued*)

- (4) Mr. Ngan Hei Keung and Madam Ngan are entitled to subscribe for 2,100,000 shares and 3,150,000 shares respectively pursuant to the outstanding options granted under the Company's share options scheme.
- (5) Mr. James S. Patterson is entitled to subscribe for 1,050,000 shares pursuant to the outstanding options granted under the Company's share options scheme.
- (6) Mr. Ngan Siu Hon, Alexander is entitled to subscribe for 2,100,000 shares pursuant to the outstanding options granted under the Company's share options scheme.
- (7) Mr. Lai Man Sing is entitled to subscribe for 1,050,000 shares pursuant to the outstanding options granted under the Company's share options scheme.

Save as disclosed above, none of the Directors or chief executives of the Company including their spouse and children under 18 years of age had any interests in the shares or underlying shares in, or debentures of, the Company or any its specified undertaking or of its associated corporations as defined in the SFO.

### SHARE OPTION SCHEMES

The Company adopted the former share option scheme ("Former Share Option Scheme") on 29 December 2011 and the Former Share Option Scheme expired on 28 December 2021. As at 30 June 2023, there was 28,825,000 outstanding Options with 28,825,000 underlying Shares, which will remain valid and exercisable with their respective terms of issue.

On 26 May 2022, a share option scheme (the "Share Option Scheme") was adopted whereby the Board of Directors, may, at their absolute discretion, grant options to any eligible employee, including directors of the Company or any of its subsidiaries or any investee entity, any suppliers of goods or services to any member of the Group or any investee entity, or any customer of the Group or any investee entity to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group may not in aggregate exceed 40,535,328, being 10% of the shares in issue of the Company as at 26 May 2022, the date of adoption of the Share Option Scheme.

## Other Information Provided in Accordance with the Listing Rules

### SHARE OPTION SCHEMES (CONTINUED)

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 Share Option Schemes will remain in force for a period of 10 years from the date of its adoption. The purpose of the Share Option 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 Share Option 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 Share Option 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 Share Option Scheme and 10 years from the date of offer of that option. A consideration of HK\$1 will be payable upon acceptance of the offer.

As at the date of interim report, the total number of shares available for issue, save for those granted but yet to be exercised, under the Share Option Scheme was 40,532,328 shares, which represented 9.5% of the issued share capital of the Company.

## Other Information Provided in Accordance with the Listing Rules

### SHARE OPTION SCHEMES (CONTINUED)

At 30 June 2023, 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\$1.83 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 (note 1) HK\$	Number of shares Outstanding at 1.1.2023	Exercised during the period	Number of shares Outstanding at 30.6.2023	Market value per share at date of grant (note 1) HK\$
Director	15.07.2015	15.07.2016–14.07.2025	1.066	1,050,000	–	1,050,000	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	8,400,000	–	8,400,000	1.460
				<u>9,450,000</u>	<u>–</u>	<u>9,450,000</u>	
Employees	15.07.2015	15.07.2016–14.07.2025	1.066	9,555,500	(1,121,000)	8,434,500	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	11,902,500	(962,000)	10,940,500	1.460
				<u>21,458,000</u>	<u>(2,083,000)</u>	<u>19,375,000</u>	

Note:

- (1) The number of share option outstanding, exercise price and market value per share at date of grant have been adjusted for the bonus share issued in June 2022.

Apart from the foregoing, at no time during the period was the Company, its subsidiaries, its parent company or its associated corporations a party to any arrangements to enable the Company's Directors or chief executives of the Company (including their spouses or children under eighteen years of age) of hold any interests or short positions in the shares or underlying shares in, or debentures, of the Company or its specified undertaking or other associated corporation.

## 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 2023, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 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 were as follows:

#### Long positions in the shares and underlying shares

Name	Capacity	Number of shares			Total	Percentage of interest
		Personal interest	Other interest	Underlying shares		
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	Beneficial owner	39,698,400	-	-	39,698,400	9.26%
	Interest of a controlled corporation ( <i>note 1</i> )	-	192,885,000	-	192,885,000	44.99%
					232,583,400	54.26%
Successful Years International Co., Ltd. ( <i>note 1</i> )	Beneficial owner	192,885,000	-	-	192,885,000	44.99%
Mr. Christopher Koch ( <i>note 2</i> )	Interest of a controlled corporation	-	83,581,050	-	83,581,050	19.50%
NEHK ( <i>note 2</i> )	Interest of a controlled corporation	83,581,050	-	-	83,581,050	19.50%

#### Notes:

- Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively. 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.
- Mr. Christopher Koch owns 75% of the issued share capital of NEHK. As such, Mr. Christopher Koch is deemed to be interested in the 83,581,050 shares.

## Other Information Provided in Accordance with the Listing Rules

### SUBSTANTIAL SHAREHOLDERS (CONTINUED)

#### Short positions in the underlying shares

Name	Number of underlying shares	Percentage of interest
Mr. Christopher Koch	41,790,000 ( <i>Note</i> )	9.75%
NEHK	41,790,000 ( <i>Note</i> )	9.75%

*Note:* Pursuant to the contingent purchase deed renewed on 22 November 2019 between Mr. Ngan Hei Keung, Madam Ngan and NEHK, NEHK is entitled to sell up to 39,800,000 shares to Mr. Ngan and Madam Ngan on the terms and conditions of the said deed. In view of Mr. Koch's 75% shareholding interest in NEHK, Mr. Koch is also taken to have interest in short position of 39,800,000 underlying shares. The number of underlying shares have been adjusted for bonus shares issued in June 2022.

Save as disclosed above, as at 30 June 2023, 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.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there was no restrictions against such rights under the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Other Information Provided in Accordance with the Listing Rules

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

During the six months ended 30 June 2023, 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 2023.

### **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 enquiries by the Company, that they have complied with the required standard set out in Model Code throughout the period ended 30 June 2023.

### **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 of 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 condensed consolidated financial information for the period ended 30 June 2023.

By Order of the Board  
**Ngan Hei Keung**  
Chairman

Hong Kong, 29 August 2023

*As at the date hereof, the Board of Directors of the Company comprises eight directors, of which five are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander and Mr. Lai Man Sing; and three are Independent Non-executive Directors, namely Mr. Leung Shu Yin, William, Mr. Liu Tieh Ching, Brandon, JP and Mr. Gordon Ng.*