



# Contents

	<i>pages</i>
Management Discussion and Analysis	<b>2</b>
Interim Dividend and Closure of Register of Members	<b>7</b>
Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)	<b>8</b>
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	<b>9</b>
Interim Condensed Consolidated Balance Sheet (Unaudited)	<b>10</b>
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	<b>12</b>
Interim Condensed Consolidated Cash Flow Statement (Unaudited)	<b>14</b>
Notes to the Unaudited Interim Condensed Consolidated Financial Information	<b>15</b>
Other Information Provided in Accordance with the Listing Rules	<b>38</b>



## 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 2021 (the “Period”).

### FINANCIAL REVIEW

During the Period, with the rebound of the global economy and relaxation of the pandemic lockdown measures worldwide, most of the Group’s customers have gradually adapted to the new normal of the late-pandemic era while the seasons of all major sports events have also resumed.

Leveraging the increased production capacity at the Group’s manufacturing operations in Bangladesh and a full-fledged product portfolio under its trading umbrella, Mainland Headwear was able to grasp the opportunities presented by the market recovery and rising online shopping trend and saw an uptick in its sales volume in both the Manufacturing and Trading business segments in the first half of 2021.

As a result, the Group achieved record-high revenue and net profit during the Period. Revenue surged by 72.1% to HK\$741,658,000 (2020 Interim: HK\$430,952,000). Correspondingly, gross profit rose appreciably by 87.6% to HK\$242,730,000 (2020 interim: HK\$129,377,000) with gross profit margin rising to 32.7% (2020 interim: 30.0%). Apart from the top-line growth, such increases can also be attributed to more fast orders received and effective cost control measures to optimise the management and streamline the structure of the Group, reinforced by improvement in production efficiency due to a higher level of automation at its Bangladesh plant. Profit attributable to shareholders soared by 87.3 times to HK\$66,084,000 (2020 Interim: HK\$757,000).

To share the fruit of its success with shareholders, the Board has resolved to recommend an interim dividend of 3 HK cents per share (2020 Interim: 2 HK cents). The Group remains in a healthy financial position, and has stable operating cash flows. It also holds sufficient cash on hand and total unutilised banking facilities, amounting to approximately HK\$217.3 million and HK\$204.3 million, respectively, as of 30 June 2021 (31 December 2020: HK\$219.5 million and HK\$219.3 million, respectively).

# Management Discussion and Analysis

## BUSINESS REVIEW

### Manufacturing Business

Revenue from the Manufacturing Business surged by 64.4% to HK\$441,302,000 (2020 Interim: HK\$268,469,000), while revenue from external customers climbed by 66.4% to HK\$392,618,000 (2020 Interim: HK\$235,980,000) accounting for approximately 52.9% of the Group's total revenue. The increase was mainly due to the rapid rebound in purchases from its customers, supported by the increased production capacity in its Bangladesh factory. These factors have led to sales in the Period not only growing year-on-year, but even surpassing pre-pandemic levels. Surging demand, reinforced by the increasing proportion of fast orders, have also translated to the significant rise in the segment's operating profit by 152.8% to HK\$89,087,000 (2020 Interim: HK\$35,237,000).

To meet the strong and fast order demand with short production cycles, the Group not only actively ramped up efficiency at its Bangladesh factory by implementing a higher level of automation and optimizing its management, but also resumed recruitment. As of 30 June 2021, the Bangladesh and Shenzhen factory had approximately 6,300 and 400 employees, respectively (31 December 2020: about 5,300 employees and 500 employees, respectively). As a result, production in Bangladesh contributed around 50.1% of the Group's total revenue, up from 47.5% in the corresponding period last year.

### Trading Business

Revenue from the Trading Business jumped by 79.0% to HK\$349,040,000 (2020 Interim: HK\$194,972,000), accounting for 47.1% of the Group's total revenue. The surge was mainly attributable to significant sales growth in the Group's trading subsidiaries in the US and UK, where lockdown measures were relaxed with the rollout of vaccines. The segment has turned around from an operating loss of HK\$18,026,000 in the first half of 2020 to an operating profit of HK\$7,631,000 during the Period.

The online consumption trend boosted by the pandemic boded well for its Trading Business, which the Group had invested in well before the outbreak of the pandemic. Apart from building a competitive product mix, the Group also expanded its portfolio of licensed brands by leveraging the consolidation in the industry during this challenging period as inflicted by the pandemic, thus reaping the benefits as the market was back on track to recovery.

## Management Discussion and Analysis

### PROSPECTS

Looking ahead, though the world still remains in the grip of COVID-19 as the delta variant spreads, the management believes the growth momentum will continue into the next few months as the market has adapted to the “new normal” of living with COVID-19, as reflected in the strong order demand from the Group’s customers leading to a performance even better than in previous years.

In order to meet the keen demand from its customers, the Group will continue to improve the layout of its production capacity, including enhancing the efficiency and increasing production capacity. In Bangladesh, the pandemic returned and as a result, the government has imposed a nationwide shutdown order starting 23 July 2021 until 5 August 2021, which once again led to the halt to the Group’s production for approximately two weeks. At present, the Group’s overall operations have returned to normal.

In addition to the volatility of the pandemic situation, the management is also mindful of shortages and soaring prices of raw materials, as well as the rising freight costs and tightening of transportation capacity. To this end, the management is gradually implementing a supply chain and procurement localization strategy in order to mitigate the impact of rising freight costs and save warehousing expenses, as well as dispersing supply risks.

With reference to the Trading Business, the Group expects that the satisfactory growth experienced by its trading subsidiaries in the US and the UK in the Period is set to continue as they benefit from the irreversible online shopping trend and gradual market recovery. The Group will intensify the expansion of its licensed brand portfolio under the trading umbrella to bolster its leading edge.

Over the past 35 years, Mainland Headwear has ridden out various economic cycles and challenges and established itself as a market leader in the headwear manufacturing industry. With its leading market position, a strengthened presence in Bangladesh, a widened product portfolio spanning from headwear to accessories and shrewd business acumen, the Group remains confident in its ability to weather whatever conditions that may come as well as create long-term value for its customers and shareholders.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had cash and bank balances and a portfolio of liquid investments totaling Hong Kong dollars (“HK\$”) 222.2 million (31 December 2020: HK\$226.0 million). About 60%, 26% and 7% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively. As at 30 June 2021, the Group had banking facilities of HK\$475.0 million (31 December 2020: HK\$513.4 million), of which HK\$204.3 million (31 December 2020: HK\$219.3 million) were not utilised.

The bank borrowing over total equity ratio of the Group is at 31.9% (31 December 2020: 37.2%). 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\$4.6 million (30 June 2020: HK\$8.6 million) on additions to equipment to further upgrade and expand its manufacturing capabilities. Also the Group spent HK\$1.0 million (2020 Interim: HK\$1.7 million) on additions of equipment and systems of Trading Business.

As at 30 June 2021, the Group had authorised a capital commitment of HK\$51.4 million in respect of manufacturing plants and equipment. The Group had also authorised a capital commitment of HK\$3.0 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 of the Renminbi and Bangladesh Taka is expected to reduce the gross margin of the Manufacturing Business by about 0.1% and 0.1% respectively.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 482 (30 June 2020: 663) workers and employees in the PRC (include Hong Kong), 6,290 (30 June 2020: 4,087) workers and employees in Bangladesh, and 157 (30 June 2020: 148) employees in the USA and the UK. The expenditures for the employees during the Period were approximately HK\$165.5 million (30 June 2020: HK\$113.4 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 (2020: 2 HK cents) per share, payable on or after 8 October 2021.

### 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 2021, the register of members of the Company will be closed from 14 September 2021 to 16 September 2021 (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 13 September 2021.



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

For the six months ended 30 June 2021

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Revenue</b>	6&7	<b>741,658</b>	430,952
Cost of sales		<b>(498,928)</b>	(301,575)
		<b>242,730</b>	129,377
Gross profit		<b>10,009</b>	5,550
Other income		<b>(2,001)</b>	(5,506)
Other losses — net		<b>(68,175)</b>	(48,579)
Selling and distribution costs		<b>(93,802)</b>	(67,546)
Administration expenses		<b>788</b>	(3,682)
Net reversal/(impairment) on financial assets		<b>89,549</b>	9,614
<b>Profit from operations</b>	8(a)	<b>89,549</b>	9,614
Finance income		<b>246</b>	363
Finance costs		<b>(3,917)</b>	(6,409)
Finance costs — net	8(b)	<b>(3,671)</b>	(6,046)
<b>Profit before income tax</b>		<b>85,878</b>	3,568
Income tax expense	9	<b>(15,196)</b>	(2,228)
<b>Profit for the period</b>		<b>70,682</b>	1,340
<b>Attributable to:</b>			
Owners of the Company		<b>66,084</b>	757
Non-controlling interests		<b>4,598</b>	583
		<b>70,682</b>	1,340
<b>Earnings per share attributable to owners of the Company</b>			
Basic (HK cents per share)	10(a)	<b>16.30</b>	0.19
Diluted (HK cents per share)	10(b)	<b>16.30</b>	0.19

The notes on pages 15 to 37 form an integral part of these interim condensed consolidated financial information.

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

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Profit for the period</b>	<b>70,682</b>	1,340
<b>Other comprehensive income/(loss)</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign operations	<u>1,069</u>	<u>(3,684)</u>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b><u>71,751</u></b>	<b><u>(2,344)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<u>67,064</u>	(2,801)
Non-controlling interests	<u>4,687</u>	457
<b>Total comprehensive income/(loss) for the period</b>	<b><u>71,751</u></b>	<b><u>(2,344)</u></b>

The notes on pages 15 to 37 form an integral part of these interim condensed consolidated financial information.

## Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>394,459</b>	407,737
Right-of-use assets	13	<b>43,514</b>	42,183
Investment properties	12	<b>44,523</b>	44,523
Goodwill		<b>22,511</b>	22,511
Other intangible assets	12	<b>22,952</b>	32,774
Deferred income tax assets		<b>5,315</b>	3,500
Investment accounted for using equity method		<b>1,195</b>	1,195
Financial assets at fair value through profit or loss		<b>17,855</b>	8,943
Other financial assets at amortised cost	14	<b>1,663</b>	1,489
		<b>553,987</b>	564,855
<b>Current assets</b>			
Inventories		<b>320,314</b>	276,830
Trade receivable	14	<b>350,778</b>	335,320
Financial assets at fair value through profit or loss		<b>13,822</b>	6,556
Other financial assets at amortised cost	14	<b>9,408</b>	8,254
Other current assets		<b>19,909</b>	18,745
Tax recoverable		<b>3,325</b>	3,477
Cash and cash equivalents		<b>217,294</b>	219,461
		<b>934,850</b>	868,643
<b>Total assets</b>		<b>1,488,837</b>	1,433,498

## Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2021

	Note	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital	15	40,532	40,532
Other reserves		225,003	223,800
Retained earnings		560,059	506,135
		<b>825,594</b>	770,467
Non-controlling interests		22,633	17,946
<b>Total equity</b>		<b>848,227</b>	788,413
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	16	14,029	20,862
Lease liabilities	13	29,970	27,374
Deferred income tax liabilities		5,206	4,563
		<b>49,205</b>	52,799
<b>Current liabilities</b>			
Trade and other payables	16	279,870	270,187
Amount due to a non-controlling interest		537	537
Borrowings	17	270,343	293,677
Lease liabilities	13	15,840	16,294
Current income tax liabilities		24,815	11,591
		<b>591,405</b>	592,286
<b>Total liabilities</b>		<b>640,610</b>	645,085
<b>Total equity and liabilities</b>		<b>1,488,837</b>	1,433,498
<b>Net current assets</b>		<b>343,445</b>	276,357
<b>Total assets less current liabilities</b>		<b>897,432</b>	841,212

The notes on pages 15 to 37 form an integral part of these interim condensed consolidated financial information.

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

For the six months ended 30 June 2021

	(Unaudited)										
	Attributable to owners of the Company								Non-controlling interests		Total equity
	Share based							Total			
	Share capital	Share premium	Capital reserve	compensation reserve	Other reserve	Exchange reserve	Retained earnings		HK\$'000	HK\$'000	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 2021	40,532	167,016	25,878	9,975	8,042	12,889	506,135	770,467	17,946	788,413	
Profit for the period	-	-	-	-	-	-	66,084	66,084	4,598	70,682	
Other comprehensive income	-	-	-	-	-	980	-	980	89	1,069	
Total comprehensive income for the period net of tax	-	-	-	-	-	980	66,084	67,064	4,687	71,751	
2020 final dividends paid	-	-	-	-	-	-	(12,160)	(12,160)	-	(12,160)	
Share option scheme: - Value of service provided	-	-	-	223	-	-	-	223	-	223	
Total contributions by and distribution to owners of the Company	-	-	-	223	-	-	(12,160)	(11,937)	-	(11,937)	
At 30 June 2021	40,532	167,016	25,878	10,198	8,042	13,869	560,059	825,594	22,633	848,227	

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

For the six months ended 30 June 2021

	(Unaudited)										
	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	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		
At 1 January 2020	40,532	167,016	25,878	9,385	8,042	11,202	480,128	742,183	13,751	755,934	
Profit for the period	–	–	–	–	–	–	757	757	583	1,340	
Other comprehensive loss	–	–	–	–	–	(3,558)	–	(3,558)	(126)	(3,684)	
Total comprehensive (loss)/income for the period net of tax	–	–	–	–	–	(3,558)	757	(2,801)	457	(2,344)	
2019 final dividends paid	–	–	–	–	–	–	(12,160)	(12,160)	–	(12,160)	
Share option scheme:											
– Value of service provided	–	–	–	502	–	–	–	502	–	502	
Total contributions by and distribution to owners of the Company	–	–	–	502	–	–	(12,160)	(11,658)	–	(11,658)	
At 30 June 2020	40,532	167,016	25,878	9,887	8,042	7,644	468,725	727,724	14,208	741,932	

## Interim Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	73,181	72,012
Income tax paid	(2,992)	(2,088)
Interest paid	(3,917)	(6,409)
	<b>66,272</b>	63,515
<b>Cash flows from investing activities</b>		
Interest received	246	363
Purchase of property, plant and equipment	(5,645)	(10,289)
Purchase of a financial asset at fair value through profit and loss	(17,855)	—
Proceed from disposal of financial assets at fair value through profit or loss	—	21,268
	<b>(23,254)</b>	11,342
<b>Cash flows from financing activities</b>		
Dividends paid	(12,160)	(12,160)
Proceeds from bank borrowings	15,000	110,523
Repayment of bank borrowings	(38,334)	(50,763)
Principal elements of lease payments	(9,830)	(8,093)
	<b>(45,324)</b>	39,507
<b>Net (decrease)/increase in cash and cash equivalents</b>		
	<b>(2,306)</b>	114,364
Cash and cash equivalents at beginning of the period	219,461	112,549
Effect of foreign exchange rate changes	139	(3,290)
	<b>217,294</b>	223,623
<b>Cash and cash equivalents at end of the period</b>	<b>217,294</b>	223,623

The notes on pages 15 to 37 form an integral part of these interim condensed consolidated financial information.

# Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

## 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 2021 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 2020, 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 2020, as described in those annual consolidated financial statements, except for estimation of income tax and the adoption of new and amended standards as set out below.

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



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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 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 2020.

### 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 2020.

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 2021

### 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 2021.

	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 investment fund	–	–	17,855	17,855
– Unlisted equity investment	–	–	8,943	8,943
– Listed securities	4,879	–	–	4,879
	<hr/>	<hr/>	<hr/>	<hr/>
Total financial assets	4,879	–	26,798	31,677
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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 2020.

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity investment	–	–	8,943	8,943
– Listed securities	6,556	–	–	6,556
Total financial assets	6,556	–	8,943	15,499

There were no transfers of financial assets between the fair value hierarchy classifications during the period (six months ended 30 June 2020: same).

There were no other changes in valuation techniques during the period (six months ended 30 June 2020: same). There were no reclassifications of financial assets for the six months ended 30 June 2021.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The unlisted investment fund classified as FVPL represents an investment in a 2.2618% limited partnership interest in a fund, which is expected to invest in securities of a single private company.

The unlisted equity investment classified as financial asset at fair value through profit or loss ("FVPL") represents an investment in a 18% equity interest of an unlisted company incorporated in the USA. It is principally engaged in acquisition and management of a retail plaza and related properties for re-development or rental appreciation.

The Group considers the fair values of the financial assets at fair value through profit or loss as at 30 June 2021 approximate the values as last annual reporting date/acquisition date as there are no indication of significant change in the values since then.

#### 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

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 6. REVENUE

The principal activities of the Group are manufacturing, trading and retailing 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, loss on disposal of a financial asset at FVPL, share-based payment expense, finance income and costs 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 People's Republic of China ("PRC"). Customers are mainly located in the USA and Europe.
- (ii) Trading Business: The trading and distribution business of headwear, small leather goods, bags and accessories of the Group is operating through Drew Pearson International (Europe) Ltd., ("DPI") which focuses on the Europe market, and H3 Sportgear LLC ("H3"), San Diego Hat Company ("SDHC") and Aquarius Ltd. ("Aquarius") which focus on the United States ("US") market.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 7. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Total	
	Six months ended		Six months ended		Six months ended	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue from external customers	<b>392,618</b>	235,980	<b>349,040</b>	194,972	<b>741,658</b>	430,952
Inter-segment revenue	<b>48,684</b>	32,489	—	—	<b>48,684</b>	32,489
Reportable segment revenue	<b>441,302</b>	268,469	<b>349,040</b>	194,972	<b>790,342</b>	463,441
Reportable segment profit/(loss)	<b>89,087</b>	35,237	<b>7,631</b>	(18,026)	<b>96,718</b>	17,211
Fair value loss on financial assets at FVPL					<b>(1,677)</b>	(2,029)
Loss on disposal of financial assets at FVPL					—	(2,806)
Share-based payment expenses					<b>(223)</b>	(502)
Unallocated corporate income					<b>9,452</b>	5,483
Unallocated corporate expenses					<b>(14,721)</b>	(7,743)
Profit from operations					<b>89,549</b>	9,614
Finance costs – net					<b>(3,671)</b>	(6,046)
Income tax expense					<b>(15,196)</b>	(2,228)
Profit for the period					<b>70,682</b>	1,340

Segment assets exclude investment properties, deferred income tax assets, 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 2021

### 7. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Total	
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Reportable segment assets	<b>592,155</b>	563,563	<b>593,353</b>	580,889	<b>1,185,508</b>	1,144,452
Investment properties					<b>44,523</b>	44,523
Deferred income tax assets					<b>5,315</b>	3,500
Investment accounted for using equity method					<b>1,195</b>	1,195
Financial assets at FVPL					<b>31,677</b>	15,499
Tax recoverable					<b>3,325</b>	3,477
Cash and cash equivalents					<b>217,294</b>	219,461
Other corporate assets					<b>—</b>	1,391
Total assets					<b>1,488,837</b>	1,433,498

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

	Manufacturing		Trading		Total	
	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Reportable segment liabilities	<b>230,314</b>	192,891	<b>100,315</b>	134,864	<b>330,629</b>	327,755
Deferred income tax liabilities					<b>5,206</b>	4,563
Current income tax liabilities					<b>24,815</b>	11,591
Borrowings					<b>270,343</b>	293,677
Other corporate liabilities					<b>9,617</b>	7,499
					<b>640,610</b>	645,085
Capital expenditure incurred during the period/year	<b>15,971</b>	25,715	<b>7,275</b>	53,909	<b>23,246</b>	79,624

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>(a) Operating profit</b>		
Loss on disposal of financial assets at FVPL	—	2,806
Fair value loss on financial assets at FVPL	<b>1,677</b>	2,029
Net exchange loss	<b>324</b>	878
Depreciation of property, plant and equipment	<b>18,871</b>	19,053
Depreciation of right-of-use assets	<b>10,022</b>	7,832
Short-term lease expenses	<b>564</b>	213
Amortisation of other intangible assets	<b>9,218</b>	9,336
Net provision for inventories ( <i>note (i)</i> )	<b>733</b>	3,416
Net (reversal)/impairment on trade receivables ( <i>note (ii)</i> )	<b>(788)</b>	3,682
	<b>—————</b>	<b>—————</b>

Notes:

- (i) Provision for obsolete inventories of HK\$733,000 has been made during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$3,416,000), 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 2021 was mainly related to the trade receivables of customers in the US 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 reversal of HK\$788,000 during the period ended 30 June 2021 (six months ended 30 June 2020: provision of HK\$3,682,000).



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>(b) Finance costs — net</b>		
Interest on bank loans, overdrafts and other borrowings	(2,706)	(5,009)
Interest accretion on license fee payables	(592)	(851)
Interest on lease liabilities	(619)	(549)
	<u>(3,917)</u>	<u>(6,409)</u>
Finance costs	246	363
Finance income	<u>246</u>	<u>363</u>
Finance costs — net	<u>(3,671)</u>	<u>(6,046)</u>

### 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current year		
— Hong Kong profits tax	1,001	—
— Overseas tax	11,867	2,884
	<u>12,868</u>	<u>2,884</u>
Under-provision/(over-provision) in prior years		
— Hong Kong profits tax	3,500	(128)
— Overseas tax	—	—
	<u>3,500</u>	<u>(128)</u>
Deferred income tax	(1,172)	(528)
	<u>(1,172)</u>	<u>(528)</u>
	<u>15,196</u>	<u>2,228</u>

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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 2020: 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.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<b>66,084</b>	757
Weighted average number of ordinary shares in issue	<b>405,323,284</b>	405,323,284
Basic earnings per share (HK cents)	<b>16.30</b>	0.19

#### (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 2021

### 10. EARNINGS PER SHARE (*CONTINUED*)

#### (b) Diluted (*Continued*)

For the six months ended 30 June 2021, 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:

	Six months ended 30 June 2021 (Unaudited)
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	66,084
Weighted average number of ordinary shares in issue	405,323,284
Adjustment for share options	140,472
Weighted average number of ordinary shares for diluted earnings per share	405,463,756
Diluted earnings per share ( <i>HK cents</i> )	16.30

For the six months ended 30 June 2020, the share options issued were not assumed to be exercised as they would have an antidilutive impact to the basic earnings per share.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 11. DIVIDENDS

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend declared of 3 HK cents (2020: 2 HK cents) per share	<b>12,160</b>	8,106

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 2021.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Final dividend paid in respect of 2020 of 3 HK cents (2019: 3 HK cents) per share	<b>12,160</b>	12,160

### 12. CAPITAL EXPENDITURE

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of HK\$5,645,000, (six months ended 30 June 2020: HK\$10,289,000) and intangible assets of HK\$6,247,000 (six months ended 30 June 2020: HK\$22,871,000).

As at 30 June 2021, other intangible assets represent acquired customer relationship of HK\$1,615,000 (31 December 2020: HK\$2,383,000) and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products of HK\$21,337,000 (31 December 2020: HK\$30,391,000).

The Group's investment properties were revalued at 31 December 2020. 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 2020: same).

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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 2021 (Unaudited) HK\$'000</b>	At 31 December 2020 (Audited) HK\$'000
<b>Right-of-use assets</b>		
Properties	<b>43,126</b>	41,707
Motor vehicle	<b>388</b>	476
	<b>43,514</b>	42,183
<b>Lease liabilities</b>		
Non-current	<b>29,970</b>	27,374
Current	<b>15,840</b>	16,294
	<b>45,810</b>	43,668

Lease liabilities as at 30 June 2021 of HK\$322,000 (31 December 2020: HK\$419,000) of the Group was secured by a legal charge on a motor vehicle of the Group recognised as right-of-use assets with carrying amount of HK\$388,000 (31 December 2020: HK\$476,000).

Additions to the right-of-use assets during the six months ended 30 June 2021 is HK\$11,353,000 (six months ended 30 June 2020: HK\$12,990,000).

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 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>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation charge of right-of-use assets (Note 8a)	<b>10,022</b>	7,832
Interest expenses (included in finance costs) (Note 8b)	<b>619</b>	549
Expenses relating to short-term leases (Note 8a)	<b>564</b>	213
	<u><b>11,205</b></u>	<u>8,594</u>

The total cash outflow for leases in the six months ended 30 June 2021 is HK\$10,394,000 (six months ended 30 June 2020: HK\$8,306,000).

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

The Group leases various properties and a motor vehicle. Rental contracts are typically made for 2 to 10 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 2021

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Trade receivables	<b>358,630</b>	343,202
Less: provision for impairment losses	<b>(7,852)</b>	(7,882)
	<b>350,778</b>	335,320
Trade receivables, net		
	<b>11,071</b>	9,743
Other financial assets at amortised cost		
	<b>361,849</b>	345,063
Less: non-current portion of other financial assets at amortised cost	<b>(1,663)</b>	(1,489)
Current portion	<b>360,186</b>	343,574

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 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
0–30 days	<b>129,479</b>	117,463
31–60 days	<b>91,122</b>	78,436
61–90 days	<b>63,350</b>	52,138
91–120 days	<b>30,308</b>	27,068
Over 120 days	<b>44,371</b>	68,097
	<b>358,630</b>	343,202

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 15. SHARE CAPITAL

#### (a) Share capital

	Number of shares of HK\$0.10 each	<i>HK\$'000</i>
<b>Authorised:</b>		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<b>1,000,000,000</b>	<u>100,000</u>
<b>Issued and fully paid:</b>		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<b>405,323,284</b>	<u>40,532</u>

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

On 23 May 2002, a share option scheme (the "Old 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 invested entity to subscribe for shares in the Company.

On 29 December 2011, 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, 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 Old Scheme and any other share option schemes of the Group may not in aggregate exceed 39,858,328, being 10% of the shares in issue of the Company as at 29 December 2011, the date of adoption of the Share Option Scheme. The scheme mandate limit was refreshed on 16 May 2018. Upon refreshing of the scheme mandate limit, the Company may grant options entitling holders thereof to subscribe for up to a maximum of 40,532,828 shares, representing 10% of the shares in issue of the Company as at 16 May 2018.



## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 15. SHARE CAPITAL (CONTINUED)

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

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.

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.

There is no new share option granted during the six months ended 30 June 2021 (six months ended 30 June 2020: same).

#### (i) Movement in share options

	2021		2020	
	Number of share options (Unaudited) '000	Weighted average exercise price (Unaudited) HK\$	Number of share options (Unaudited) '000	Weighted average exercise price (Unaudited) HK\$
At 1 January	<u>31,400</u>	<u>1.365</u>	<u>32,300</u>	<u>1.353</u>
At 30 June	<u>31,400</u>	<u>1.365</u>	<u>32,300</u>	<u>1.353</u>
Options vested at closing	<u>27,726</u>	<u>1.343</u>	<u>22,082</u>	<u>1.316</u>

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 15. SHARE CAPITAL (CONTINUED)

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

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

As at 30 June 2021, the options have a weighted average contractual terms of 4.9 years (31 December 2020: 5.4 years).

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

		<b>30 June 2021</b>	31 December 2020
	Exercise price (Unaudited) HK\$	<b>Number of share options (Unaudited)</b> '000	(Audited) '000
29 December 2021	0.800	<b>1,000</b>	1,000
14 July 2025	1.120	<b>11,030</b>	11,030
12 April 2027	1.534	<b>19,370</b>	19,370
		<b>31,400</b>	31,400

As at 30 June 2021, out of total 31,400,000 (31 December 2020: 31,400,000) outstanding options, 27,726,000 options (31 December 2020: 23,652,000) are exercisable. No share option was exercised during six months ended 30 June 2021 (six months ended 30 June 2020: same).

Under this share option scheme, HK\$223,000 (six months ended 30 June 2020: HK\$502,000) of share-based payment expenses has been included in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 and a corresponding amount has been credited to share based compensation reserve.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 16. TRADE AND OTHER PAYABLES

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Trade payables	<b>159,585</b>	140,232
Accrued charges and other payables	<b>134,314</b>	150,817
	<b>293,899</b>	291,049
Less: other non-current payables	<b>(14,029)</b>	(20,862)
Current portion	<b>279,870</b>	270,187

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
0-30 days	<b>75,089</b>	51,593
31-60 days	<b>40,513</b>	43,910
61-90 days	<b>31,527</b>	19,394
Over 90 days	<b>12,456</b>	25,335
	<b>159,585</b>	140,232

Contract liabilities of HK\$2,186,000 (31 December 2020: HK\$471,000) 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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 16. TRADE AND OTHER PAYABLES (CONTINUED)

Revenue recognised during the period ended 30 June 2021 that was included in the contract liabilities balance at the beginning of the period amounted to HK\$471,000 (six months ended 30 June 2020: HK\$165,000). The Group recognised its contract liabilities under other payables and accruals in the interim condensed consolidated balance sheet.

### 17. BORROWINGS

Movement in borrowings is analysed as follows:

	<b>(Unaudited)</b> <b>HK\$'000</b>
<b>Six months ended 30 June 2020</b>	
Opening amount as at 1 January 2020	272,919
Repayment of bank borrowings	(50,763)
Proceeds from bank borrowings	110,523
	<hr/>
<b>Closing amount as at 30 June 2020</b>	<b>332,679</b>
	<hr/> <hr/>
<b>Six months ended 30 June 2021</b>	
Opening amount as at 1 January 2021	<b>293,677</b>
Repayment of bank borrowings	<b>(38,334)</b>
Proceeds from bank borrowings	<b>15,000</b>
	<hr/>
<b>Closing amount as at 30 June 2021</b>	<b>270,343</b>
	<hr/> <hr/>

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

### 18. CAPITAL COMMITMENTS

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Contracted but not provided for	<b>38,330</b>	—

### 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>2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
Sales of goods to affiliated companies of a shareholder	<b>281,907</b>	146,735
Rental paid in respect of office premises to directors and a company controlled by a director	<b>881</b>	881
Claim charges paid to affiliated companies of a shareholder	<b>660</b>	664

## Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2021

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

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

	<b>30 June 2021 (Unaudited) HK\$'000</b>	31 December 2020 (Audited) HK\$'000
Trade receivables from affiliated companies of a shareholder	<b>126,438</b>	171,961

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 2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
Short-term employee benefits	<b>16,617</b>	13,784
Retirement scheme contributions	<b>77</b>	81
	<b>16,694</b>	13,865

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

The interim condensed consolidated financial information was approved by the Board of Directors on 24 August 2021.

## Other Information Provided in Accordance with the Listing Rules

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, 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	—	221,508,000 <i>(note 1, 2)</i>	44,800,000 <i>(note 3, 4)</i>	266,308,000	65.70%
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	37,808,000 <i>(note 2)</i>	183,700,000 <i>(note 1)</i>	44,800,000 <i>(note 3, 4)</i>	266,308,000	65.70%
Mr. James S. Patterson	—	—	1,000,000 <i>(note 5)</i>	1,000,000	0.25%
Mr. Ngan Siu Hon, Alexander	—	—	2,000,000 <i>(note 6)</i>	2,000,000	0.49%
Mr. Lai Man Sing	—	—	1,000,000 <i>(note 7)</i>	1,000,000	0.25%

#### Notes:

- (1) 183,700,000 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 37,808,000 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.

## 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 2,000,000 shares and 3,000,000 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 1,000,000 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 2,000,000 shares pursuant to the outstanding options granted under the Company's share options scheme.
- (7) Mr. Lai Man Sing is entitled to subscribe for 1,000,000 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**

On 29 December 2011, share option scheme (the "Share Option Scheme") was adopted, whereby the Board of Directors, may, at their absolute discretion, grant options to any eligible employees, including directors of the Company or any of its subsidiaries or any invested entity, any suppliers of goods or services to any member of the Group or any invested entity, and any customers of the Group or any invested entity to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group may not in aggregate exceed 39,858,328, being 10% of the shares in issue of the Company as at 29 December 2011, the date of adoption of the Share Option Scheme. Upon refreshing of the scheme mandate limit, the Company may grant options entitling holders thereof to subscribe for up to a maximum of 40,532,828 shares, representing 10% of the shares in issue of the Company as at 16 May 2018.



## 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 40,532,828 shares, which represented 10% of the issued share capital of the Company.

## Other Information Provided in Accordance with the Listing Rules

### SHARE OPTION SCHEMES (CONTINUED)

At 30 June 2021, 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\$1.26 at the balance sheet date) granted at nominal consideration under the share option schemes operated by the Company, each option gives the holder the right to subscribe for one share:

	Date of grant	Period during which options exercisable	Exercise price HK\$	Number of shares	Market value
				Outstanding at 1.1.2021 and 30.6.2021	per share at date of grant HK\$
Director	15.07.2015	15.07.2016–14.07.2025	1.120	1,000,000	1.12
	13.04.2017	13.04.2017–12.04.2027	1.534	8,000,000	1.50
				9,000,000	
Employees	30.12.2011	30.12.2012–29.12.2021	0.800	1,000,000	0.80
	15.07.2015	15.07.2016–14.07.2025	1.120	10,030,000	1.12
	13.04.2017	13.04.2017–12.04.2027	1.534	11,370,000	1.50
				22,400,000	

*Note:*

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 2021, 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	37,808,000	—	—	37,808,000	9.33%
	Interest of a controlled corporation ( <i>note 1</i> )	—	183,700,000	—	183,700,000	45.32%
					221,508,000	54.65%
Successful Years International Co., Ltd. ( <i>note 1</i> )	Beneficial owner	183,700,000	—	—	183,700,000	45.32%
Mr. Christopher Koch ( <i>note 2</i> )	Interest of a controlled corporation	—	79,601,000	—	79,601,000	19.64%
NEHK ( <i>note 2</i> )	Interest of a controlled corporation	79,601,000	—	—	79,601,000	19.64%

#### 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 79,601,000 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	39,800,000 (Note)	9.82%
NEHK	39,800,000 (Note)	9.82%

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.

Save as disclosed above, as at 30 June 2021, 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.

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

During the six months ended 30 June 2021, 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 2021.

## Other Information Provided in Accordance with the Listing Rules

### 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 2021.

### 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 2021.

By Order of the Board

**Ngan Hei Keung**

*Chairman*

Hong Kong, 24 August 2021

*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.*