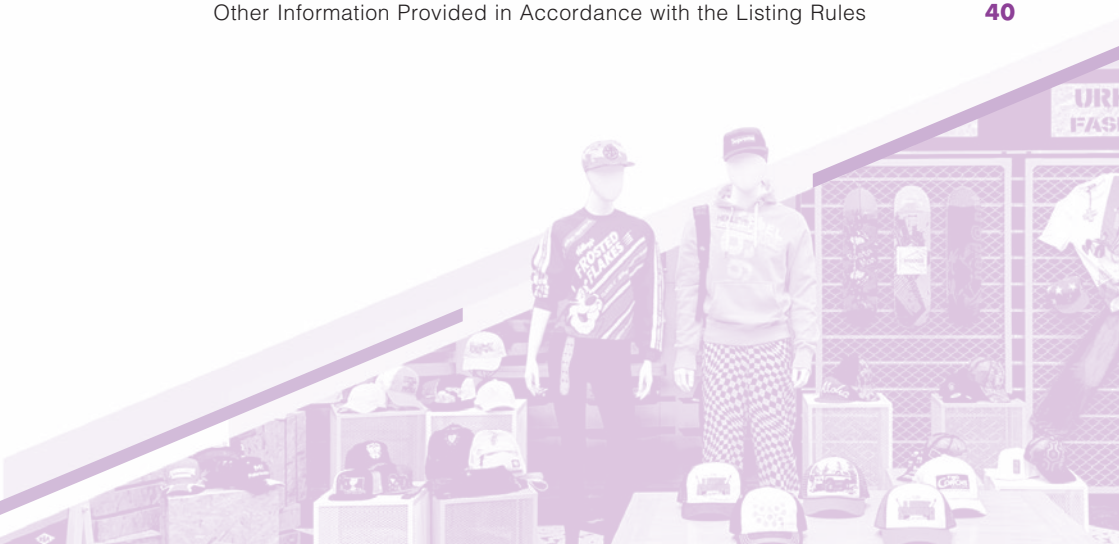
Contents

pages

Management Discussion and Analysis	**2**
Interim Dividend and Closure of Register of Members	**6**
Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)	**7**
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)	**8**
Interim Condensed Consolidated Balance Sheet (Unaudited)	**9**
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	**11**
Interim Condensed Consolidated Cash Flow Statement (Unaudited)	**13**
Notes to the Unaudited Interim Condensed Consolidated Financial Information	**14**
Other Information Provided in Accordance with the Listing Rules	**40**



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 2022 (the "Period").

FINANCIAL REVIEW

In 2022, geopolitical tensions, interest rate hikes, high inflation and uncertain global market prospects have added variables to the economy recovering from the COVID-19 pandemic. Consumer confidence has weakened and retailers have become more cautious in procurement. With its manufacturing business capable of quick production and delivery, the Group was able to give full play to its production technology advantages and obtained a large number of quick-turn orders in the challenging operating environment. As for trading business, it actively responded to market changes, established partnerships with customers and maintained resilience while expanding operation. The hard work of the two businesses together allowed the Group to record encouraging business growth in the first half year.

During the Period, the Group's revenue reached record high, up 27.0% year-on-year to HK$941,912,000 (2021 interim: HK$741,658,000). This was mainly attributable to the high production efficiency of the Bangladesh factory, which allowed the Group to quickly respond to and meet the needs of customers, and benefit further from the growth in quick-turn order demand. While gross profit increased by a significant 25.1% to HK$303,717,000 (2021 interim: HK$242,730,000), at risen costs, gross profit margin was down slightly by 0.5 percentage point to 32.2% (2021 interim: 32.7%). To meet the demand for quick-turn orders with short production cycle, the Group actively improved the efficiency of its Bangladesh factory by raising the level of automation and optimizing management at the factory. Profit attributable to shareholders increased by 27.8% to HK$84,486,000 (2021 interim: HK$66,084,000).

The Board resolved to declare an interim dividend of 3 HK cents per share (2021 interim: 3 HK cents). The Group remained in a healthy financial position and had stable operating cash flows. It also had sufficient cash on hand and unutilised banking facilities of approximately HK$240,056,000 and HK$317,600,000, respectively, as at 30 June 2022 (31 December 2021: HK$198,900,000 and HK$216,900,000, respectively).

Management Discussion and Analysis

BUSINESS REVIEW

Manufacturing business

During the Period, revenue from the manufacturing business surged by 43.1% to HK$561,969,000 (2021 interim: HK$392,618,000), accounting for approximately 59.7% of the Group's total revenue. The growth was mainly due to the continuous strong demand for quick-turn orders from customers. The Bangladesh factory not only provided headwear boasting excellent craftsmanship to customers, affording quick production and delivery, it also helped customers reduce inventories and improve capital flexibility, and in turn was able to build solid cooperative relations with customers. Growing sales, plus the higher proportion of quick-turn orders, explained the significant 59.3% rise in the segment's operating profit to HK$141,885,000 (2021 interim: HK$89,087,000).

During the Period, the Bangladesh factory bolstered production capability and efficiency by optimizing management and recruiting additional manpower. As for the Shenzhen factory, it focused on the design, development and production of high-end products. As at 30 June 2022, the two factories had approximately 8,100 and 360 employees, respectively (31 December 2021: about 7,200 employees and 400 employees, respectively).

Trading Business

Revenue from the trading business increased by 8.9% to HK$379,943,000 (2021 interim: HK$349,040,000), accounting for 40.3% of the Group's total revenue. The growth was mainly attributable to efforts of the Group's subsidiaries to capture opportunities in the markets recovering from the pandemic in Europe and the United States (the "USA") and, via its portfolio of licensed brands, to drive business growth.

During the Period, the segment adjusted its delivery schedule heeding sales situations of customers. However, with transportation and logistics costs risen, cost of sales saw a sharp increase and as a result, trading business recorded operating loss of HK$23,097,000 (2021 interim: operating profit of HK$7,631,000).

Management Discussion and Analysis

PROSPECTS

The Russian-Ukrainian war, plus the various sanctions imposed on Russia have continued to affect global energy supply and the bulk commodity supply chains. Commodity prices have surged, with inflation in Europe and the USA hitting 40-year high. Economies have been under pressure on both the consumption and production fronts, and so have supply chains from upstream to downstream. Moreover, the COVID-19 pandemic has not yet subsided completely, and facing a new round of macroeconomic fluctuation, economic recovery is expected to slow down a bit.

The new economic situation is reshaping production and marketing modes. Consumer goods buyers are growingly attracted to quick-turn orders and are not buying so much a time to reduce inventory. Production flexibility has also been the top priority of manufacturers. As one of the few manufacturers in the headwear market capable of quick production and delivery, the Group is set to further benefit from the demand-rich quick-turn order market.

To satisfy the quickly climbing demand for quick-turn orders, the Group will continue to optimize its production capacity layout and improve efficiency. In Bangladesh, it has actively rolled out its production facility expansion plan, with establishment of a new factory in full swing and expected to be completed in the fourth quarter of this year. The new factory will be equipped with around 100 new embroidery machines and have an about 3,000-strong workforce. The Group's production capacity will increase by 20% when the factory is completed. The Group is also considering setting up quick-turn order production base outside Bangladesh to expand production capacity and realize synergies.

As for trading business, with online shopping becoming a habit and the market gradually recovering, prospects are expected for the Group's trading subsidiaries in the USA and the UK. The Group will continue to optimize the segment's product mix, with the aim of improving resource allocation and operational efficiency. The e-commerce unit will continue to focus on operating the Group's own-brand and licensed products.

To cope with the operating challenges brought by the shortage and hence soaring prices of raw materials, and rising freight rates, the Group will continue to implement various cost control measures, while stepping up its supply chain and procurement localization strategy to mitigate rising cost pressure and diversify supply risks.

In the past 36 years, Mainland Headwear has ridden out various economic cycles and challenges and established itself as a market leader in the headwear manufacturing industry.

Management Discussion and Analysis

Priding market leadership, well-laid-out production prowess in Bangladesh, a wide product portfolio covering from headwear to accessories and shrewd business acumen, the Group remains confident of its ability to overcome different challenges and create long-term value for customers and shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had cash and bank balances and a portfolio of liquid investments totaling Hong Kong dollars ("HK$") 245.6 million (31 December 2021: HK$204.7 million). About 49%, 28% and 13% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively. As at 30 June 2022, the Group had banking facilities of HK$618.5 million (31 December 2021: HK$490.8 million), of which HK$317.6 million (31 December 2021: HK$216.9 million) were not utilised.

The borrowings over total equity ratio of the Group is at 34.0% (31 December 2021: 30.5%). 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$28.5 million (30 June 2021: HK$4.6 million) on additions to equipment and machineries to further upgrade and expand its manufacturing capabilities. Also the Group spent HK$2.0 million (30 June 2021: HK$1.0 million) on additions of equipment and systems of Trading Business.

As at 30 June 2022, the Group had authorised a capital commitment of HK$60.5 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.

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 2022, the Group employed a total of 418 (30 June 2021: 482) workers and employees in the People's Republic of China ("PRC"). (include Hong Kong), 8,120 (30 June 2021: 6,290) workers and employees in Bangladesh, and 181 (30 June 2021: 157) employees in the USA and the UK. The expenditures for the employees during the Period were approximately HK$214.3 million (30 June 2021: HK$165.5 million). The Group ensures that the pay levels of its employees are competitive and employees are remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

Interim Dividend and Closure of Register of Members

INTERIM DIVIDEND

The Board has declared an interim dividend of 3 HK cents (2021: 3 HK cents) per share, payable on or after 14 October 2022.

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 2022, the register of members of the Company will be closed from 21 September 2022 to 23 September 2022 (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 20 September 2022.

Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 (Unaudited) HK$'000	2021 (Unaudited) HK$'000
Revenue	6&7	**941,912**	741,658
Cost of sales		**(638,195)**	(498,928)
Gross profit		**303,717**	242,730
Other income		**13,865**	10,009
Other gains/(losses) — net		**2,187**	(2,001)
Selling and distribution costs		**(92,299)**	(68,175)
Administration expenses		**(106,632)**	(93,802)
Net (impairment)/reversal on financial assets		**(2,425)**	788
Profit from operations	8(a)	**118,413**	89,549
Finance income		**144**	246
Finance costs		**(4,855)**	(3,917)
Finance costs — net	8(b)	**(4,711)**	(3,671)
Share of loss from an investment accounted for using equity method		**(78)**	–
Profit before income tax		**113,624**	85,878
Income tax expense	9	**(22,367)**	(15,196)
Profit for the period		**91,257**	70,682
Attributable to:			
Owners of the Company		**84,486**	66,084
Non-controlling interests		**6,771**	4,598
		91,257	70,682
Earnings per share attributable to owners of the Company			
Basic (HK cents per share)	10(a)	**20.804**	16.304
Diluted (HK cents per share)	10(b)	**20.422**	16.298

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 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**91,257**	70,682
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(3,228)**	1,069
Total comprehensive income for the period, net of tax	**88,029**	71,751
Attributable to:		
Owners of the Company	**81,448**	67,064
Non-controlling interests	**6,581**	4,687
Total comprehensive income for the period	**88,029**	71,751

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 2022

	Note	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**425,545**	416,029
Right-of-use assets	13	**66,195**	40,167
Investment properties	12	**50,891**	51,928
Goodwill		**22,511**	22,511
Other intangible assets	12	**28,572**	29,608
Deferred income tax assets		**4,985**	5,164
Investment accounted for using equity method		**318**	396
Financial assets at fair value through profit or loss		**40,668**	30,909
Other financial assets at amortised cost	14	**2,178**	1,561
		641,863	598,273
Current assets			
Inventories		**456,180**	451,904
Trade receivable	14	**438,801**	360,931
Financial assets at fair value through profit or loss		**15,368**	15,289
Other financial assets at amortised cost	14	**9,723**	8,620
Other current assets		**40,294**	32,289
Tax recoverable		**2,963**	3,324
Cash and cash equivalents		**240,056**	198,890
		1,203,385	1,071,247
Total assets		**1,845,248**	1,669,520

Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2022

	Note	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	**42,559**	40,532
Other reserves		**223,514**	226,390
Retained earnings		**670,152**	609,985
		936,225	876,907
Non-controlling interests		**31,720**	25,214
Total equity		**967,945**	902,121
LIABILITIES			
Non-current liabilities			
Other payables	16	**17,253**	20,587
Lease liabilities	13	**52,722**	23,540
Deferred income tax liabilities		**6,194**	6,324
		76,169	50,451
Current liabilities			
Trade and other payables	16	**405,985**	393,185
Amount due to a non-controlling interest		**537**	537
Borrowings	17	**329,500**	275,384
Lease liabilities	13	**16,021**	18,826
Current income tax liabilities		**49,091**	29,016
		801,134	716,948
Total liabilities		**877,303**	767,399
Total equity and liabilities		**1,845,248**	1,669,520
Net current assets		**402,251**	354,299
Total assets less current liabilities		**1,044,114**	952,572

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 2022

	(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

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2022

	(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 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 dividend 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

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 2022

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Cash flows from operating activities		
Cash generated from operations	**70,640**	73,181
Income tax paid	**(1,752)**	(2,992)
Interest paid	**(3,519)**	(3,917)
Net cash generated from operating activities	**65,369**	66,272
Cash flows from investing activities		
Interest received	**144**	246
Purchase of property, plant and equipment	**(30,528)**	(5,645)
Purchase of a financial asset at fair value through profit and loss	**(10,056)**	(17,855)
Net cash used in investing activities	**(40,440)**	(23,254)
Cash flows from financing activities		
Dividends paid	**(24,319)**	(12,160)
Proceeds from borrowings	**123,356**	15,000
Repayment of borrowings	**(69,240)**	(38,334)
Principal elements of lease payments	**(9,915)**	(9,830)
Net cash generated from/(used in) financing activities	**19,882**	(45,324)
Net increase/(decrease) in cash and cash equivalents	**44,811**	(2,306)
Cash and cash equivalents at beginning of the period	**198,890**	219,461
Effect of foreign exchange rate changes	**(3,645)**	139
Cash and cash equivalents at end of the period	**240,056**	217,294

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 2022

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 2022 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 consolidation 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 2021, 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 2021, 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 2022

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 2021.

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 2021.

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 2022

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 2022.

	Level 1 (Unaudited) *HK$'000*	Level 2 (Unaudited) *HK$'000*	Level 3 (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Assets				
Financial assets at fair value through profit or loss				
– Unlisted equity investment in the USA	–	–	9,122	9,122
– Unlisted equity investment in the British Virgin Islands	–	–	21,710	21,710
– Unlisted investment fund in the PRC	–	–	8,864	8,864
– Unlisted investment fund in Hong Kong	–	–	972	972
– Unlisted convertible loan	–	–	9,853	9,853
– Listed securities in Hong Kong	5,515	–	–	5,515
Total financial assets	5,515	–	50,521	56,036

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 2021.

	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 in the USA	–	–	9,122	9,122
– Unlisted equity investment in the British Virgin Islands	–	–	21,787	21,787
– Unlisted convertible loan	–	–	9,444	9,444
– Listed securities in Hong Kong	5,845	–	–	5,845
Total financial assets	5,845	–	40,353	46,198

There were no transfers of financial assets between the fair value hierarchy classifications during the period (six months ended 30 June 2021: same).

There were no other changes in valuation techniques during the period (six months ended 30 June 2021: same). There were no reclassifications of financial assets for the six months ended 30 June 2022.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 2.3% 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 convertible loan

The unlisted convertible loan classified as financial asset at FVPL represents an investment in a convertible loan issued by an unlisted company in Cayman Islands, which is not traded in an active market. The Group determines the fair value of the unlisted convertible loan by the probability-weighted average of the results on different scenarios.

Unlisted investment fund in the PRC

On 15 December 2021, the Group executed a capital contribution agreement in relation to a contribution of HK$36.6 million to a limited partnership established in the PRC (the "PRC Fund"). The contribution by the Group represents about 3.3% of the targeted contribution of the PRC Fund. A partnership agreement was signed on 28 January 2022. The PRC Fund is not traded in an active market. The Group considers the fair value of this investment as at 30 June 2022 approximate the value as acquisition date as there are no indication of significant change in the values since then.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

Unlisted investment fund in Hong Kong

On 14 March 2022, the Group executed a subscription agreement in relation to a contribution of HK$3.9 million to a limited partnership established in Hong Kong (the "Hong Kong Fund"). The contribution by the Group represents about 1.7% of the targeted contribution of the Hong Kong Fund. The Hong Kong Fund is not traded in an active market. Group considers the fair value of this investment as at 30 June 2022 approximate the value as 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 2022

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, 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.

(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.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

7. SEGMENT INFORMATION *(CONTINUED)*

	Manufacturing Six months ended 30 June		Trading Six months ended 30 June		Total Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*	**2022 (Unaudited) *HK$'000***	2021 (Unaudited) *HK$'000*	**2022 (Unaudited) *HK$'000***	2021 (Unaudited) *HK$'000*
Revenue from external customers	**561,969**	392,618	**379,943**	349,040	**941,912**	741,658
Inter-segment revenue	**58,139**	48,684	**—**	—	**58,139**	48,684
Reportable segment revenue	**620,108**	441,302	**379,943**	349,040	**1,000,051**	790,342
Reportable segment profit/(loss)	**141,885**	89,087	**(23,097)**	7,631	**118,788**	96,718
Fair value loss on financial assets at FVPL					**(218)**	(1,677)
Share-based payment expenses					**(92)**	(223)
Unallocated corporate income					**13,563**	9,452
Unallocated corporate expenses					**(13,628)**	(14,721)
Profit from operations					**118,413**	89,549
Finance costs — net					**(4,711)**	(3,671)
Share of loss from an investment accounted for using equity method					**(78)**	—
Income tax expense					**(22,367)**	(15,196)
Profit for the period					**91,257**	70,682

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 2022

7. SEGMENT INFORMATION *(CONTINUED)*

	Manufacturing		Trading		Total	
	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
Reportable segment assets	**711,289**	658,796	**778,710**	704,810	**1,489,999**	1,363,606
Investment properties					**50,891**	51,928
Deferred income tax assets					**4,985**	5,164
Investment accounted for using equity method					**318**	396
Financial assets at FVPL					**56,036**	46,198
Tax recoverable					**2,963**	3,324
Cash and cash equivalents					**240,056**	198,890
Other corporate assets					**—**	14
Total assets					**1,845,248**	1,669,520

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 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
Reportable segment liabilities	**278,570**	279,985	**204,693**	167,378	**483,263**	447,363
Deferred income tax liabilities					**6,194**	6,324
Current income tax liabilities					**49,091**	29,016
Borrowings					**329,500**	275,384
Other corporate liabilities					**9,255**	9,312
					877,303	767,399
Capital expenditure incurred during the period/year	**32,515**	63,549	**44,040**	21,558	**76,555**	85,107

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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:

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
(a) Operating profit		
Fair value loss on financial assets at FVPL	**218**	1,677
Net exchange (gain)/loss	**(2,405)**	324
Depreciation of property, plant and equipment	**20,176**	18,871
Depreciation of right-of-use assets	**9,878**	10,022
Short-term lease expenses	**1,191**	564
Amortisation of other intangible assets	**10,548**	9,218
Net provision for inventories *(note (i))*	**2,674**	733
Net impairment/(reversal) on trade receivables *(note (ii))*	**2,425**	(788)

Notes:

(i) Provision for obsolete inventories of HK$2,674,000 has been made during the six months ended 30 June 2022 (six months ended 30 June 2021: HK$733,000), 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 2022 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$2,425,000 during the period ended 30 June 2022 (six months ended 30 June 2021: a reversal of HK$788,000).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

8. PROFIT BEFORE INCOME TAX *(CONTINUED)*

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
(b) Finance costs — net		
Interest on bank loans, overdrafts and other borrowings	**(3,519)**	(2,706)
Interest accretion on license fee payables	**(804)**	(592)
Interest on lease liabilities	**(532)**	(619)
Finance costs	**(4,855)**	(3,917)
Finance income	**144**	246
Finance costs — net	**(4,711)**	(3,671)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Current year		
– Hong Kong profits tax	**1,585**	1,001
– Overseas tax	**20,603**	11,867
	22,188	12,868
Under-provision in prior years		
– Hong Kong profits tax	**—**	3,500
	22,188	16,368
Deferred income tax	**179**	(1,172)
	22,367	15,196

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 2021: 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	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**84,486**	66,084
Weighted average number of ordinary shares in issue	**406,107,058**	405,323,284
Basic earnings per share *(HK cents)*	**20.804**	16.304

(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 2022

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:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**84,486**	66,084
Weighted average number of ordinary shares in issue	**406,107,058**	405,323,284
Adjustment for share options	**7,589,165**	140,472
Weighted average number of ordinary shares for diluted earnings per share	**413,696,223**	405,463,756
Diluted earnings per share *(HK cents)*	**20.422**	16.298

11. DIVIDENDS

(a) Dividends attributable to the period

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Interim dividend declared of 3 HK cents (2021: 3 HK cents) per share	**12,768**	12,160

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 2022. The amount of proposed interim dividend was based on 425,589,448 (30 June 2021: 405,323,284) shares in issued as at 30 June 2022.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

11. DIVIDENDS

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

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Final dividend paid in respect of 2021 of 4 HK cents (2020: 3 HK cents) per share	**16,213**	12,160
Special dividend paid in respect of 2021 of 2 HK cents (2020: Nil)	**8,106**	–
	24,319	12,160

12. CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of HK$30,528,000, (six months ended 30 June 2021: HK$5,645,000) and intangible assets of HK$9,580,000 (six months ended 30 June 2021: HK$6,247,000).

As at 30 June 2022, other intangible assets represent acquired customer relationship of HK$389,000 (31 December 2021: HK$865,000) and licensing rights for the use of certain licensed trademark, brands and logos in the Group's products of HK$28,183,000 (31 December 2021: HK$28,743,000).

The Group's investment properties were revalued at 31 December 2021. 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 2021: same).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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:

	At 30 June 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Right-of-use assets		
Properties	**66,005**	39,881
Motor vehicle	**190**	286
	66,195	40,167
Lease liabilities		
Non-current	**52,722**	23,540
Current	**16,021**	18,826
	68,743	42,366

Lease liabilities as at 30 June 2022 of HK$121,000 (31 December 2021: HK$222,000) 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$190,000 (31 December 2021: HK$286,000).

Additions to the right-of-use assets during the six months ended 30 June 2022 is HK$36,447,000 (six months ended 30 June 2021: HK$11,353,000).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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:

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Depreciation charge of right-of-use assets *(Note 8a)*	9,878	10,022
Interest expenses (included in finance costs) *(Note 8b)*	532	619
Expenses relating to short-term leases *(Note 8a)*	1,191	564

The total cash outflow for leases in the six months ended 30 June 2022 is HK$11,106,000 (six months ended 30 June 2021: HK$10,394,000).

(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 2022

14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Trade receivables	**452,031**	372,127
Less: provision for impairment losses	**(13,230)**	(11,196)
Trade receivables, net	**438,801**	360,931
Other financial assets at amortised cost	**11,901**	10,181
	450,702	371,112
Less: non-current portion of other financial assets at amortised cost	**(2,178)**	(1,561)
Current portion	**448,524**	369,551

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:

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
0–30 days	**185,525**	130,400
31–60 days	**103,508**	126,305
61–90 days	**89,491**	57,355
91–120 days	**36,091**	27,839
Over 120 days	**37,416**	30,228
	452,031	372,127

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15. SHARE CAPITAL

(a) Share capital

	Note	Number of shares of HK$0.10 each	*HK$'000*
Authorised:			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022		1,000,000,000	100,000
Issued and fully paid:			
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 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

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 2022

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 2022, there was 31,920,000 outstanding Options with 31,920,000 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 2022

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 2022 (six months ended 30 June 2021: same).

(i) Movement in share options

	2022		2021	
	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	**30,400**	**1.317**	31,400	1.365
Bonus shares issued	**1,520**	**–**	–	–
At 30 June	**31,920**	**1.317**	31,400	1.365
Options vested at closing	**31,920**	**1.317**	27,726	1.343

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

15. SHARE CAPITAL *(CONTINUED)*

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

(i) Movement in share option (Continued)

As at 30 June 2022, the options have a weighted average contractual terms of 3.9 years (31 December 2021: 4.4 years).

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

	Exercise price (Unaudited) *(note)* *HK$*	**30 June 2022** **Number of share options (Unaudited)** *'000*	31 December 2021 (Audited) *'000*
14 July 2025	1.066	**11,581**	11,030
12 April 2027	1.460	**20,339**	19,370
		31,920	30,400

As at 30 June 2022, out of total 31,920,000 (31 December 2021: 30,400,000) outstanding options, 31,920,000 options (31 December 2021: 26,526,000) are exercisable. No share option was exercised during six months ended 30 June 2022 (six months ended 30 June 2021: same).

Under this share option scheme, HK$92,000 (six months ended 30 June 2021: HK$223,000) 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 2022 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 2022

16. TRADE AND OTHER PAYABLES

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Trade payables	**200,032**	219,760
Accrued charges and other payables	**223,206**	194,012
	423,238	413,772
Less: other non-current payables	**(17,253)**	(20,587)
Current portion	**405,985**	393,185

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

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
0–30 days	**95,962**	109,699
31–60 days	**23,191**	45,643
61–90 days	**22,193**	25,795
Over 90 days	**58,686**	38,623
	200,032	219,760

Contract liabilities of HK$4,051,000 (31 December 2021: HK$1,238,000) 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 2022

16. TRADE AND OTHER PAYABLES *(CONTINUED)*

Revenue recognised during the period ended 30 June 2022 that was included in the contract liabilities balance at the beginning of the period amounted to HK$1,238,000 (six months ended 30 June 2021: HK$471,000). 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:

	(Unaudited) *HK$'000*
Six months ended 30 June 2021	
Opening amount as at 1 January 2021	293,677
Repayment of bank borrowings	(38,334)
Proceeds from bank borrowings	15,000
Closing amount as at 30 June 2021	270,343
Six months ended 30 June 2022	
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 (note)	**28,786**
Closing amount as at 30 June 2022	**329,500**

Note:

US$3,700,000 (HK$28,786,000) was borrowed from an affiliated company of New Era Cap Hong Kong LLC ("NEHK"), a shareholder of the Company in January 2022, which is unsecured, interest bearing at 7% per annum and repayment on demand.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

18. COMMITMENTS

(a) CAPITAL COMMITMENTS

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

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Contracted but not provided for	**54,491**	29,723

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

Other commitment contracted for but not yet incurred as at the end of the reporting period is as follows:

	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
Contracted but not provided for	**29,282**	–

The above commitment represents commitment relating to capital contribution to financial assets at fair value through profit or loss.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

19. DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

On 30 April 2022, the Group disposed 10% issued share capital of H3 to an independent third party in exchange for exclusive distribution rights in the USA and Canada of selling certain license headwear products under the license portfolio. As a result of this transaction, the equity interest in H3 of the Group decreased from 100% to 90%. The difference between the fair value of the exclusive distribution rights acquired and the share of net liability value of H3 transferred to the non-controlling interests, of HK$2,097,000 is recognised as other reserve within the interim condensed consolidated statement of changes in equity.

20. 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

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Sales of goods to affiliated companies of a shareholder	**360,334**	281,907
Rental paid in respect of office premises to directors and a company controlled by a director	**101**	881
Claim charges paid to affiliated companies of a shareholder	**842**	660
Interest on borrowings from an affiliated company of a shareholder	**949**	–

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

20. SIGNIFICANT RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Trade receivables from affiliated companies of a shareholder	**193,251**	137,943

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:

	Six months ended 30 June	
	2022 (Unaudited) *HK$'000*	2021 (Unaudited) *HK$'000*
Short-term employee benefits	**18,429**	16,617
Retirement scheme contributions	**88**	77
	18,517	16,694

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved by the Board of Directors on 30 August 2022.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the interests of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of shares				
	Personal interest	**Other direct interest**	**Underlying shares**	**Total**	**Percentage of interest**
Mr. Ngan Hei Keung	—	232,583,400 *(note 1, 2)*	47,040,000 *(note 3, 4)*	279,623,400	65.70%
Madam Ngan Po Ling, Pauline, *BBS, JP*	39,698,400 *(note 2)*	192,885,000 *(note 1)*	47,040,000 *(note 3, 4)*	279,623,400	65.70%
Mr. James S. Patterson	—	—	1,050,000 *(note 5)*	1,050,000	0.25%
Mr. Ngan Siu Hon, Alexander	—	—	2,100,000 *(note 6)*	2,100,000	0.49%
Mr. Lai Man Sing	—	—	1,050,000 *(note 7)*	1,050,000	0.25%

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 2022, there was 31,920,000 outstanding Options with 31,920,000 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 2022, 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$*	Number of shares Outstanding at 1.1.2022	Adjustment for issue of bonus shares *(note 1)*	Number of shares Outstanding at 30.6.2022	Market value per share at date of grant *(note 1)* *HK$*
Director	15.07.2015	15.07.2016–14.07.2025	1.066	1,000,000	50,000	1,050,000	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	8,000,000	400,000	8,400,000	1.460
				9,000,000	450,000	9,450,000	
Employees	15.07.2015	15.07.2016–14.07.2025	1.066	10,030,000	501,500	10,531,500	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	11,370,000	568,500	11,938,500	1.460
				21,400,000	1,070,000	22,470,000	

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 2022, 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

		Number of shares				
Name	**Capacity**	**Personal interest**	**Other interest**	**Underlying shares**	**Total**	**Percentage of interest**
Madam Ngan Po Ling, Pauline, *BBS, JP*	Beneficial owner	39,698,400	—	—	39,698,400	9.33%
	Interest of a controlled corporation *(note 1)*	—	192,885,000	—	192,885,000	45.32%
					232,583,400	54.65%
Successful Years International Co., Ltd. *(note 1)*	Beneficial owner	192,885,000	—	—	192,885,000	45.32%
Mr. Christopher Koch *(note 2)*	Interest of a controlled corporation	—	83,581,050	—	83,581,050	19.64%
NEHK *(note 2)*	Interest of a controlled corporation	83,581,050	—	—	83,581,050	19.64%

Notes:

1. 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.

2. 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 *(Note)*	9.82%
NEHK	41,790,000 *(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. The number of underlying shares have been adjusted for bonus shares issued in June 2022.

Save as disclosed above, as at 30 June 2022, 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 2022, 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 2022.

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 2022.

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 2022.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 30 August 2022

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.