



Mainland Headwear Holdings Limited

(Stock code: 1100)

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加利福尼亞
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聖路易
St. Louis
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2025 INTERIM REPORT



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Management Discussion and Analysis

The Board of Directors (the “Board” or the “Directors”) of Mainland Headwear Holdings Limited (the “Company”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, “Mainland Headwear” or the “Group”) for the six months ended 30 June 2025 (the “Period”).

FINANCIAL REVIEW

In the first half of 2025, geopolitical tension persisted, economic growth in major markets remained sluggish, and the repeated adjustments to tariff policies by the United States further heightened uncertainties in the international trade environment. Faced with these challenges, the Group actively optimized its global production layout and timely seized market opportunities brought about by the tariff turmoil. The Bangladesh factory undertook vast orders transferred from regions affected by high tariffs, which significantly boosted the growth of the manufacturing business. Complemented by cost control measures, the Group further enhanced operational efficiency. Furthermore, the newly acquired Dutch company has been instrumental in expanding the Group’s global trading business. Although it recorded a loss during the Period, its robust design capabilities, extensive experience, and established network in trading licensed products across Europe, Middle East and Africa region provide considerable advantages to the Group. By integrating the resources of other subsidiaries in the trading segment, it is expected to provide fresh impetus for the growth of the trading business. Overall, the Group has demonstrated outstanding operational resilience amid a complex environment. In the future, it will provide solid product support for the trading business based on its stable manufacturing business, while the trading business will promote market expansion of the manufacturing business through its global sales network. Both segments will complement each other and jointly drive Mainland Headwear towards brighter development prospects.

During the Period, the Group’s revenue increased by 23.1% year-on-year to HK\$845,629,000 (2024 interim: HK\$687,114,000), and gross profit rose by 16.2% to HK\$255,104,000 (2024 interim: HK\$219,510,000), with the gross profit margin at 30.2% (2024 interim: 31.9%). Profit attributable to shareholders increased by 69.9% to HK\$59,918,000 (2024 interim: HK\$35,269,000).

The Board of Directors has resolved to declare an interim dividend of 3 HK cents per share (2024 interim: 3 HK cents). The Group is in a healthy financial position with stable operating cash flows. As at 30 June 2025, it had cash on hand and total unutilized banking facilities totaling approximately HK\$239,281,000 and HK\$664,300,000, respectively (31 December 2024: HK\$191,793,000 and HK\$720,600,000, respectively).

Management Discussion and Analysis

BUSINESS REVIEW

Manufacturing Business

In the first half of 2025, successive revisions to US tariff policies severely impacted the global trade market. The cost of cross-regional supply chain increased sharply, and the massive outflow of orders from high-tariff regions accelerated. The Group proactively overcame challenges with its strong adaptability. It negotiated with customers and suppliers to formulate response plans, and flexibly managed production from its factories in Bangladesh and Mexico to quickly complete order deliveries, which not only mitigated the risk of tariffs, but also boosted the operating profit of the manufacturing business by nearly 30%. This fully affirmed the strategic value of a global production layout and efficient execution that the manufacturing business benefits from.

During the Period, the Bangladesh factory performed particularly well, receiving a large number of orders transferred from high-tariff regions. At the same time, its production scale and profitability improved significantly through streamlining, improvement in production efficiency, and optimization of cost control measures.

Regarding the Mexican factory, the operation has performed in a more stable manner through prior training and adjustments to production processes. It has also started producing high-end styles of headwear to enrich the product mix.

The Shenzhen factory continues to focus on the design and development of headwear products and provides operational support for the Group.

In addition, to alleviate geopolitical risks, the Group pushed forward the preparation work for headwear production at a leased facility in Cambodia during the Period.

Benefiting from the increase in orders and the improvement in operational efficiency, revenue of the Group's manufacturing business soared 20.6% during the Period to HK\$537,720,000 (2024 interim: HK\$445,769,000), accounting for 63.6% of the Group's total revenue. Segment operating profit increased significantly by 28.9% year-on-year to HK\$120,152,000 (2024 interim: operating profit of HK\$93,178,000).

As at 30 June 2025, the Bangladesh and Mexico plants had approximately 7,200 and 580 employees, respectively (31 December 2024: approximately 7,400 and 430 respectively).

Management Discussion and Analysis

Trading Business

Throughout the period, global economic instability prompted consumers to cut back on non-essential spending, leading to a decline in demand for headwear and accessories. In response, retailers significantly reduced their purchases to manage inventory levels, intensifying market competition. Despite these challenges, the trading business has leveraged its brand portfolio advantage and rapid response to market changes to meet the needs of customers requiring quick orders, allowing for business stability as a whole. Taking into account the sales from the Dutch company, revenue from the trading business increased by 27.6% year-on-year to HK\$307,909,000 (2024 interim: HK\$241,345,000), accounting for approximately 36.4% of the Group's total revenue.

The trading segment continued to implement cost control measures, but the cost of sales remained high during the Period, and administrative expenses increased due to the merger of the Dutch company, resulting in an operating loss of HK\$43,834,000 (2024 interim: operating loss of HK\$37,739,000).

PROSPECTS

Looking ahead, the international situation will remain complex and intertwined with geopolitical rivalry and a changing trading landscape. The Group will adapt to current trends and advance steadily within the framework of globalization, actively seizing opportunities while prudently managing risks, and striving to achieve sustainable growth amid change.

With respect to the manufacturing business, the Group is further reinforcing the competitiveness of its global manufacturing network through precise deployment. Its production facility in Cambodia boasts an obvious geographical advantage, because it only takes three additional days to deliver products to the United States versus mainland China, enabling the Group to respond to customer orders swiftly. The Group is continuing preparatory work at the production line in Cambodia and expediting the training of workers to meet its planned production schedule. The production line is expected to commence operation in the third quarter of this year with a target annual production capacity of 10 million pieces. With an appropriate cost structure and ease of delivery, the Cambodia production line is expected to complement the Bangladesh factory, jointly optimizing the Group's production network in Southeast Asia and enhancing the overall flexibility of the supply chain and resistance to risks.

Management Discussion and Analysis

Subsequent to the completion of staff training and process adjustments, the Mexico factory has steadily improved its production efficiency. More importantly, the plant is close to the US market and can quickly respond to the needs of US customers. It is also entitled to zero tariff under the preferential US-Mexico-Canada Agreement (USMCA). In response to the growing number of orders from the North American market, the Group plans to expand its production capacity to consolidate its leading position in the North American supply chain.

In regard to the trading business, the Group is advancing the planned duty-free zone project in the Mexican industrial park, leveraging the location and tariff advantages of the Mexican factory and aligning with the national directive to “develop cross-border e-commerce and optimize overseas warehouse network.” Warehouse construction will soon commence, with the strategic value of this project receiving strong market recognition. Many customers clearly expressed their intention to enter and cooperate. In the future, this project, coupled with the transformation of the Shenzhen factory into a cross-border e-commerce industrial park, is expected to fully harness the advantages of cross-border logistics and greatly enhancing the operational efficiency of the trading business.

As for the Dutch company, it has an extensive portfolio of licensed brands. Since joining Mainland Headwear, it has not only helped the Group become one of the largest licensed product design and trading companies in the world, but has also further expanded its trading business from Europe and the United States to emerging markets such as the Middle East and Africa, filling the gaps that the Group had not covered. Although the Group will incur integration costs associated with the Dutch company in the short term, the deep synergy among resources across regions will empower the Group to effectively tap into potential demand from different markets. This collaboration will drive steady growth in the trade business through global sales in the medium to long term.

Separately, the Group will also continue to intensify efforts in risk control and cost optimization to ensure its healthy financial resilience in a complex environment.

Over the past 39 years, Mainland Headwear has weathered various economic cycles and challenges in becoming a market leader in the headwear manufacturing industry. With its leading market position, global production layout, diversified product mix spanning headwear to accessories, and keen business acumen, the Group is confident in its ability to overcome various challenges, capitalize on business growth opportunities, and create long-term value for its customers and shareholders.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group had cash and bank balances (including short-term deposits) and a portfolio of liquid investments totaling Hong Kong dollars ("HK\$") 243.4 million (31 December 2024: HK\$196.0 million). About 60.6%, 17.4% and 8.1% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively. As at 30 June 2025, the Group had banking facilities of HK\$852.2 million (31 December 2024: HK\$905.4 million), of which HK\$664.3 million (31 December 2024: HK\$720.6 million) were not utilised.

The borrowings over total equity ratio of the Group is at 15.9% (31 December 2024: 16.9%). 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\$9.4 million on renovation of the property in Missouri, the USA (30 June 2024: HK\$102.4 million to acquire the property as office and warehouse). The Group also spent HK\$15.6 million (30 June 2024: HK\$24.2 million) on additions to equipment and machineries to further upgrade and expand its manufacturing capabilities. Also the Group spent HK\$1.2 million (30 June 2024: HK\$1.0 million) on additions of equipment and systems of Trading Business.

As at 30 June 2025, the Group had authorised a capital commitment of HK\$151.4 million for the construction of a warehouse in Mexico, expansion in Bangladesh and Cambodia factories. The Group had also authorised a capital commitment of HK\$4.0 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 0.25%. Any 1% appreciation of other currencies is expected to have insignificant impact on the gross margin of the Manufacturing Business.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2025, the Group employed a total of 220 (30 June 2024: 335) workers and employees in the PRC ("People's Republic of China") (including Hong Kong), 7,235 (30 June 2024: 7,222) workers and employees in Bangladesh, 585 workers and employees in Mexico (30 June 2024: 389), 116 (30 June 2024: 147) employees in the USA ("United States of America") and 66 (30 June 2024: 11) in Europe. The expenditures for the employees during the Period were approximately HK\$223.8 million (30 June 2024: HK\$192.3 million). The Group ensures that the pay levels of its employees are competitive and employees are remunerated based on their position and performance. Key employees of the Group, including Directors, are also granted share options under the share option schemes operated by the Company.

Interim Dividend and Closure of Register of Members

INTERIM DIVIDEND

The Board has declared an interim dividend of 3 HK cents (2024: 3 HK cents) per share, payable on or after 10 October 2025.

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 2025, the register of members of the Company will be closed from 17 September 2025 to 19 September 2025 (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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 16 September 2025.

Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30 June 2025

Six months ended 30 June			
		2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Note			
Revenue	6&7	845,629	687,114
Cost of sales		(590,525)	(467,604)
Gross profit		255,104	219,510
Other income		14,680	15,700
Other gains – net		7,527	5,298
Selling and distribution costs		(61,491)	(71,705)
Administration expenses		(128,471)	(101,592)
Net impairment on financial assets		(2,620)	(2,163)
Profit from operations	8(a)	84,729	65,048
Finance income		1,093	2,047
Finance costs		(8,550)	(8,637)
Finance costs – net	8(b)	(7,457)	(6,590)
Share of loss from an investment accounted for using equity method		–	(15)
Profit before income tax		77,272	58,443
Income tax expense	9	(19,693)	(18,464)
Profit for the period		57,579	39,979
Attributable to:			
Owners of the Company		59,918	35,269
Non-controlling interests		(2,339)	4,710
		57,579	39,979
Earnings per share attributable to owners of the Company			
Basic (HK cents per share)	10(a)	13.962	8.218
Diluted (HK cents per share)	10(b)	13.856	8.141

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 2025

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Profit for the period	57,579	39,979
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	7,911	(1,906)
Total comprehensive income for the period, net of tax	65,490	38,073
Attributable to:		
Owners of the Company	68,401	33,363
Non-controlling interests	(2,911)	4,710
Total comprehensive income for the period	65,490	38,073

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 2025

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	12	664,000	670,208
Right-of-use assets	13	56,482	55,628
Investment properties	12	52,482	54,151
Goodwill		35,416	30,856
Other intangible assets	12	70,653	75,380
Deferred income tax assets		2,828	3,171
Investment accounted for using equity method		—	393
Financial assets at fair value through profit or loss		38,090	41,885
Other financial assets at amortised cost	14	2,605	1,442
Other non-current assets		7,151	7,247
		929,707	940,361
Current assets			
Inventories		350,842	395,767
Trade receivable	14	401,737	375,642
Financial assets at fair value through profit or loss		4,149	4,216
Other financial assets at amortised cost	14	17,567	18,707
Other current assets		15,103	15,129
Tax recoverable		3,251	3,251
Short-term deposits		10,212	12,155
Cash and cash equivalents		229,069	179,638
		1,031,930	1,004,505
Total assets		1,961,637	1,944,866

Interim Condensed Consolidated Balance Sheet (Unaudited)

As at 30 June 2025

		30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
	Note		
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	42,916	42,916
Other reserves		216,718	208,235
Retained earnings		904,549	866,089
		1,164,183	1,117,240
Non-controlling interests		59,138	62,049
Total equity		1,223,321	1,179,289
LIABILITIES			
Non-current liabilities			
Other payables	16	22,812	26,394
Lease liabilities	13	47,028	45,911
Deferred income tax liabilities		31,967	31,547
		101,807	103,852
Current liabilities			
Trade and other payables	16	364,332	402,196
Amount due to a non-controlling interest		498	498
Borrowings	17	195,047	199,479
Lease liabilities	13	13,611	14,382
Current income tax liabilities		63,021	45,170
		636,509	661,725
Total liabilities		738,316	765,577
Total equity and liabilities		1,961,637	1,944,866
Net current assets		395,421	342,780
Total assets less current liabilities		1,325,128	1,283,141

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 2025

	(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
At 1 January 2025	42,916	169,606	25,878	9,650	6,837	(3,736)	866,089	1,117,240	62,049
Profit for the period	-	-	-	-	-	-	59,918	59,918	(2,339)
Other comprehensive income									
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	8,483	-	8,483	(572)
Total comprehensive income for the period net of tax	-	-	-	-	-	8,483	59,918	68,401	(2,911)
2024 final dividend paid	-	-	-	-	-	-	(21,458)	(21,458)	-
Total contributions by and distribution to owners of the Company	-	-	-	-	-	-	(21,458)	(21,458)	-
At 30 June 2025	42,916	169,606	25,878	9,650	6,837	4,747	904,549	1,164,183	59,138

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2025

	(Unaudited)									
	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000
	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		
At 1 January 2024	42,916	169,606	25,878	9,650	10,139	4,742	847,642	1,110,573	50,610	1,161,183
Profit for the period	-	-	-	-	-	-	35,269	35,269	4,710	39,979
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(1,906)	-	(1,906)	-	(1,906)
Total comprehensive income for the period net of tax	-	-	-	-	-	(1,906)	35,269	33,363	4,710	38,073
2023 final dividend paid	-	-	-	-	-	-	(25,750)	(25,750)	-	(25,750)
Total contributions by and distribution to owners of the Company	-	-	-	-	-	-	(25,750)	(25,750)	-	(25,750)
At 30 June 2024	42,916	169,606	25,878	9,650	10,139	2,836	857,161	1,118,186	55,320	1,173,506

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 2025

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash generated from operations	102,888	49,183
Income tax paid	(2,092)	(10,763)
Interest paid	(6,868)	(6,655)
Net cash generated from operating activities	93,928	31,765
Cash flows from investing activities		
Interest received	1,093	2,047
Short-term deposits	3,231	(3,483)
Purchase of property, plant and equipment	(26,160)	(120,581)
Proceeds from disposal of property, plant and equipment	1,893	–
Purchase of financial assets at fair value through profit and loss	(3,064)	(1,051)
Proceeds from disposal of a financial asset at fair value through profit and loss	10,052	–
Net cash used in investing activities	(12,955)	(123,068)
Cash flows from financing activities		
Dividends paid	(21,458)	(25,750)
Proceeds from borrowings	48,000	37,469
Repayment of borrowings	(52,432)	(40,516)
Principal elements of lease payments	(9,938)	(7,602)
Net cash used in from financing activities	(35,828)	(36,399)
Net increase/(decrease) in cash and cash equivalents	45,145	(127,702)
Cash and cash equivalents at beginning of the period	179,638	317,849
Effect of foreign exchange rate changes	4,286	(1,519)
Cash and cash equivalents at end of the period	229,069	188,628

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 2025

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 and its principal place of business in Hong Kong is Units 2301-2305, 23rd Floor, CTF Life Tower, No. 18 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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 2025 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 2024, which have been prepared in accordance with HKFRS Accounting Standards.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2024, as described in those annual consolidated financial statements, except for adoption of new and amended standards 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 2025

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) New and amended standards and interpretations not yet adopted 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. The Group plans to adopt the new standards and amendments to accounting standards and interpretation when they become effective. Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 introduces new requirements for presentation within the consolidated statement of comprehensive income, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, where of the first three are new. It also requires disclosure of newly defined management – defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to HKAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. There are also consequential amendments to several other standards. HKFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. HKFRS 18 will apply retrospectively. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considered that the adoption of HKFRS 18 is unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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 2024.

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 2024.

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 2025

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 2025.

	2025			
	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Financial assets at fair value through profit or loss ("FVPL")				
– Unlisted equity investment in the British Virgin Islands	–	–	20,465	20,465
– Unlisted equity investment fund in the PRC	–	–	14,117	14,117
– Unlisted equity investment fund in Hong Kong	–	–	3,508	3,508
– Listed securities in Hong Kong	4,149	–	–	4,149
Total financial assets	4,149	–	38,090	42,239

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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 2024.

	2024			
	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	–	–	7,780	7,780
– Unlisted equity investment in the British Virgin Islands	–	–	18,516	18,516
– Unlisted equity investment fund in the PRC	–	–	13,070	13,070
– Unlisted equity investment fund in Hong Kong	–	–	2,519	2,519
– Listed securities in Hong Kong	4,216	–	–	4,216
Total financial assets	4,216	–	41,885	46,101

There were no transfers of financial assets between the fair value hierarchy classifications during the period (six months ended 30 June 2024: same).

There were no other changes in valuation techniques during the period (six months ended 30 June 2024: same). There were no reclassifications of financial assets for the six months ended 30 June 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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 investment was disposed on 31 March 2025 at a consideration of US\$1,292,000 (HK\$10,052,000) with a disposal gain of HK\$2,272,000.

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 equity investment in the PRC

The unlisted equity investment in the PRC classified as financial asset at FVPL represents a capital contribution agreement in relation to a contribution of RMB30 million (approximately HK\$31.9 million) to a limited partnership established in the PRC (the "PRC Fund"), which the Group executed on 15 December 2021. The contribution by the Group represents about 2.72% 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 net asset value of the PRC Fund approximates the fair value of the PRC Fund.

Unlisted equity investment in Hong Kong

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

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

5.3.1 Group's valuation process

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

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

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

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

6. REVENUE

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

7. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

The executive directors assess the performance of the operating segments based on reportable segment profit/(loss).

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 Mexico. Customers are mainly located in the USA and Europe.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

7. SEGMENT INFORMATION (CONTINUED)

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

	Manufacturing		Trading		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Revenue from external customers	537,720	445,769	307,909	241,345	845,629	687,114
Inter-segment revenue	17,130	23,954	-	-	17,130	23,954
Reportable segment revenue	<u>554,850</u>	<u>469,723</u>	<u>307,909</u>	<u>241,345</u>	<u>862,759</u>	<u>711,068</u>
Reportable segment profit/(loss)	120,152	93,178	(43,834)	(37,739)	76,318	55,439
Gain on disposal of financial assets at FVPL					2,272	-
Fair value loss on investment properties					(2,373)	-
Fair value gain on financial assets at FVPL					854	2,322
Change in value of investment in insurance contracts					172	135
Unallocated corporate income					14,358	14,710
Unallocated corporate expenses					(6,872)	(7,558)
Profit from operations					84,729	65,048
Finance costs – net					(7,457)	(6,590)
Share of loss from an investment accounted for using equity method					-	(15)
Income tax expense					(19,693)	(18,464)
Profit for the period					<u>57,579</u>	<u>39,979</u>

Segment assets exclude investment properties, deferred income tax assets, investment accounted for using equity method, financial assets at FVPL, tax recoverable, short-term deposits 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 2025

7. SEGMENT INFORMATION (CONTINUED)

	Manufacturing		Trading		Total	
	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Reportable segment assets	833,149	837,368	788,407	808,638	1,621,556	1,646,006
Investment properties					52,482	54,151
Deferred income tax assets					2,828	3,171
Investment accounted for using equity method					–	393
Financial assets at FVPL					42,239	46,101
Tax recoverable					3,251	3,251
Short-term deposits					10,212	12,155
Cash and cash equivalents					229,069	179,638
Total assets					1,961,637	1,944,866

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 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Reportable segment liabilities	229,331	271,142	210,851	207,588	440,182	478,730
Deferred income tax liabilities					31,967	31,547
Current income tax liabilities					63,021	45,170
Borrowings					195,047	199,479
Other corporate liabilities					8,099	10,651
					738,316	765,577
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	21,012	33,432	15,413	286,147	36,425	319,579

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
(a) Operating profit		
Gain on disposal on financial assets at FVPL	(2,272)	–
Fair value gain on financial assets at FVPL	(854)	(2,322)
Fair value loss on investment properties (note 12)	2,373	–
Change in value of investment in insurance contracts	(172)	(135)
Provision for investment accounted for using equity method	393	–
Net exchange gain	(6,114)	(2,841)
Depreciation of property, plant and equipment	31,654	28,078
Depreciation of right-of-use assets	8,991	7,101
Short-term lease expenses	5,626	3,938
Amortisation of other intangible assets	11,239	11,995
Net provision for inventories (note (i))	2,999	1,162
Net impairment on trade receivables (note (ii))	2,620	2,163

Notes:

- (i) Provision for obsolete inventories of HK\$2,999,000 has been made during the six months ended 30 June 2025 (six months ended 30 June 2024: HK\$1,162,000), 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 2025 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\$2,620,000 during the period ended 30 June 2025 (six months ended 30 June 2024: HK\$2,163,000).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

8. PROFIT BEFORE INCOME TAX (CONTINUED)

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
(b) Finance costs – net		
Interest on bank loans, overdrafts and other borrowings	(6,868)	(6,655)
Interest accretion on license fee payables	(1,145)	(1,239)
Interest on lease liabilities	(537)	(743)
	<u>(8,550)</u>	<u>(8,637)</u>
Finance costs	(8,550)	(8,637)
Finance income	1,093	2,047
	<u>(7,457)</u>	<u>(6,590)</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Current year		
– Hong Kong profits tax	507	770
– Overseas tax	20,013	17,079
	<u>20,520</u>	<u>17,849</u>
Deferred income tax	(827)	615
	<u>19,693</u>	<u>18,464</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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 2024: 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	
	2025 (Unaudited)	2024 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>59,918</u>	<u>35,269</u>
Weighted average number of ordinary shares in issue	<u>429,164,448</u>	<u>429,164,448</u>
Basic earnings per share (HK cents)	<u>13.962</u>	<u>8.218</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all outstanding share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming exercise of the share options.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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	
	2025 (Unaudited)	2024 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	<u>59,918</u>	<u>35,269</u>
Weighted average number of ordinary shares in issue	<u>429,164,448</u>	<u>429,164,448</u>
Adjustment for share options	<u>3,282,562</u>	<u>4,077,891</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>432,447,010</u>	<u>433,242,339</u>
Diluted earnings per share (HK cents)	<u>13.856</u>	<u>8.141</u>

11. DIVIDENDS

(a) Dividends attributable to the period

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Interim dividend declared of 3 HK cents (2024: 3 HK cents) per share	<u>12,875</u>	<u>12,875</u>

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 2025. The amount of proposed interim dividend was based on 429,164,448 (30 June 2024: 429,164,448) shares in issued as at 30 June 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

11. DIVIDENDS (CONTINUED)

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

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend paid in respect of 2024 of 5 HK cents (2023: 6 HK cents) per share	21,458	25,750

12. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2025, the Group acquired property, plant and equipment of HK\$26,160,000 (six months ended 30 June 2024: HK\$127,615,000) and intangible assets of HK\$Nil (six months ended 30 June 2024: HK\$28,678,000).

Among the investment properties, fair value loss of HK\$2,373,000 was noted in one of the properties. For the remaining properties, no valuation was performed during the period as there was no indication of significant changes in the value since last annual reporting date.

As at 30 June 2025, other intangible assets represent licensing rights for the use of certain licensed trademark, brands and logos in the Group's products of HK\$26,363,000 (31 December 2024: HK\$34,687,000) and acquired customer and supplier relationship of HK\$44,290,000 (31 December 2024: HK\$40,693,000).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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:

	At 30 June 2025 (Unaudited) HK\$'000	At 31 December 2024 (Audited) HK\$'000
Right-of-use assets		
Properties	<u>56,482</u>	<u>55,628</u>
Lease liabilities		
Non-current	<u>47,028</u>	<u>45,911</u>
Current	<u>13,611</u>	<u>14,382</u>
	<u>60,639</u>	<u>60,293</u>

Additions to the right-of-use assets during the six months ended 30 June 2025 is HK\$10,265,000 (six months ended 30 June 2024: HK\$1,197,000).

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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	
	2025	2024
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets (<i>Note 8a</i>)	8,991	7,101
Interest expenses (included in finance costs) (<i>Note 8b</i>)	537	743
Expenses relating to short-term leases (<i>Note 8a</i>)	5,626	3,938

(iii) The Group's lease activities

The Group leases various properties. 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 2025

14. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS AT AMORTISED COST

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Trade receivables	427,491	400,015
Less: provision for impairment losses	(25,754)	(24,373)
Trade receivables, net	401,737	375,642
Other financial assets at amortised cost	20,172	20,149
	421,909	395,791
Less: non-current portion of other financial assets at amortised cost	(2,605)	(1,442)
Current portion	419,304	394,349

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 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
0–30 days	134,014	133,284
31–60 days	128,184	106,154
61–90 days	77,835	86,227
91–120 days	25,326	18,032
121–180 days	15,317	11,207
Over 180 days	46,815	45,111
	427,491	400,015

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

15. SHARE CAPITAL

(a) Share capital

	Number of shares of HK\$0.10 each	HK\$'000
Authorised:		
At 1 January 2024, 30 June 2024, 1 January 2025 and 30 June 2025	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2024, 30 June 2024, 1 January 2025 and 30 June 2025	429,164,448	42,916

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

15. SHARE CAPITAL (CONTINUED)

(b) Equity settled share-based payment transactions

The Company adopted the former share option scheme ("Former 2011 Share Option Scheme") on 29 December 2011 and the Former 2011 Share Option Scheme expired on 28 December 2021. The Company adopted another former share option scheme ("Former 2022 Share Option Scheme") on 26 May 2022 and the Former 2022 Share Option Scheme was terminated on 24 May 2024. There has been no Option granted under the Former 2022 Share Option Scheme. At 30 June 2025, there were 28,345,000 outstanding Options with 28,345,000 underlying Shares, which will remain valid and exercisable with their respective terms of issue under the Former 2011 Share Option Scheme.

On 24 May 2024, a new share option scheme (the "Share Option Scheme") was adopted. The Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme may not in aggregate exceed 42,916,444, being 10% of the shares in issue of the Company as at 24 May 2024, the date of adoption of the Share Option Scheme.

As at 30 June 2025 and 30 June 2024, no share option was granted under 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 2025

15. SHARE CAPITAL (CONTINUED)

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

(i) Movement in share options

	2025		2024	
	Number	Weighted	Number	Weighted
	of share	average	of share	average
	options	exercise	options	exercise
	(Unaudited)	price	(Unaudited)	price
	'000	(Unaudited)	'000	(Unaudited)
		HK\$		HK\$
At 1 January and				
30 June	<u>28,345</u>	<u>1.335</u>	<u>28,345</u>	<u>1.335</u>
Options vested at				
closing	<u>28,345</u>	<u>1.335</u>	<u>28,345</u>	<u>1.335</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

15. SHARE CAPITAL (CONTINUED)

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

(i) Movement in share option (Continued)

As at 30 June 2025, the options have a weighted average contractual terms of 1.2 years (31 December 2024: 1.7 years).

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

		30 June 2025	31 December 2024
	Exercise price (Unaudited) HK\$	Number of share options (Unaudited) '000	(Audited) '000
14 July 2025	1.066	9,005	9,005
12 April 2027	1.460	19,340	19,340
		28,345	28,345

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

As at 30 June 2025, out of total 28,345,000 (31 December 2024: 28,345,000) outstanding options, 28,345,000 options (31 December 2024: 28,345,000) are exercisable. No share option was exercised during six months ended 30 June 2025 (six months ended 30 June 2024: same).

Under this share option scheme, no (six months ended 30 June 2024: same) share-based payment expenses has been included in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

16. TRADE AND OTHER PAYABLES

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Trade payables	168,273	188,009
Accrued charges and other payables	218,871	240,581
	387,144	428,590
Less: other non-current payables	(22,812)	(26,394)
	364,332	402,196

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
0–30 days	111,170	96,530
31–60 days	21,502	32,205
61–90 days	15,038	15,262
Over 90 days	20,563	44,012
	168,273	188,009

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

17. BORROWINGS

Movement in borrowings is analysed as follows:

	(Unaudited) HK\$'000
Six months ended 30 June 2024	
Opening amount as at 1 January 2024	160,703
Repayment of bank borrowings	(30,558)
Repayment of other borrowings	(9,958)
Proceeds from bank borrowings	30,000
Proceeds from other borrowings	7,469
	<hr/>
Closing amount as at 30 June 2024	157,656 <hr/>
Six months ended 30 June 2025	
Opening amount as at 1 January 2025	199,479
Repayment of bank borrowings	(44,963)
Repayment of other borrowings	(7,469)
Proceeds from bank borrowings	48,000
	<hr/>
Closing amount as at 30 June 2025	195,047 <hr/>

Note:

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Current:		
Bank borrowings	187,851	184,814
Other borrowings	7,196	14,665
	<hr/>	<hr/>
	195,047 <hr/>	199,479 <hr/>

As at 30 June 2025, other borrowings represent borrowings from an affiliated company of New Era Cap Hong Kong LLC ("NEHK"), a shareholder of the Company, which US\$925,000 (HK\$7,196,000) (31 December 2024: same) was unsecured, interest bearing at 7% per annum and repayable by 19 December 2025, while US\$960,000 (HK\$7,469,000) was unsecured, interest bearing at 8% per annum as at 31 December 2024 and was fully repaid during 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

18. COMMITMENTS

(a) Capital commitments

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Contracted but not provided for	<u>12,221</u>	<u>10,307</u>

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

(b) Other commitment

On 15 December 2021, the Group executed a capital contribution agreement in relation to a contribution of RMB30 million (approximately HK\$31.9 million) to a limited partnership established in the PRC (the "Fund"). The contribution by the Group represents about 3.05% of the targeted contribution of the Fund. A partnership agreement was signed for the purpose of the establishment of the partnership on 28 January 2022. As at 30 June 2025, capital contribution of RMB1.9 million (approximately HK\$2.0 million) was made. As a result, the Group has a commitment of RMB16.0 million (approximately HK\$17.5 million) as at 30 June 2025.

On 14 March 2022, the Group executed a capital contribution agreement in relation to a contribution of US\$0.5 million (approximately HK\$3.9 million) to a limited partnership established in Hong Kong (the "Hong Kong Fund"). The contribution by the Group represents about 2% of the targeted contribution of the Hong Kong Fund. As at 30 June 2025, capital contribution of US\$ 0.5 million (approximately HK\$3.9 million) was made. As a result, the Group has no as at 30 June 2025.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

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

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Sales of goods to affiliated companies of a shareholder	374,580	315,467
Rental paid in respect of office premises to directors and a company controlled by a director	101	101
Rent paid in respect of office and warehouse premises to a shareholder of a subsidiary	2,088	–
Claim charges paid to affiliated companies of a shareholder	292	1,190
Interest on borrowings from an affiliated company of a shareholder	327	1,153

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

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Trade receivables from affiliated companies of a shareholder	192,387	185,370

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.

Notes to the Unaudited Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2025

19. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Period-end balances arising from borrowing

	30 June 2025 (Unaudited) HK\$'000	31 December 2024 (Audited) HK\$'000
Borrowings from an affiliated company of a shareholder	<u>7,196</u>	<u>14,665</u>

(d) Key management personnel remuneration

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

	Six months ended 30 June	
	2025 (Unaudited) HK\$'000	2024 (Unaudited) HK\$'000
Short-term employee benefits	15,866	14,380
Retirement scheme contributions	<u>75</u>	<u>66</u>
	<u>15,941</u>	<u>14,446</u>

20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved by the Board of Directors on 26 August 2025.

Other Information Provided in Accordance with the Listing Rules

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2025, 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

Name	Number of shares			Total	Percentage of interest
	Personal interest	Other direct interest	Underlying shares		
Mr. Ngan Hei Keung	–	232,583,400 (note 1, 2)	47,040,000 (note 3, 4)	279,623,400	65.23%
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	65.23%
Mr. James S. Patterson	–	–	1,050,000 (note 5)	1,050,000	0.24%
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	0.24%

Notes:

- (1) 192,885,000 shares are legally and beneficially owned by Successful Years International Co., Ltd., a company ultimately and beneficially owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively.
- (2) The 39,698,400 shares are beneficially owned by Madam Ngan, Pauline, the spouse of Mr. Ngan Hei Keung.
- (3) Pursuant to the contingent purchase deed renewed on 17 December 2024 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 41,790,000 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 2,100,000 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 2025, there was 28,345,000 outstanding Options with 28,345,000 underlying Shares, which will remain valid and exercisable with their respective terms of issue.

On 24 May 2024, a share option scheme (the "Share Option Scheme") was adopted whereby the Board of Directors, may, at their absolute discretion, grant options to Eligible Participants, include any Employee Participant, Related Entity Participant or Service Provider who the Board or the remuneration committee considers, in their sole discretion, to have contributed or may bring benefits to the Group. Definition of Eligible Participants is set out in the Company's circular dated 19 April 2024.

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 42,916,444, being 10% of the shares in issue of the Company as at 24 May 2024, the date of adoption of the Share Option Scheme. Within the 10% limit, the Service Provider sublimit must not in aggregate exceed 4,291,644, being 1% of the total number of shares in issue of the Company as at 24 May 2024.

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 42,916,444 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 2025, the Directors and employees of the Group had the following interests in options to subscribe for shares of the Company (market value per share was HK\$1.4 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:

				Number of shares Outstanding at 1.1.2025 and 30.6.2025	Market value per share at date of grant (note 1) HK\$
	Date of grant	Period during which options exercisable	Exercise price (note 1) HK\$		
Director	15.07.2015	15.07.2016–14.07.2025	1.066	1,050,000	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	8,400,000	1.460
				<u>9,450,000</u>	
Employees	15.07.2015	15.07.2016–14.07.2025	1.066	7,954,500	1.066
	13.04.2017	13.04.2017–12.04.2027	1.460	10,940,500	1.460
				<u>18,895,000</u>	
Total				<u><u>28,345,000</u></u>	

Note:

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

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

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, as at 30 June 2025, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares

Name	Capacity	Number of shares			Total	Percentage of interest
		Personal interest	Other interest	Underlying shares		
Madam Ngan Po Ling, Pauline, <i>BBS, JP</i>	Beneficial owner	39,698,400	–	–	39,698,400	9.25%
	Interest of a controlled corporation (<i>note 1</i>)	–	192,885,000	–	192,885,000	44.94%
					232,583,400	54.19%
Successful Years International Co., Ltd. (<i>note 1</i>)	Beneficial owner	192,885,000	–	–	192,885,000	44.94%
Mr. Christopher Koch (<i>note 2</i>)	Interest of a controlled corporation	–	83,581,050	–	83,581,050	19.48%
NEHK (<i>note 2</i>)	Beneficial owner	83,581,050	–	–	83,581,050	19.48%

Notes:

- Successful Years International Co., Ltd. is owned by Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline as to 40% and 60% respectively. The interests of Mr. Ngan Hei Keung and Madam Ngan Po Ling, Pauline in Successful Years International Co., Ltd. are also disclosed in the section headed “Directors’ Interests in Shares and Underlying Shares” above.
- Mr. Christopher Koch owns 75% of the issued share capital of NEHK. As such, Mr. Christopher Koch is deemed to be interested in the 83,581,050 shares.

Other Information Provided in Accordance with the Listing Rules

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Short positions in the underlying shares

Name	Number of underlying shares	Percentage of interest
Mr. Christopher Koch	41,790,000 (<i>Note</i>)	9.74%
NEHK	41,790,000 (<i>Note</i>)	9.74%

Note: Pursuant to the contingent purchase deed renewed on 17 December 2024 between Mr. Ngan Hei Keung, Madam Ngan and NEHK, NEHK is entitled to sell up to 41,790,000 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 41,790,000 underlying shares.

Save as disclosed above, as at 30 June 2025, the Company had not been notified by any persons (other than Directors) who had interests in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

Other Information Provided in Accordance with the Listing Rules

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

During the six months ended 30 June 2025, 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 2025.

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 2025.

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 2025.

By Order of the Board
Ngan Hei Keung
Chairman

Hong Kong, 26 August 2025

As at the date hereof, the Board of Directors of the Company comprises nine directors, of which six are Executive Directors, namely Mr. Ngan Hei Keung, Madam Ngan Po Ling, Pauline, BBS, JP, Mr. James S. Patterson, Mr. Ngan Siu Hon, Alexander, Mr. Lai Man Sing and Mr. Andrew Ngan; and three are Independent Non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan.