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## MAINLAND HEADWEAR HOLDINGS LIMITED

飛達帽業控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1100)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

The board of directors (the “Board”/“Directors”) of Mainland Headwear Holdings Limited (the “Company”) is pleased to announce the financial results of the Company and its subsidiaries (collectively the “Group”/“Mainland Headwear”) for the year ended 31 December 2025.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2025*

	<i>Note</i>	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>Revenue</b>	2	<b>1,701,046</b>	1,474,488
Cost of sales		<u>(1,174,805)</u>	<u>(1,019,006)</u>
<b>Gross profit</b>		<b>526,241</b>	455,482
Other income		<b>30,265</b>	30,726
Other gains/(losses) – net	3	<b>6,814</b>	(267)
Selling and distribution costs		<b>(137,162)</b>	(152,249)
Administration expenses		<b>(248,504)</b>	(214,067)
Net impairment losses on financial assets		<u><b>(3,590)</b></u>	<u>(6,621)</u>
<b>Profit from operations</b>		<b>174,064</b>	113,004
Finance income	4	<b>3,528</b>	2,943
Finance costs	4	<u><b>(13,402)</b></u>	<u>(14,666)</u>
<b>Finance costs – net</b>		<u><b>(9,874)</b></u>	<u>(11,723)</u>

\* *For identification purpose only*

	<i>Note</i>	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>Share of loss from an investment accounted for using equity method</b>		<u>(393)</u>	<u>(29)</u>
<b>Profit before income tax</b>	5	<b>163,797</b>	101,252
<b>Income tax expense</b>	6	<u>(37,595)</u>	<u>(39,420)</u>
<b>Profit for the year</b>		<u><b>126,202</b></u>	<u>61,832</u>
<b>Profit attributable to:</b>			
Owners of the Company		<b>118,468</b>	57,074
Non-controlling interests		<u>7,734</u>	<u>4,758</u>
		<u><b>126,202</b></u>	<u>61,832</u>
<b>Earnings per share for the profit attributable to owners of the Company</b>	7		
Basic (HK cents per share)		<b>27.6043</b>	13.2989
Diluted (HK cents per share)		<u><b>27.6043</b></u>	<u>13.1488</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>126,202</b>	61,832
<b>Other comprehensive income, net of tax</b>		
<b>Items that will not be subsequently reclassified to profit or loss:</b>		
Exchange differences on translation of financial statements of foreign operations related to non-controlling interests	2,124	–
<b>Items that have been or may be subsequently reclassified to profit or loss:</b>		
Release of exchange reserve on deregistration of subsidiaries	–	(1,808)
Exchange differences on translation of financial statements of foreign operations	12,707	(7,039)
<b>Total comprehensive income for the year, net of tax</b>	<b>141,033</b>	52,985
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	134,695	48,596
Non-controlling interests	6,338	4,389
<b>Total comprehensive income for the year</b>	<b>141,033</b>	52,985

## CONSOLIDATED BALANCE SHEET

As at 31 December 2025

	Note	2025 HK\$'000	2024 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		655,235	670,208
Right-of-use assets		44,708	55,628
Investment properties		54,280	54,151
Goodwill		35,065	30,856
Other intangible assets		77,626	75,380
Deferred income tax assets		4,269	3,171
Investment accounted for using equity method		–	393
Financial assets at fair value through profit or loss		41,629	41,885
Other financial assets at amortised cost	9	2,553	1,442
Other non-current assets	10	8,728	7,247
		<u>924,093</u>	<u>940,361</u>
<b>Current assets</b>			
Inventories		399,095	395,767
Trade receivables	9	431,752	375,642
Financial assets at fair value through profit or loss		4,740	4,216
Other financial assets at amortised cost	9	38,493	18,707
Other current assets	11	22,135	15,129
Tax recoverable		3,251	3,251
Short-term deposits		5,762	12,155
Cash and cash equivalents		168,446	179,638
		<u>1,073,674</u>	<u>1,004,505</u>
<b>Total assets</b>		<u><b>1,977,767</b></u>	<u><b>1,944,866</b></u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Company			
Share capital		42,916	42,916
Other reserves		219,830	208,235
Retained earnings		951,336	866,089
		<u>1,214,082</u>	<u>1,117,240</u>
Non-controlling interests		<u>69,962</u>	<u>62,049</u>
<b>Total equity</b>		<u><b>1,284,044</b></u>	<u><b>1,179,289</b></u>

	<i>Note</i>	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables	12	<b>38,375</b>	26,394
Lease liabilities		<b>31,286</b>	45,911
Deferred income tax liabilities		<b>29,901</b>	31,547
		<u><b>99,562</b></u>	<u>103,852</u>
<b>Current liabilities</b>			
Trade and other payables	12	<b>399,320</b>	402,196
Amount due to a non-controlling interest		–	498
Borrowings		<b>140,353</b>	199,479
Lease liabilities		<b>17,353</b>	14,382
Current income tax liabilities		<b>57,135</b>	45,170
		<u><b>614,161</b></u>	<u>661,725</u>
<b>Total liabilities</b>		<u><b>713,723</b></u>	<u>765,577</u>
<b>Total equity and liabilities</b>		<u><b>1,997,767</b></u>	<u>1,944,866</u>
<b>Net current assets</b>		<u><b>459,513</b></u>	<u>342,780</u>
<b>Total assets less current liabilities</b>		<u><b>1,383,606</b></u>	<u>1,283,141</u>

## 1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of the Company and its subsidiaries (together the “Group”) have been prepared in accordance with all applicable HKFRS Accounting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”) and investment properties which are measured at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

#### (i) *New and amended standards adopted by the Group*

The Group has applied the following amended standard for the first time for the annual reporting period commencing 1 January 2025:

- Lack of Exchangeability – Amendments to HKAS 21 and HKFRS 1

The amended standard above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) *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.

(a) Amendments to the Classification and Measurement of Financial Instruments – Amendments to HKFRS 9 and HKFRS 7 (effective for annual periods beginning on or after 1 January 2026)

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Group does not expect these amendments to have a material impact on its operations or financial statements.

- (b) Contracts Referencing Nature-dependent Electricity – Amendment to HKFRS 9 and HKFRS 7 (effective for annual periods beginning on or after 1 January 2026)

The HKICPA issued targeted amendments to HKFRS 9 and HKFRS 7 to allow entities to better reflect Nature-dependent electricity contracts in the financial statements. The amendments:

- clarify the application of the ‘own-use’ criteria to nature-dependent electricity contracts;
- permit hedge accounting if these contracts are used as hedging instruments; and
- add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity’s financial performance and cash flows.

The Group does not expect these amendments to have a material impact on its operations or financial statements.

- (c) HKFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027) HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group’s consolidated financial statements. From the high-level preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of HKFRS 18 will have no impact on the Group's net profit, the Group expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported. From the high-level impact assessment that the Group has performed, the following items might potentially impact operating profit:
  - o Foreign exchange differences currently aggregated in the line item 'other income and other gains/(losses) – net' in operating profit might need to be disaggregated, with some foreign exchange gains or losses presented below operating profit.
- The line items presented on the primary financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation. In addition, since goodwill will be required to be separately presented in the statement of financial position, the Group will disaggregate goodwill and other intangible assets and present them separately in the statement of financial position.
- The Group does not expect there to be a significant change in the information that is currently disclosed in the notes because the requirement to disclose material information remains unchanged; however, the way in which the information is grouped might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
  - o management-defined performance measures;
  - o a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss – this break-down is only required for certain nature expenses; and
  - o for the first annual period of application of HKFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying HKFRS 18 and the amounts previously presented applying HKAS 1.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with HKFRS 18.

## **2. 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), which excludes fair value gains/(losses) on financial assets at FVPL, fair value (losses)/gains on investment properties, unallocated corporate income and expenses, finance income and costs, share of loss from an investment accounted for using equity method and income tax expense.

The executive directors assess the performance of business operations by segment as follows:

- (i) **Manufacturing Business:** The Group manufactures headwear products, bags and accessories for sale to its Trading Business as well as to external customers. The principal manufacturing facilities are located in Bangladesh, Mexico and Cambodia. Customers are mainly located in the United States of America (the “USA”) and Europe.
- (ii) **Trading Business:** The trading and distribution of headwear, apparel, 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; Drew Pearson International (Europe) Ltd. (“DPI Europe”) and Difuzed B.V. (“Difuzed”) which focus on the Europe market. Before October 2024, the Group also engaged in e-commerce business which mainly focus on the USA market.

	Manufacturing		Trading		Total	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<b>1,066,858</b>	931,812	<b>634,188</b>	542,676	<b>1,701,046</b>	1,474,488
Inter-segment revenue	<b>45,587</b>	45,772	<b>1,950</b>	–	<b>47,537</b>	45,772
Reportable segment revenue	<b>1,112,445</b>	977,584	<b>636,138</b>	542,676	<b>1,748,583</b>	1,520,260
Reportable segment cost of sales	<b>706,241</b>	(637,525)	<b>468,564</b>	(381,481)	<b>(1,174,805)</b>	(1,019,006)
Reportable segment profit/(loss)	<b>238,045</b>	190,576	<b>(77,918)</b>	(95,443)	<b>160,127</b>	95,133
Financial assets at fair value through profit or loss – fair value gains/(losses)					<b>6,444</b>	(526)
Fair value (losses)/gains on investment properties					<b>(983)</b>	4,987
Unallocated corporate income					<b>30,347</b>	33,290
Unallocated corporate expenses					<b>(21,871)</b>	(19,880)
Profit from operations					<b>174,064</b>	113,004
Finance income					<b>3,528</b>	2,943
Finance costs					<b>(13,402)</b>	(14,666)
Share of loss from an investment accounted for using equity method					<b>(393)</b>	(29)
Income tax expense					<b>(37,595)</b>	(39,420)
Profit for the year					<b>126,202</b>	61,832
Depreciation of property, plant and equipment	<b>51,206</b>	48,519	<b>10,890</b>	6,061	<b>62,096</b>	54,580
Depreciation of right-of-use assets	<b>4,141</b>	4,437	<b>13,314</b>	11,152	<b>17,455</b>	15,589
Amortisation of other intangible assets	–	–	<b>32,372</b>	24,868	<b>32,372</b>	24,868
Net provision for inventories	<b>3,638</b>	2,786	<b>16,278</b>	10,713	<b>19,916</b>	13,499
Net impairment losses on financial assets	<b>672</b>	4,622	<b>2,918</b>	1,999	<b>3,590</b>	6,621

5.2% (2024: 6.0%) and 94.8% (2024: 94.0%) of total selling and distribution cost is contributed by segment of manufacturing and trading, respectively. 52.2% (2024: 43.7%) and 47.8% (2024: 47.0%) of total administrative expenses is contributed by segment of manufacturing and trading, respectively.

	Manufacturing		Trading		Total	
	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	<b>941,195</b>	837,368	<b>774,195</b>	808,638	<b>1,715,390</b>	1,646,006
Investment properties					<b>54,280</b>	54,151
Deferred income tax assets					<b>4,269</b>	3,171
Investment accounted for using equity method					–	393
Financial assets at fair value through profit or loss					<b>46,369</b>	46,101
Tax recoverable					<b>3,251</b>	3,251
Short-term deposits					<b>5,762</b>	12,155
Cash and cash equivalents					<b>168,446</b>	179,638
Total assets					<b>1,997,767</b>	1,944,866
Reportable segment liabilities	<b>298,100</b>	271,142	<b>179,945</b>	207,588	<b>478,045</b>	478,730
Deferred income tax liabilities					<b>29,901</b>	31,547
Current income tax liabilities					<b>57,135</b>	45,170
Borrowings					<b>140,353</b>	199,479
Other corporate liabilities					<b>8,289</b>	10,651
Total liabilities					<b>713,723</b>	765,577
Additions to non-current assets (excluding financial instruments and deferred income tax assets)	<b>46,691</b>	33,432	<b>48,287</b>	286,147	<b>94,978</b>	319,579

Segment assets exclude investment properties, deferred income tax assets, investment accounted for using equity method, financial assets at fair value through profit or loss, 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.

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.

Additions to non-current assets during the year comprises additions to property, plant and equipment, intangible assets and right-of-use assets. For the year ended 31 December 2024, it also included additions resulting from acquisitions through a business combination.

(i) **Revenue from external customers**

The Group's revenue from external customers is divided into the following geographical areas based on the location of the customers. The revenue is recognised at a point in time when control of the products has been transferred.

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
USA	<b>1,339,090</b>	1,243,322
Europe	<b>329,393</b>	202,007
Chinese Mainland and Hong Kong	<b>7,975</b>	9,544
Others	<b>24,588</b>	19,615
	<hr/>	<hr/>
Total	<b>1,701,046</b>	1,474,488
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During the year ended 31 December 2025, revenue derived from the Group's largest customer (who is a group of affiliated companies of a shareholder) amounted to HK\$745,115,000 or 43.8% of the Group's revenue (2024: HK\$644,444,000 or 43.7%). These revenues were attributable to the Manufacturing Business.

(ii) **Non-current assets**

The geographical location of the non-current assets is based on the location of operations and physical location of the assets:

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bangladesh	<b>223,557</b>	264,169
USA	<b>361,436</b>	342,901
Mexico	<b>136,057</b>	128,385
Chinese Mainland	<b>23,180</b>	38,401
Europe	<b>87,324</b>	105,011
Hong Kong	<b>17,162</b>	14,996
Cambodia	<b>26,926</b>	–
	<hr/>	<hr/>
	<b>875,642</b>	893,863
Deferred income tax assets	<b>4,269</b>	3,171
Financial assets at fair value through profit or loss	<b>41,629</b>	41,885
Other financial assets at amortised cost	<b>2,553</b>	1,442
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	<b>924,093</b>	940,361
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### 3. OTHER GAINS/(LOSSES) — NET

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets at fair value through profit or loss		
– fair value gains/(losses)	<b>6,444</b>	(526)
Net foreign exchange losses	<b>(139)</b>	(1,764)
Fair value (losses)/gains on investment properties	<b>(983)</b>	4,987
Gain on deregistration of subsidiaries	–	4,663
Gain on investment in an insurance contract	<b>337</b>	264
Loss on disposal of subsidiaries	–	(8,040)
Gain on derecognition of a lease	<b>1,155</b>	–
Others	–	149
	<hr/>	<hr/>
	<b>6,814</b>	(267)
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### 4. FINANCE COSTS — NET

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and other borrowings	<b>(9,168)</b>	(10,780)
Interest on lease liabilities	<b>(1,824)</b>	(1,393)
Interest accretion on licence fee payables	<b>(2,410)</b>	(2,493)
	<hr/>	<hr/>
Interest costs	<b>(13,402)</b>	(14,666)
Interest income	<b>3,528</b>	2,943
	<hr/>	<hr/>
Finance costs – net	<b>(9,874)</b>	(11,723)
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## 5. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Depreciation of property, plant and equipment	62,096	54,580
Depreciation of right-of-use assets	17,455	15,589
Amortisation of other intangible assets	32,372	24,868
Net impairment losses on financial assets	3,590	6,621
Net provision for inventories	19,916	13,499
	<u>62,096</u>	<u>13,499</u>

## 6. INCOME TAX EXPENSE

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Current year		
— Hong Kong profits tax	1,441	—
— Overseas tax	40,469	34,087
	<u>41,910</u>	<u>34,087</u>
Under-provision in prior years		
— Hong Kong profits tax	—	1,520
	<u>41,910</u>	<u>35,607</u>
Deferred income tax	(4,315)	3,813
	<u>37,595</u>	<u>39,420</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits for the year.

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The Group operates in a jurisdiction that have implemented the Pillar Two Rules, which impose a global minimum effective tax rate of 15%. The Directors consider the Group is not liable to top-up tax under the Pillar Two Rules.

## 7. 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 year.

	2025	2024
Profit attributable to owners of the Company (HK\$'000)	<u>118,468</u>	<u>57,074</u>
Weighted average number of ordinary share for basic earnings per share	<u>429,164,448</u>	<u>429,164,448</u>
Basic earnings per share (HK cents)	<u>27.6043</u>	<u>13.2989</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.

For the year ended 31 December 2025, as the outstanding share options would result in an anti-dilution at earnings per share and therefore, the diluted earnings per share equals the basic earnings per share.

	2025	2024
Profit attributable to owners of the Company (HK\$'000)	<u>118,468</u>	<u>57,074</u>
Weighted average number of ordinary shares in issue	<u>429,164,448</u>	429,164,448
Adjustment for share options	<u>–</u>	<u>4,898,296</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>429,164,448</u>	<u>434,062,744</u>
Diluted earnings per share (HK cents)	<u>27.6043</u>	<u>13.1488</u>

## 8. DIVIDENDS

A final dividend in respect of the year ended 31 December 2025 of 6 HK cents per share, amounting to a total dividend of HK\$25,750,000 (2024: HK\$21,458,000). These financial statements do not reflect this dividend payable. The amount of proposed final dividend were based on 429,164,448 (2024: 429,164,448) shares in issue as at 31 December 2025.

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Interim dividend for the year ended 31 December 2025 of 3 HK cents (2024: 3 HK cents) per share	12,875	12,877
Final dividend for the year ended 31 December 2024 of 5 HK cents (2023: 6 HK cents) per share	21,458	25,750
	<u>34,333</u>	<u>38,627</u>

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade receivables	452,898	400,015
Less: provision for impairment losses	<u>(21,146)</u>	<u>(24,373)</u>
Trade receivables, net	<u>431,752</u>	<u>375,642</u>
Other financial assets of amortised cost		
Deposits	6,999	5,697
Other receivables (note)	40,864	14,452
	<u>47,863</u>	<u>20,149</u>
Less: provision for impairment losses	<u>(6,817)</u>	<u>—</u>
Other financial assets of amortised cost, net	<u>41,046</u>	<u>20,149</u>
	472,798	395,791
Less: non-current portion of deposits	<u>(2,553)</u>	<u>(1,442)</u>
Current portion	<u>470,245</u>	<u>394,349</u>

Note: Included in other receivables is a loan to a third party with principal amount of US\$3,000,000 (equivalent to approximately HK\$23,340,000). The loan bears interest at 6.08% per annum and matures on 6 July 2026.

The carrying amounts approximate their fair values.

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

	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
0 – 30 days	<b>139,448</b>	133,284
31 – 60 days	<b>138,119</b>	106,154
61 – 90 days	<b>79,261</b>	86,227
91 – 120 days	<b>25,030</b>	18,032
121 – 180 days	<b>22,912</b>	11,207
Over 180 days	<b>48,128</b>	45,111
	<b>452,898</b>	400,015

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 30–180 days and therefore are all classified as current.

(b) **Impairment and risk exposure**

*Trade receivables*

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against “net impairment losses on financial assets” in the consolidated statement of profit or loss.

The movements in provision for impairment loss of trade receivables during the year are as follows:

	<b>2025</b> <i>HK\$'000</i>	2024 <i>HK\$'000</i>
At 1 January	<b>24,373</b>	17,752
Net (reversal of impairment loss)/impairment loss for the year	<b>(3,227)</b>	6,621
At 31 December	<b>21,146</b>	24,373

The Group does not hold any collateral over the impaired receivables.

### ***Accounting policies of impairment on trade receivables***

The Group applies HKFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loss, trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance, the remaining trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward-looking information.

During the year ended 31 December 2025, based on management's assessment, the Group recorded net reversal of impairment loss for trade receivables of HK\$3,227,000 (2024: net impairment loss of HK\$6,621,000) in the consolidated statement of profit or loss.

### ***Other financial assets at amortised cost***

For other financial assets at amortised cost, including deposits and other receivables, the expected credit loss is based on the 12 months expected losses. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since, origination, the allowance will be based on the lifetime expected credit loss.

## **10. OTHER NON-CURRENT ASSETS**

	<b>2025</b>	2024
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Investment in an insurance contract	<b>7,287</b>	7,145
Other	<b>1,441</b>	102
	<b><u>8,728</u></b>	<u>7,247</u>

## **11. OTHER CURRENT ASSETS**

	<b>2025</b>	2024
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other prepayments	<b>12,708</b>	9,426
Prepayments to suppliers	<b>9,427</b>	5,703
	<b><u>22,135</u></b>	<u>15,129</u>

## 12. TRADE AND OTHER PAYABLES

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	<b>218,653</b>	188,009
Other payables		
Accrued salaries and other employee benefits	<b>60,170</b>	56,892
Licensing rights payable	<b>62,771</b>	60,875
Others	<b>96,100</b>	122,814
	<b>437,694</b>	428,590
Less: other non-current payables	<b>(38,374)</b>	(26,394)
Current portion	<b>399,320</b>	402,196

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

	<b>2025</b>	2024
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>147,464</b>	96,530
31 – 60 days	<b>31,068</b>	32,205
61 – 90 days	<b>10,889</b>	15,262
Over 90 days	<b>29,232</b>	44,012
	<b>218,653</b>	188,009

Contract liabilities 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. No contract liabilities were recognised as at 31 December 2025 (2024: HK\$537,000).

Revenue recognised during the year ended 31 December 2025 that was included in the contract liability at the beginning of the year amounted to HK\$537,000 (2024: HK\$1,031,000).

## **BUSINESS REVIEW**

### **Overview**

In 2025, global geopolitical rivalry and trade policy adjustments continued to reshape the international supply chain landscape. Amid such profound changes, the Group implemented a visionary multi-regional strategy to further consolidate its manufacturing network across Asia and North America. At the same time, it accelerated the integration of the trading business and market expansion to improve overall operational efficiency. During the year, manufacturing scale and efficiency advanced in tandem, new production bases progressed smoothly, the trading platform underwent ongoing optimization, and the operational structure became increasingly mature. Together, these developments have laid a solid foundation for sustainable long-term growth.

### **Financial Review**

During the year, the Group's revenue increased by 15.4% year-on-year to HK\$1,701,046,000 (2024: HK\$1,474,488,000). Gross profit totaled HK\$526,241,000 (2024: HK\$455,482,000), 15.4% higher year-on-year, and gross profit margin was at 30.9% (2024: 30.9%). Profit attributable to shareholders amounted to HK\$118,468,000 (2024: HK\$57,074,000), a year-on-year increase of 107.6%. The Board has resolved to recommend a final dividend of 6 HK cents per share for the year ended 31 December 2025 (2024: final dividend of 5 HK cents). Together with an interim dividend of 3 HK cents per share (2024: interim dividend of 3 HK cents), the total dividend for the year amounted to 9 HK cents (2024: 8 HK cents).

The Group maintained a healthy financial position, with stable operating cash flows. It also held cash on hand and unutilized banking facilities, amounting to approximately HK\$174,208,000 and HK\$645,300,000, respectively, as at 31 December 2025 (2024: HK\$191,793,000 and HK\$720,600,000, respectively).

### **Business Review**

#### ***Manufacturing Business***

The Group operates factories in Bangladesh, Mexico, Cambodia and Shenzhen, China. With their complementary strengths, these facilities form a comprehensive global production network that mitigates geopolitical and trade risks. During the year, the manufacturing segment continued to advance lean management initiatives and enhance process efficiency across its operations, which contributed to improved overall performance.

During the year, certain key customers completed their respective mergers and acquisitions, expanding their business scale and raising requirements for supply chain stability. Building on its established partnerships and reliable delivery capabilities, the Group secured additional orders and achieved a substantial increase in revenue from the manufacturing segment.

Revenue from the Group's manufacturing business for the year was HK\$1,066,858,000 (2024: HK\$931,812,000), a year-on-year increase of 14.5%. The segment's operating profit climbed by 24.9% year-on-year to HK\$238,045,000 (2024: HK\$190,576,000) and revenue accounted for 62.7% (2024: 63.2%) of the Group's total revenue.

The Bangladesh production base has shifted from a phase of scale expansion to one focused on optimizing efficiency and enhancing quality. During the year, without additional equipment or significant increases in overtime, production output rose by approximately 20%. A robust management system and a skilled workforce have enabled sustained improvements in product quality and operational stability.

The Mexico factory expanded its production capacity during the year and achieved a single-month profit in December, signaling the gradual stabilization of its operations. To further enhance production efficiency, the Group dispatched a team of management personnel from Bangladesh to support the team in Mexico and strengthen local operational systems and work management. During the year a clear improvement trend was evident.

The Cambodia factory entered its trial production phase in November 2025 and delivered satisfactory initial performance. The factory currently also operates a belt production line and plans to establish a backpack production line to broaden its product portfolio and contribute to future business expansion. The Group arranged for a group of Bangladeshi personnel to provide on-site support and prepare for subsequent production ramp-up. The Cambodia factory is expected to reach breakeven by end of 2026.

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

As at 31 December 2025, the Bangladesh factory had approximately 7,300 employees (31 December 2024: approximately 7,400), and the Mexico, Cambodia and Shenzhen factories had approximately 700, 300 and 100 employees, respectively (2024: 400, nil and 100 employees, respectively).

### ***Trading Business***

During the year, amid a slowdown in global economic growth, retailers maintained tight control over inventory levels and adopted a more cautious procurement approach. Competition in the industry intensified. Despite these challenges, the trading segment drew on the strength of its diversified brand portfolio and its ability to respond promptly to market changes to meet customers' demand for quick orders, and achieved stable overall performance.

Taking into account the sales contribution from Difuzed, the Dutch licensed product development company, revenue from the trading segment increased by 16.9% year-on-year to HK\$634,188,000 (2024: HK\$542,676,000), constituting 37.4% of the Group's total revenue.

Meanwhile, the Group undertook a comprehensive integration of its trading business. By leveraging Difuzed's extensive portfolio of brand licenses, the Group broadened its product offering, and through the Dutch company's business network, expanded its market presence beyond Europe and the US into emerging markets such as Africa and the Middle East. In addition, the Group aligned internal resources of its subsidiaries, including their IT systems and logistics networks, to reinforce cross-regional collaboration and underpin the global development of its trading business.

The trading segment saw a notable improvement in sales performance during the year; however, the cost of sales remained high and administrative expenses increased due to the merger with Difuzed. Consequently, the segment reported an operating loss of HK\$77,918,000 (2024: HK\$95,443,000).

### **PROSPECTS**

Looking ahead, the global economic and trade environment remains uncertain, with evolving tariff policies expected to continue driving market volatility. Nevertheless, the Group remains cautiously optimistic about its long-term development. As its multi-regional production structure and international sales network continue to take shape, resource allocation is becoming increasingly flexible. The Group will draw on its strengths to seize market opportunities and deliver sustainable business growth.

Regarding the manufacturing business, the Group will continue expanding production capacity to meet growing customer demand, while strengthening control over material costs and accelerating the adoption of automation to enhance production efficiency. As the existing leased facility in Cambodia can no longer accommodate future needs, the Group has initiated plans to acquire land and construct its own factory in Cambodia. The new facility is expected to be completed and commence operations by mid-2027, which will increase production capacity and support product diversification, injecting new momentum into the manufacturing business.

The Mexico factory benefits from the tariff arrangements under the US-Mexico-Canada Agreement (USMCA), pursuant to which exports to the United States are eligible for duty-free treatment. This arrangement reduces costs and improves its cost competitiveness in the North American market.

For the trading business, the Group will actively explore new customer opportunities in 2026. It will fully leverage the resources of its European and US subsidiaries, which hold extensive licensed brand portfolios, to strengthen cross-regional sales and drive business in both markets. At the same time, through sales agency arrangements, the Group will introduce its own brands to the European market.

With the geographic and tariff advantages of its Mexico factory, the Group is proceeding as planned with the establishment of a free trade zone within the industrial park, including the construction of warehouses and related facilities, and is in discussion with potential customers. In conjunction with the planned transformation of the Shenzhen factory into a cross-border e-commerce industrial park, the Group expects that these initiatives will enhance cross-border logistics efficiency and optimise the operating model of its trading business.

The Group will also continue to strengthen cost control measures, promote production automation, and boost operational efficiency. Furthermore, it will keep abreast of advancements in artificial intelligence applications and explore their timely adoption in production and management, and prepare for future upgrades.

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 and create long-term value for its customers and shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Liquidity and Financial Resources**

As at 31 December 2025, the Group had cash and cash equivalents, short-term deposits and a portfolio of liquid investments totaling HK\$178.9 million (2024: HK\$196.0 million). About 51%, 17% and 11% of these liquid funds were denominated in United States dollars, Renminbi and Hong Kong dollars respectively and the remaining were mainly in Bangladesh Taka, Pound Sterling and Mexican Peso.

As at 31 December 2025, the Group had banking facilities of HK\$785.6 million (2024: HK\$905.4 million), of which HK\$645.3 million (2024: HK\$720.6 million) was not utilised.

The borrowings over equity ratio of the Group was 10.9% (2024: 16.9%). In view of the strong financial and liquidity position, the Group have sufficient financial resources to meet its commitments and working capital requirements.

## **Capital Expenditure**

During the year, the Group incurred approximately HK\$46.7 million (2024: HK\$33.4 million) the additions to plant and equipment to upgrade its manufacturing capability and expansion in Mexico, Bangladesh and Cambodia factories. The Group incurred HK\$12.0 million (2024: HK\$138.4 million) on the renovation of a warehouse in Missouri, the USA and on equipments and systems of Trading business.

The Group budgeted HK\$201.3 million for capital expenditures in 2026, of which HK\$161.3 million is budgeted to be used for the construction of a warehouse in Mexico and construction of a factory in Cambodia. The Group also authorised a capital commitment of HK\$40.0 million for acquisition of machinery and equipment upgrades.

The above capital expenditure is expected to be financed by internal resources of the Group and banking facilities.

## **Exchange Risk**

Most assets and liabilities of the Group are denominated either in Hong Kong dollars, United States dollars, Renminbi, Bangladesh Taka or Mexican peso. The Group estimates that any 1% appreciation of the Bangladesh Taka is expected to reduce 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.

## **Employees and Remuneration Policies**

At 31 December 2025, the Group employed 162 (2024: 162) employees in the People's Republic of China (include Hong Kong), 7,326 (2024: 7,417) employees in Bangladesh, 650 employees in Mexico (2024: 427), 302 employees in Cambodia (2024: nil) and a total of 175 (2024: 194) employees in the USA and Europe. The expenditures for employees during the year were approximately HK\$436.8 million (2024: HK\$398.0 million). The Group ensures that the pay levels of its employees are competitive and employees were 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.

## **DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS**

The Directors recommend the payment of a final dividend of 6 HK cents per share (2024: 5 HK cents per share) in respect of the year ended 31 December 2025. Subject to the approval at the forthcoming annual general meeting, the final dividend will be payable on or after 18 June 2026 to the shareholders whose names appear on the register of members at the close of the business on 4 June 2026, being the record date for determination of entitlements to the final dividend.

To determine the identity of members who are entitled to the final dividend of the Company for the year ended 31 December 2025, the register of members of the Company will be closed from 1 June 2026 to 4 June 2026 (both dates inclusive). In order to qualify for the proposed final 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 29 May 2026.

#### **ANNUAL GENERAL MEETING**

To determine the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting which will be held on 22 May 2026, the register of members of the Company will be closed from 19 May 2026 to 22 May 2026 (both dates inclusive). In order to qualify to attend the Annual General Meeting, 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 18 May 2026.

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

During the year ended 31 December 2025 the Company has not redeemed any of its shares. 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 year ended 31 December 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 enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2025.

#### **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2025, including the accounting principles and practices adopted by the Group.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Hong Kong, 26 March 2026

*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, Thomas and Mr. Andrew Ngan; and three are Independent Non-executive Directors, namely Mr. Gordon Ng, Mr. Cheung Tei Sing Jamie and Mr. Li Yinquan.*